

AREA VOCATIONAL-
TECHNICAL SCHOOLS
OF MERCER COUNTY
SCHOOL DISTRICT

County of Mercer
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2020*

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

Hamilton, New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2020

Prepared by

Business Office

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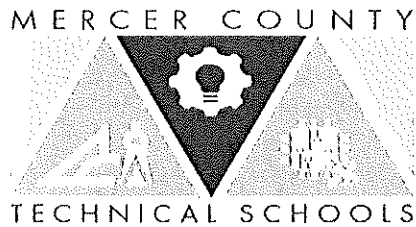
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Introductory Section



KIMBERLY J. SCHNEIDER, Ed.D.
Superintendent

www.mcts.edu

January 28, 2021

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

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report (CAFR) of the Area Vocational-Technical Schools of Mercer County (District) as of and for the year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and government-wide financial statements of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this Transmittal Letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's Organization Chart, list of Principal Officials and a list of independent auditors and advisors. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and related footnotes and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*. A federal single audit was not required in the 2020 fiscal year as federal expenditures did not exceed \$750,000. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and questioned costs, is included in the Single Audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels 9 to 12 in full-time academies and grades 11 to 12 in shared-time secondary programs, as well as adult and post-secondary programs. These include regular vocational, as well as vocational special education for handicapped students. The District completed the 2019-2020 fiscal year with an average daily enrollment of 1,042 students. Following are the District's average daily enrollments over the last five (5) years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>
2019-2020	1,042
2018-2019	1,058
2017-2018	983
2016-2017	977
2015-2016	887

2. ECONOMIC CONDITION AND OUTLOOK:

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

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

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

The District acquires its funding from federal, state, county, and local sources. As per the 2019-2020 budget of \$16,010,037 approximately 46% of the budget is supported by county tax, 17% by state aid, 4% by federal/state special revenue aid, and 33% from tuition, fees, miscellaneous income and through the addition of fund balance.

Mercer County is home of a wide range of industries including education, health and social services. The county's unemployment rate was 12% at June 2020, which is higher than the national average of 11.2%. Mercer County has seen the job market increase by 1.3% over the last year. Future job growth over the next ten years is predicted to be 29.4%, which is lower than the US average of 33.5%. Professional, scientific and technical services are expected to be the county's job growth leader with an anticipated gain of 7,800 jobs or 31.9 percent.

Area Vocational-Technical Schools of Mercer County is striving to align programs and prepare students to meet the demands of today and the future through additional Career Prep and full-time

Academy Programs for students to earn the credentials for high school and beyond in conjunction with Mercer County Community College, business and industry apprenticeships and partnerships.

The District's 2019-2020 enrollment remained relatively flat compared to the 2018-2019 school year. The District cannot accurately forecast future enrollment. While the District does not anticipate a significant change in enrollment for the 2020-2021 school year, the District is aware that requirements for controlling out of district placements from sending districts and the 2% cap on the sending district's tax levy increases have the potential to impact future enrollment.

3. **MAJOR INITIATIVES:**

Capital Project Initiatives:

The conversion from a shared-time facility to a full-time facility still remains an ongoing capital improvement project as part of the Long-Range Facility Plan. It has become more evident that "full-time" career and technical education programs will offer students an integrated academic and technical comprehensive educational program. The design schematics for the proposed full-time educational program will include specialized laboratory facilities and academic classrooms for additional career programs in Green Construction, Transportation and Logistics, and increased capacity for student enrollment in the district's current STEM Academy to include career pathways in Aviation, Information Technology, and Cybersecurity. The academy concept incorporates innovative approaches to education such as flexible scheduling, integrated curriculum, industry-school mentorship and partnership, technology, project-based research experiences, and internships.

The District buildings range in age from 46 to 109 years old. The District is committed to the continued maintenance and repair of the buildings. During the 2019-2020 school year, the District completed the construction of a new Food Science Lab for the Culinary Arts Program at the Sypek Center and completed upgrades to the welding shop at the Assunpink Center. The district also continues to provide for security upgrades as part of the original ROD grant scope. The district plans to upgrade outdoor campus lighting at the Sypek Center and add a Walk-in refrigeration box to the new Food Science Lab.

The district continues to invest in network infrastructure upgrades and other site improvements.

Program Initiatives:

- A new Food Science Lab for the Culinary Arts program was completed during the 2019-2020 school year.
- Expansion of collaborative partnerships to develop student centered programs in higher education, business/industry, and labor and government in order to meet the future demands of the economy and workforce requirements, including partnership with MCCC to create a diesel aviation program at the Trenton location to support anticipated expansion opportunities at the Mercer Airport.
- Collaborating with the United States Army as well as the local police to install outdoor fitness trails at both the Assunpink and Sypek campuses.
- Planning continues regarding the Securing Our Children's Future Bond Act.

4. **INTERNAL ACCOUNTING CONTROLS:**

Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applicable to governmental

entities. ("GAAP"). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal awards and State financial assistance, the District is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District's management.

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

5. **BUDGETARY CONTROLS:**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as assigned fund balance at June 30, 2020.

6. **ACCOUNTING SYSTEM AND REPORTS:**

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

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

As demonstrated by the various statements and schedules included in the financial section of the report, the District continues to meet its responsibility for sound financial management. Financial summaries and detail should be reviewed in the Management's Discussion and Analysis for the Fiscal Year ended June 30, 2020.

8. **DEBT ADMINISTRATION:**

At June 30, 2020, the District had no outstanding debt other than obligations under capital leases.

9. **CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a Cash Management Plan which requires

it to deposit public funds in public depositories protected from a loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10. **RISK MANAGEMENT:**

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

11. **OTHER INFORMATION:**

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

Awards – The District had applied to the Association of School Business Officials (ASBO) International for the "Certificate of Excellence in Financial Reporting" for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2014 through 2019 and was granted the award. In order to be awarded this certificate, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report and satisfied both generally accepted accounting principles and applicable legal requirements.

We believe that our current Comprehensive Annual Financial Report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2019-2020 award.

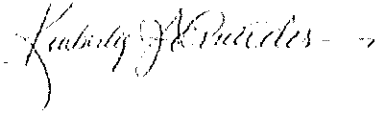
12. **COVID-19 PANDEMIC:**

Mercer County Technical Schools began a program to prevent the transmission of the coronavirus in March 2020, beginning with cautionary signage and enhanced cleaning of buildings. As the pandemic continued, the District took a variety of safety precautions, including implementing remote learning, providing PPE to staff, enforcing physical distancing in the buildings, improving ventilation and HVAC systems, and sharing information with employees and students about safety protocols. The District has changed usage protocols for classrooms, cafeterias, and shared spaces. Improvements to the ventilation and HVAC systems have included changing filters 25% more frequently, running the system at 100% capacity two hours before and after occupancy, upgrading to MERV-13 filters wherever possible and increasing the volume of fresh air circulation. The District is currently obtaining proposals for the installation of Needlepoint Bipolar Ionization technology in schools to improve air filtration. The district also has installed hydroxyl generators in the nursing offices and use the same when treating any spaces suspected of having a presumptive positive case. The District has also implemented more frequent cleaning. In addition, the District has provided hand sanitizer, and distributed a range of PPE to staff, as needed, including surgical masks, N95 masks, face shields, and isolation gowns. Masks are required in all buildings. Students and staff are required to submit a daily health screening form prior to entering district buildings. The District anticipates continued vigilance will be necessary and will examine any new options or protocols that become available to keep students and staff as safe as possible.

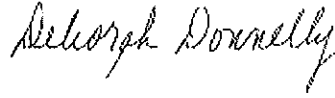
13. ACKNOWLEDGEMENTS:

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

Respectfully submitted:

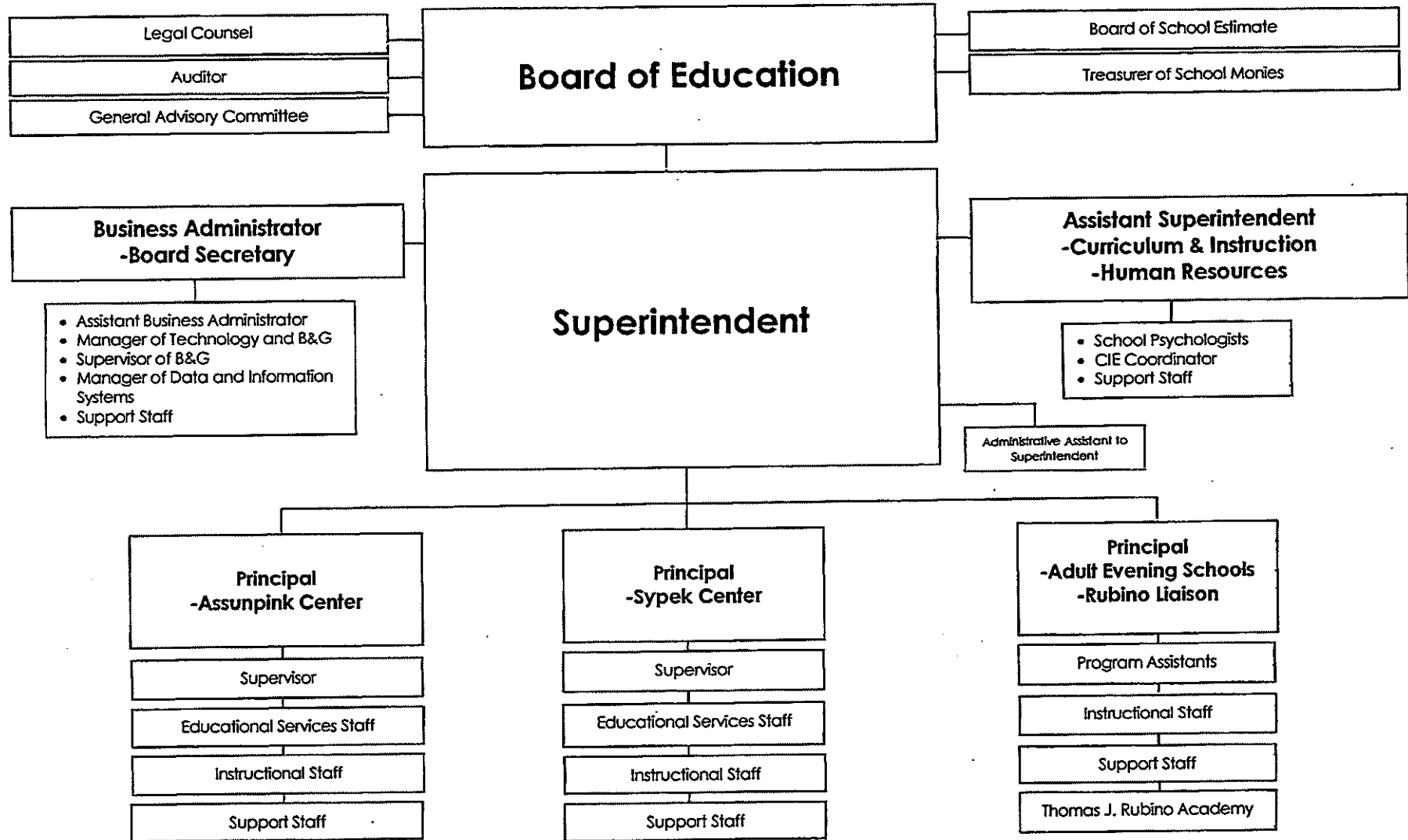


Kimberly J. Schneider, Ed.D.
Superintendent



Deborah Donnelly
Business Administrator/Board Secretary

Mercer County Technical School District Organization Chart



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

Roster of Officials

June 30, 2020

Members of the Board of Education

Term Expires

Albert W. Pitman, President	2023
Yolanda Stinger, Vice President	2020
Michael Sabo	2021
Tenille McCoy	2023
Vacancy	
Vacancy	
Yasmin Hernandez-Manno, Interim Executive County Superintendent of Schools (Ex-Officio)	

Other Officials

Dr. Kimberly Schneider, Superintendent of Schools – Chief School Administrator
Deborah Donnelly, Business Administrator / Board Secretary
Thomas Venanzi, Treasurer of School Monies

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

Independent Auditors and Advisors

Independent Auditors

Wiss and Company, LLP
100 Campus Drive, Suite 400
Florham Park, NJ 07932

Attorneys

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

Official Depositories

New Jersey Cash Management
PNC Bank
Investors Bank
Bank of America



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

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

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink that reads 'Claire Hertz'. The signature is written in a cursive style and is positioned above a horizontal line.

Claire Hertz, SFO
President

A handwritten signature in black ink that reads 'David J. Lewis'. The signature is written in a cursive style and is positioned above a horizontal line.

David J. Lewis
Executive Director

Financial Section



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Area-Vocational Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

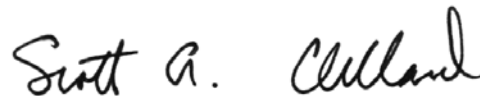
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and schedules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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

Florham Park, New Jersey
January 28, 2021

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

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Management's Discussion and Analysis (MD&A) of the Area Vocational-Technical Schools of Mercer County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, notes to the basic financial statements and additional information in the transmittal letter to enhance their understanding of the District's financial performance.

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

Financial Highlights

Key financial highlights for 2020 are as follows:

- ◆ In total, net position increased by \$2,268,891 from 2019.
- ◆ Total assets of governmental activities increased by \$1,283,459. Deferred outflow of resources decreased \$675,400 as a result of the effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.
- ◆ Total liabilities of governmental activities decreased by \$1,932,069, which was largely related to a decrease in the net pension liability of \$1,215,072 at June 30, 2020. This was in addition to a decrease in non-current liabilities of \$731,874 due to principal payments on capital leases made by the District.
- ◆ General revenues accounted for \$12,187,989 of revenue or 62.3% of all revenues. Program specific revenues in the form of tuition and other fees accounted for \$7,368,256 or 37.7% of total revenues of \$19,556,245.
- ◆ Total expenses for all programs was \$17,287,354, including expenses of \$1,882,452 for allocated depreciation.
- ◆ The General Fund had \$15,714,256 in revenues and \$14,440,371 in expenditures. The General Fund's fund balance increased \$1,273,885 from 2019.

- ◆ The activity in the Special Revenue Fund increased from the prior year, experiencing an increase in revenue from state sources of \$45,557 and an increase from federal sources of \$16,469.

Using this Comprehensive Annual Financial Report (CAFR)

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

Reporting the School District as a Whole

Government-wide Activities

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019-20?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the District’s major (all) funds is included in the 2019-20 Comprehensive Annual Financial Report as presented by the District. Fund financial statements provide detailed information about the District’s major funds. All of the funds of the District can be divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements are utilized for District financial decision making.

Governmental Funds

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

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

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

General Fund

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$506,906, while total fund balance was \$6,257,499. The fund balance increased \$1,273,885 during the current fiscal year primarily due to an increase in tuition and other revenue sources and a decrease in expenditures related to special schools.

Special Revenue Fund

The special revenue fund is the fund that accounts for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. During the current fiscal year, the District expended \$406,595 from federal sources and \$173,460 from state sources.

Capital Projects Fund

The District uses the capital projects fund to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds and trust funds). During the current fiscal year, the District expended \$781,996 for improvements to both the Assunpink and Sypek Centers.

Enterprise Fund

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 through 71 of this report.

Other Information

The required supplementary information and combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Required supplementary information and combining and individual fund statements and schedules can be found on pages 77-98 of this report.

The School District as a Whole

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

The following table provides a summary of the District's net position as of June 30, 2020 and 2019:

Net Position June 30, 2020 and 2019

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,176,292	\$ 5,726,400	\$ 600,740	\$ 425,380	\$ 7,777,032	\$ 6,151,780
Capital assets, net	27,476,107	27,642,540			27,476,107	27,642,540
Total assets	34,652,399	33,368,940	600,740	425,380	35,253,139	33,794,320
Deferred Outflow of Resources	1,103,735	1,779,135			1,103,735	1,779,135
Current liabilities and other	1,443,730	1,572,002	600,740	425,380	2,044,470	1,997,382
Net pension liability	4,815,337	6,030,409			4,815,337	6,030,409
Long-term liabilities	5,642,174	6,374,048			5,642,174	6,374,048
Total liabilities	11,901,241	13,976,459	600,740	425,380	12,501,981	14,401,839
Deferred Inflows of Resources	3,031,191	2,616,795			3,031,191	2,616,795
Net position:						
Net investment in capital assets	21,452,163	20,632,239			21,452,163	20,632,239
Restricted	5,880,870	4,936,412			5,880,870	4,936,412
Unrestricted (deficit)	(6,509,321)	(7,013,830)	-	-	(6,509,321)	(7,013,830)
Total net position	\$ 20,823,712	\$ 18,554,821	\$ -	\$ -	\$ 20,823,712	\$ 18,554,821

Total governmental activities assets increased from the prior year by \$1,283,459 mainly attributable to the increase in restricted cash and cash equivalents in FY20 compared to the prior year.

Total governmental activities liabilities decreased by \$1,932,069. The District's long-term liabilities decreased \$731,874 and current and other liabilities remained in line with prior year, increasing \$14,877. The decrease in long-term liabilities is due to the District making annual

principal payments on capital leases. The net pension liability decreased by \$1,215,072, deferred outflow of resources decreased \$675,400 and deferred inflow of resources increased by \$474,396 all of which are a result of the effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Unrestricted net position (deficit), the part of net position that can be used to finance day-to day activities, without constraints, established by grants or legal requirements of the District, increased by \$504,509. The net position for Business-Type Activities is zero at June 30, 2020.

The following table provides a comparison of government-wide changes in net position for the 2020 and 2019 fiscal years:

**Changes in Net Position
Years ended June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 4,027,333	\$ 4,081,204	\$ 1,979,472	\$ 2,078,650	\$ 6,006,805	\$ 6,159,854
Operating grants and contributions	580,055	518,029			580,055	518,029
Capital grants and contributions	781,396	550,407			781,396	550,407
General revenues:						
County Appropriation/Taxes	7,176,157	7,035,448			7,176,157	7,035,448
State and Federal Sources	4,613,105	5,039,912			4,613,105	5,039,912
Miscellaneous	398,727	259,095			398,727	259,095
Total revenues	17,576,773	17,484,095	1,979,472	2,078,650	19,556,245	19,562,745
Expenses:						
Instructional services	6,952,163	7,401,302	1,979,472	2,091,182	8,931,635	9,492,484
Support services	7,096,682	6,869,214			7,096,682	6,869,214
Special schools	1,027,344	2,030,560			1,027,344	2,030,560
Interest on long term obligations	231,693	266,572			231,693	266,572
Total expenses	15,307,882	16,567,648	1,979,472	2,091,182	17,287,354	18,658,830
Change in net position before transfers	2,268,891	916,447	-	(12,532)	2,268,891	903,915
Transfers		(4,154)		4,154	-	-
Change in net position	2,268,891	912,293	-	(8,378)	2,268,891	903,915
Net position – beginning	18,554,821	17,642,528	-	8,378	18,554,821	17,650,906
Net position – ending	\$ 20,823,712	\$ 18,554,821	\$ -	\$ -	\$ 20,823,712	\$ 18,554,821

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

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

Financial Analysis of the District's Funds

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

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2020, and the amount and percentage of increases in relation to prior year revenues.

Revenues Year Ended June 30, 2020

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2019</u>	<u>Percent of Increase</u>
Local sources	\$ 11,602,217	71.2%	\$ 168,044	1.5%
State sources	4,285,499	26.3	208,215	5.1%
Federal sources	406,595	2.5	16,469	4.2%
Total	<u>\$ 16,294,311</u>	<u>100.0%</u>	<u>\$ 392,728</u>	<u>2.5%</u>

The increase in the local sources was mainly attributable to the increase in enrollment and general tuition fees. Federal sources increased primarily due to the District receiving more grant funds. The increase in State sources is primarily attributable to an increase in state aid. The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2020, and the amount and percentage of increases (decreases) in relation to prior year expenditures:

Expenditures
Year Ended June 30, 2020

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2019</u>	<u>Percent of Increase (Decrease)</u>
Current:				
Instruction	\$ 4,049,474	27.0%	\$ 165,532	4.3%
Support services	8,088,453	53.8	512,700	6.8
Capital outlay	947,530	6.3	102,324	12.1
Debt service – capital leases	1,173,762	7.8	(94,243)	(7.4)
Special schools	761,207	5.1	(616,815)	(44.8)
Total	<u>\$ 15,020,426</u>	<u>100.0%</u>	<u>\$ 69,498</u>	<u>0.5%</u>

Instruction and support services had a slight increase from the prior year due to the increase in rates year over year. The increase in capital outlay is mainly attributed to the increase in construction services related to two new projects commencing in the 2020 fiscal year.

Capital Assets

At the end of fiscal years 2020 and 2019, the District had \$27,476,107 and \$27,642,540, respectively, invested in a broad range of capital assets, including construction in progress, buildings, furniture, vehicles, instructional equipment and other equipment. This amount is net of accumulated depreciation. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year, and depreciation of depreciable assets for the year. The table below shows the net book value of governmental activities capital assets at the end of the 2020 and 2019 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2020</u>	<u>2019</u>
Construction in Progress	\$ 250,342	\$ 138,909
Buildings and Building Improvements	25,307,150	25,666,839
Machinery and Equipment	<u>1,918,615</u>	<u>1,836,792</u>
Total	<u>\$ 27,476,107</u>	<u>\$ 27,642,540</u>

During the current fiscal year, \$1,716,379 of capital assets were capitalized as net additions. Increases in capital assets were offset by depreciation expense for the year. The District's capital additions for the 2019-20 fiscal year included the culinary kitchen and renovations to office suites to the Sypek Center. For additional information on capital assets, see Note 4 to the Basic Financial Statements.

Long Term Debt/Liabilities

The District maintains a liability for vested compensated absences which is recorded in the government-wide financial statements. This liability is attributable to unused sick and vacation time that is due to employees at retirement or termination. Of the \$427,847 and \$371,033 liabilities at June 30, 2020 and 2019, respectively, \$28,722 and \$20,929 are due within one year, respectively.

In July 2011, the District entered into a long-term capital lease to obtain funding sources for an Energy Savings Improvement Plan (ESIP). The lease agreement requires the District to make annual principal and interest payments from its general fund budget. Of the \$5,990,000 liability at June 30, 2020, \$770,000 is due within one year.

In July 2018, the District entered into a long-term capital lease to obtain funding sources for the purchase of buses. The lease agreement requires the District to make annual principal and interest payments from its general fund budget. Of the \$33,944 liability at June 30, 2020, \$10,895 is due within one year.

The following table presents the balances of long-term liabilities as of June 30, 2020 and 2019 for governmental activities:

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Compensated Absences Payable	\$ 427,847	\$ 371,033
ESIP Capital Lease	5,990,000	6,720,000
2015-16 Capital Lease	-	245,861
2018-19 Capital Leases	<u>33,944</u>	<u>44,440</u>
Total	<u>\$ 6,451,791</u>	<u>\$ 7,381,334</u>

For additional information on Long Term Debt, see Note 5 to the Basic Financial Statements.

General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of the year, the District revises its budget as it attempts to take into consideration unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedule. Both the revenues and expenditures were adjusted for \$1,335,013 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions, on-behalf TPAF pension contributions, TPAF post retirement medical contributions and TPAF non-contributory insurance contributions.

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons including the following more significant transfers:

- Facilities Acquisition and Construction Services – Construction Services - an increase of \$415,575 is a result of the District being required to replace the welding shop ventilation system at the Assunpink Center in order to maintain accreditation.

Economic Factors and Next Year's Budget

For the 2019-20 school year, the Area Vocational-Technical Schools of Mercer County School District was able to sustain its general operating budget through the County Aid Levy, State Education Aid and Local Revenue Sources. Approximately 26% of the District's general fund revenue was from State Aid (Restricted and Not Restricted), while 46% of total general fund revenue was from the County Tax Levy. The balance of the general fund revenue was comprised of Tuition, Registration Fees and Miscellaneous Income.

The 2019-20 budget was adopted on April 8, 2019 by the County Freeholders. The District anticipates an increase in enrollment for the 2020-21 fiscal year but, due to the elective nature of its programs, the District cannot accurately forecast future enrollment. If the District were to experience a significant increase in enrollment with no appreciable increase in the County Tax Levy for future budgets, the District will be faced with the following alternatives: (a) reduce programs and services; (b) propose a Tuition Plan for the sending school districts; or (c) increase Tuition and other related fees for adult students.

The District considered the effects of the COVID-19 pandemic on its operations and believes it has a plan in place to address the impact in the 2020-21 fiscal year and beyond.

Contacting the School District's Financial Management

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2020.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 2,575,398		\$ 2,575,398
Accounts Receivable	1,148,651	\$ 429,280	1,577,931
Internal Balances	586,028	(586,028)	-
Other Assets	153,648	171,460	325,108
Restricted Assets:			
Cash and Cash Equivalents	2,712,567		2,712,567
Capital Assets, Non-Depreciable	250,342		250,342
Capital Assets, Depreciable, Net	27,225,765		27,225,765
Total Assets	<u>34,652,399</u>	<u>14,712</u>	<u>34,667,111</u>
Deferred Outflow of Resources			
Pension Deferrals	1,103,735		1,103,735
Total Deferred Outflow of Resources	<u>1,103,735</u>		<u>1,103,735</u>
Liabilities			
Accounts Payable	453,826	14,712	468,538
Accrued Interest Payable	106,935		106,935
Unearned Revenue	73,342		73,342
Net Pension Liability	4,815,337		4,815,337
Noncurrent Liabilities:			
Due Within One Year	809,617		809,617
Due Beyond One Year	5,642,174		5,642,174
Total Liabilities	<u>11,901,231</u>	<u>14,712</u>	<u>11,915,943</u>
Deferred Inflows of Resources			
Pension Deferrals	2,888,032		2,888,032
Advance of Tax Levy	143,159		143,159
Total Deferred Inflows of Resources	<u>3,031,191</u>		<u>3,031,191</u>
Net Position			
Net Investment in Capital Assets	21,452,163		21,452,163
Restricted For:			
Capital Projects	559,019		559,019
Excess Surplus - Current Year	1,345,507		1,345,507
Excess Surplus - Prior Year	1,263,777		1,263,777
Capital Reserve	2,712,567		2,712,567
Unrestricted (Deficit)	(6,509,321)		(6,509,321)
Total Net Position	<u>\$ 20,823,712</u>	<u>\$ -</u>	<u>\$ 20,823,712</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 4,874,292	\$ 2,868,835	\$ 78,987		\$ (1,926,470)	\$ (1,926,470)
Special Education	2,077,871	851,972	124,080		(1,101,819)	(1,101,819)
Support Services:						
Student and Instruction Related Services	2,355,052		376,988		(1,978,064)	(1,978,064)
General Administrative Services	830,732				(830,732)	(830,732)
School Administrative Services	728,483				(728,483)	(728,483)
Central Administrative Services	587,472				(587,472)	(587,472)
Administrative Information Technology	750,434				(750,434)	(750,434)
Plant Operations and Maintenance	1,795,304			\$ 781,396	(1,013,908)	(1,013,908)
Pupil Transportation	49,205				(49,205)	(49,205)
Interest on Long-Term Obligations	231,693				(231,693)	(231,693)
Special Schools	1,027,344	306,526			(720,818)	(720,818)
Total Governmental Activities	<u>15,307,882</u>	<u>4,027,333</u>	<u>580,055</u>	<u>781,396</u>	<u>(9,919,098)</u>	<u>(9,919,098)</u>
Business-type Activities:						
Rubino Academy	<u>1,979,472</u>	<u>1,979,472</u>				
Total Business-type Activities	<u>1,979,472</u>	<u>1,979,472</u>				
Total Primary Government	<u>\$ 17,287,354</u>	<u>\$ 6,006,805</u>	<u>\$ 580,055</u>	<u>\$ 781,396</u>	<u>(9,919,098)</u>	<u>(9,919,098)</u>
General Revenues:						
County Appropriation/Taxes					7,176,157	7,176,157
State and Federal Sources					4,613,105	4,613,105
Interest Earnings					47,782	47,782
Miscellaneous					350,945	350,945
Total General Revenues					<u>12,187,989</u>	<u>12,187,989</u>
Changes in Net Position					2,268,891	2,268,891
Net Position - Beginning					18,554,821	18,554,821
Net Position - Ending					<u>\$ 20,823,712</u>	<u>\$ 20,823,712</u>

Fund Financial Statements

Governmental Funds

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

BALANCE SHEET

June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 1,876,310		\$ 699,088	\$ 2,575,398
Interfund Receivable	658,287			658,287
Accounts Receivable:				
State	13,174	\$ 24,025		37,199
Federal		68,437		68,437
Other	1,040,109		2,906	1,043,015
Other Assets	153,648			153,648
Restricted Cash and Cash Equivalents	2,712,567			2,712,567
Total Assets	\$ 6,454,095	\$ 92,462	\$ 701,994	\$ 7,248,551
Liabilities, deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 49,812	\$ 20,203	\$ 73,258	\$ 143,273
Interfund Payable		72,259		72,259
Unearned Revenue	3,625		69,717	73,342
Total Liabilities	53,437	92,462	142,975	288,874
Deferred Inflow of Resources:				
Advance of Tax Levy	143,159			143,159
Fund Balances:				
Restricted for:				
Excess Surplus - current year	1,345,507			1,345,507
Prior Year Excess Surplus - Designated for Subsequent Year's Expenditures	1,263,777			1,263,777
Capital Reserve	2,712,567			2,712,567
Capital Projects			559,019	559,019
Assigned to:				
Other Purposes	428,742			428,742
Unassigned	506,906			506,906
Total Fund Balances	6,257,499		559,019	6,816,518
Total Liabilities and Fund Balances	\$ 6,454,095	\$ 92,462	\$ 701,994	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$54,523,167 and the accumulated depreciation is \$27,047,060 (See Note 4).	27,476,107
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(1,784,297)
Accrued interest on long - term liabilities is not due and payable in the current period and therefore is not reported as a liability in the funds.	(106,935)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(4,815,337)
Accrued pension contributions for the June 30, 2020 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(310,553)
Long-term liabilities, including compensated absences and principal on long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 5).	(6,451,791)
Net Position of Governmental Activities	\$ 20,823,712

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 7,176,157			\$ 7,176,157
Tuition from Individuals	49,627			49,627
Tuition From Other LEA's	3,553,770			3,553,770
Non-Resident Fees	117,410			117,410
Interest	47,782			47,782
Miscellaneous	657,471		\$ 780,996	1,438,467
Total - Local Sources	11,602,217		780,996	12,383,213
State Sources	4,112,039	\$ 173,460	400	4,285,899
Federal Sources		406,595		406,595
Total Revenues	15,714,256	580,055	781,396	17,075,707
Expenditures:				
Current:				
Regular Vocational - Instruction	2,758,006	78,987		2,836,993
Special Vocational - Instruction	1,088,401	124,080		1,212,481
Support Services:				
Student and Instruction Related Services	1,270,868	71,628		1,342,496
General Administration	547,503			547,503
School Administration	408,132			408,132
Central Services	345,232			345,232
Administrative Information Technology	588,564			588,564
Plant Operations and Maintenance	1,191,849			1,191,849
Pupil Transportation	32,479			32,479
Unallocated Benefits	2,297,185			2,297,185
On-behalf TPAF FICA and Pension	1,335,013			1,335,013
Special Schools	761,207			761,207
Capital Outlay	642,170	305,360	781,996	1,729,526
Debt Service:				
Principal	927,406			927,406
Interest	246,356			246,356
Total Expenditures	14,440,371	580,055	781,996	15,802,422
Net Change in Fund Balances	1,273,885	-	(600)	1,273,285
Fund Balance, July 1	4,983,614		559,619	5,543,233
Fund Balance, June 30	\$ 6,257,499	\$ -	\$ 559,019	\$ 6,816,518

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

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

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

Year ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds (B-2)	\$		1,273,285
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:			
<p>Capital additions for capital assets are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and the loss on disposal of capital assets exceeded capital asset additions in the current fiscal year.</p>			
Depreciation Expense		\$ (1,882,452)	
Capital Asset Additions		1,716,379	
Loss on disposal of capital assets		<u>(360)</u>	
			(166,433)
<p>In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is recorded when due. The decrease in accrued interest from the prior year is an addition to the reconciliation.</p>			
			14,663
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Change in pension deferrals and net pension liability</p>			
			217,833
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>			
			(56,814)
<p>Cancellation of principal balances on capital leases are not reported in the governmental funds, but are reported on the statement of position and activities</p>			
			58,950
<p>Repayment of capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>			
			<u>927,407</u>
Change in Net Position of Governmental Activities (A-2)	\$		<u>2,268,891</u>

Proprietary Fund

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

STATEMENT OF NET POSITION

June 30, 2020

	Major Enterprise Fund Rubino Academy
Assets	
Current Assets:	
Accounts Receivable - Other	\$ 429,280
Other Assets	171,460
Total Assets	600,740
Liabilities	
Current Liabilities:	
Accounts Payable	14,712
Interfund Payable	586,028
Total Liabilities	600,740
Net Position	
Unrestricted	-
Total Net Position	\$ -

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

Year ended June 30, 2020

	Major Enterprise Fund Rubino Academy
Operating Revenues:	
Tuition	\$ 1,979,472
Total Operating Revenues	1,979,472
Operating Expenses:	
Purchased Professional - Educational Services	1,629,472
Rental	350,000
Total Operating Expenses	1,979,472
Operating Income and Change in Net Position	-
Total Net Position-Beginning	-
Total Net Position-Ending	\$ -

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2020

	Major Enterprise Fund Rubino Academy
Cash flows from operating activities:	
Receipts from customers	\$ 1,804,112
Payments to suppliers	(1,964,760)
Net cash used for operating activities	(160,648)
 Cash flows from non-capital financing activity:	
Advances from other funds	160,648
Net cash provided by non-capital financing activity	160,648
 Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
 Reconciliation of operating income to net cash used for operating activities	
Operating income	\$ -
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in accounts receivable - other	(3,900)
Increase in other assets	(171,460)
Increase in accounts payable	14,712
Net cash used for operating activities	\$ (160,648)

See accompanying notes to the basic financial statements.

Fiduciary Funds

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
Assets			
Cash and Cash Equivalents	\$ 8,742	\$ 137,100	\$ 103,931
Total Assets	<u>8,742</u>	<u>137,100</u>	<u>\$ 103,931</u>
Liabilities			
Accounts Payable		11,236	
Payroll Deductions and Withholdings			\$ 75,848
Due to Student Groups			28,083
Total Liabilities		<u>11,236</u>	<u>\$ 103,931</u>
Net Position			
Held in Trust for Unemployment Claims		<u>\$ 125,864</u>	
Held in Trust for Scholarships	<u>\$ 8,742</u>		

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2020

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
	<u> </u>	<u> </u>
Additions		
Interest Income	\$ 53	\$ 117
Employee Contributions		11,572
Board Contributions		140,000
Federal Contributions		13,493
Other Contributions	2,401	
Total Additions	<u>2,454</u>	<u>165,182</u>
Deductions		
Scholarship Payments	500	
Unemployment Benefits		63,643
Total Deductions	<u>500</u>	<u>63,643</u>
Change in Net Position	1,954	101,539
Net Position - Beginning of Year	6,788	24,325
Net Position - End of Year	<u>\$ 8,742</u>	<u>\$ 125,864</u>

Area Vocational-Technical Schools of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2020

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

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

The District has reported the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

Additionally, the District reports the following fiduciary fund types:

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

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

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

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

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

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

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

The District reports unearned revenue on its statement of net position and balance sheet. Unearned

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

D. Budgets/Budgetary Control

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

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

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

F. Tuition Receivable / Payable

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined. These adjustments are recorded upon certification by the State Department of Education, which is usually one to two years following the contract year. The cumulative adjustments through June 30, 2020 which have not been recorded, are not determinable.

G. Interfund Receivables/Payables

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

H. Capital Assets

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

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

I. Compensated Absences

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

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

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

The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments. As of June 30, 2020, a liability existed for compensated absences in the government-wide financial statements in the amount of \$427,847.

J. Unearned Revenue

Unearned revenue in the general fund represents cash receipts received from tuition for future classes that have been received in advance. Unearned revenue in the capital projects fund represents cash

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

receipts received from the State of New Jersey School Development Authority in excess of the state share of the state approved project for mechanical, electrical, security and general construction improvements and alterations to the Sypek Center Vocational School and Assunpink Center Vocation School at June 30, 2020.

K. Deferred Outflows / Inflows of Resources

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

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

L. Long-Term Obligations

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

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

M. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

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

Of the \$6,257,499 of fund balance in the General Fund, \$428,742 are encumbrances assigned to other purposes, \$2,712,567 has been restricted in the capital reserve account, \$1,345,507 has been restricted for excess surplus – current year, \$1,263,777 has been restricted for excess surplus - prior year and \$506,906 is classified as unassigned.

N. Calculation of Excess Surplus

The designation for restricted fund balance - excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve general fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Excess surplus of \$1,263,777, which was generated during the 2019 fiscal year will be utilized in the 2020-21 budget. The current year excess surplus at June 30, 2020 was \$1,345,507, which will be utilized in the 2021-22 budget.

O. Net Position

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

P. Management Estimates

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

Q. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension and OPEB contributions in the government-wide financial statements have been increased by \$511,608 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

R. GASB Pronouncements

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

date has been postponed by one year. Management has determined that this Statement did not impact the District's financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the Statement on the financial statements.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2020 and January 28, 2021, the date that the financial statements were available for issuance. The effect of those events and transactions that provide additional pertinent information about conditions that existed at the balance sheet and statement of net position date, have been recognized in the accompanying financial statements.

As of June 30, 2020, District operations and the ways in which education is provided have been disrupted by the outbreak of the novel coronavirus, COVID-19. Going forward, COVID-19 could further limit the District's operations, including unexpected deferrals of tax payments from the County, deferrals or reductions in state aid or an increase in expenses associated with this or any other potential infectious disease outbreak. District management cannot reasonably predict how long the Pandemic in New Jersey is expected to last and how the outbreak may impact the financial condition or operations of the District. District management continues to monitor the Pandemic and plans to take action to address any significant impact on future operations.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

The details of this \$6,451,791 difference are as follows:

Compensated absences	\$	427,847
Capital leases		6,023,944
		6,023,944
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	\$	6,451,791

3. Deposits and Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and Statement No. 72 *Fair Value Measurement and Application*. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value. New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a fair value at last equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

3. Deposits and Investments (continued)

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

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

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

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2020, the District's carrying amount of deposits was \$3,102,084 and the bank balance was \$3,435,863. Of the bank balance, \$278,083 of the District's cash deposits on June 30, 2020 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$3,066,280. \$91,500 held in the District agency accounts are not covered by GUDPA.

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

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

Investments

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

- a. Bonds and obligations of the United States or obligations guaranteed by the United States.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

3. Deposits and Investments (continued)

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

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The fair value of the District's portion in the pool is the same as the fair value of the pool shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2020, the District's balance was \$2,435,654 and is classified as cash equivalents due to its short-term nature. The debt instruments in the NJCMF are rated by three national rating agencies.

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

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2020, the District's investments were invested in the NJCMF.

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

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2020:

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 138,909	\$ 181,816	\$ (70,383)	\$ 250,342
Total Capital Assets, Not Being Depreciated:	138,909	181,816	(70,383)	250,342
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	48,299,965	1,106,283	70,383	49,476,631
Machinery and Equipment	4,407,531	428,280	(39,617)	4,796,194
Total Capital Assets, Being Depreciated	52,707,496	1,534,563	30,766	54,272,825
Less accumulated depreciation for:				
Buildings and Building Improvements	(22,633,126)	(1,536,355)		(24,169,481)
Machinery and Equipment	(2,570,739)	(346,097)	39,257	(2,877,579)
Total accumulated depreciation	(25,203,865)	(1,882,452)	39,257	(27,047,060)
Total capital assets being depreciated, net	27,503,631	(347,889)	70,023	27,225,765
Governmental activities capital assets, net	\$ 27,642,540	\$ (166,073)	\$ (360)	\$ 27,476,107

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

4. Capital Assets (continued)

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

Regular Instruction	\$ 627,871
Special Education Instruction	268,341
Student and Instruction Related Services	297,116
General Administrative Services	121,171
School Administrative Services	90,326
Central Services	76,405
Administrative Information Technology	130,258
Plant Operations and Maintenance	263,775
Pupil Transportation	7,189
	\$ 1,882,452

Depreciation expense on assets acquired with capital lease proceeds is included above.

5. Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Reductions	Cancelled	Ending Balance	Due Within One Year
Governmental Activities:						
Compensated Absences Payable	\$ 371,033	\$ 56,814			\$ 427,847	\$ 28,722
Capital Leases	7,010,301	-	\$ 927,407	\$ 58,950	6,023,944	780,895
Subtotal	7,381,334	56,814	927,407	58,950	6,451,791	809,617
Net Pension Liability	6,030,409		1,215,072		4,815,337	-
Governmental Activities						
Total long-term liabilities	\$ 13,411,743	\$ 56,814	\$ 2,142,479	\$ 58,950	\$ 11,267,128	\$ 809,617

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

As of June 30, 2020, the District had no bonds payable and no authorized but not issued bonds or notes.

Energy Savings Improvement Plan

The District maintains a capital lease through energy conservation measures and a solar project

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

5. Long-Term Liabilities (continued)

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

School Bus Lease

The District entered into an \$86,440 capital lease in July 2018 with Santander Bank. The lease is for a four year term expiring in July 2022 and carries an interest rate of 3.80%. The lease was issued for the purchase of a 54-passenger school bus.

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

Fiscal Year Ending:	Amount
2021	\$ 997,978
2022	1,007,564
2023	956,763
2024	963,200
2025	970,090
2026 - 2027	1,974,111
Total minimum lease payments	6,869,706
Less amounts representing interest	(845,762)
Present value of net minimum lease payments	\$ 6,023,944

6. Pension Plans

Description of Systems

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contribution rates for TPAF and PERS are 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

During the year ended June 30, 2020, the State of New Jersey contributed \$1,071,451 to the TPAF for on-behalf medical, non-contributory insurance and pension and post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$263,562 during the year ended June 30, 2020 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2020, 2019 and 2018 were \$310,553, \$259,951, and \$304,645, respectively.

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

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

Public Employee's Retirement System (PERS)

At June 30, 2020, the District reported a liability of \$4,815,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.0267244317 percent, which was a decrease of 0.0039030983 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized full accrual pension expense of \$47,652 in the government-wide financial statements. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 86,429	\$ 21,272
Changes of assumptions	480,829	1,671,388
Net difference between projected and actual earnings on pension plan investments		76,012
Changes in proportion and differences between District contributions and proportionate share of contributions	225,924	1,119,360
District contributions subsequent to the measurement date	310,553	
	\$ 1,103,735	\$ 2,888,032

\$310,553 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (302,482)
2022	(737,653)
2023	(668,977)
2024	(332,824)
2025	(52,914)
	<u>\$ (2,094,850)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00 - 6.00%
	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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 expecting future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019 and 5.66% as of June 30, 2018. 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 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
District's proportionate share of the net pension liability	\$ 6,082,553	\$ 4,815,337	\$ 3,747,528

Pension Plan Fiduciary Net Position

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2019 are as follows:

Collective deferred outflows of resources	\$	3,149,522,616
Collective deferred inflows of resources	\$	7,645,087,574
Collective net pension liability	\$	18,143,832,135
 District's Proportion		 0.0267244317%

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 is \$974,471,686.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2019 was \$21,911,371. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2019, the State's proportionate share of the TPAF net pension liability

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

associated with the District was 0.0357031680 percent, which was an increase of 0.0016180917 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$1,292,391 for contributions incurred by the State.

Actuarial assumptions

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	1.55 - 4.45%
	based on years of service
Thereafter	2.75 - 5.65%
	based on years of service
Investment rate of return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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 by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019 and 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 70% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it calculated using a discount rate that is 1-percentage point lower (4.60%) or 1-percentage-point higher (6.60%) than the current rate:

	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
State's proportionate share of the net pension liability associated with the District	\$ 25,838,356	\$ 21,911,371	\$ 18,653,213

Pension plan fiduciary net position

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

Additional Information

Collective balances of the Local Group at June 30, 2019 are as follows:

Deferred outflows of resources	\$ 10,077,460,797
Deferred inflows of resources	\$ 17,525,379,167
Net pension liability	\$ 61,370,943,870

State's proportionate share associated with the District	0.0357031680%
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Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2019 is \$3,642,191,152.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2019, 2018, 2017, 2016, 2015 and 2014 is 8.04, 8.29, 8.30, 8.30, 8.30, and 8.50 years, respectively.

7. Post-Retirement Benefits

Plan Description and benefits provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health benefits) for State Health Benefit Local Education Retired Employees 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 No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefit 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 State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

The 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 of service or on a disability retirement. Under the provision of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of PERS and Alternate benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

their covered dependents. In Fiscal Year 2019, the State paid PRM benefits for 153,893 State and local retirees.

The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2020, 2019 and 2018 were \$289,657, \$325,182, and \$332,068, respectively, which equaled the required contributions for each year.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay-as-you-go" contributions have remained consistent with Fiscal Year 2018 amounts. The State has appropriated \$1.612 billion in Fiscal Year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in Fiscal Year 2018.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Total OPEB Liability

The net OPEB liability from New Jersey's plan is \$41,729,081,045.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Changes in the Total Nonemployer OPEB Liability

Below represents the changes in the District's total OPEB liability for the year ended June 30, 2020:

	Total OPEB Liability
Beginning Total OPEB Liability, June 30, 2018	\$ 21,403,354
Changes for the year:	
Service cost	690,884
Interest cost	844,388
Differences between expected and actual experiences	(3,990,728)
Changes in assumptions and other inputs	278,373
Member contributions	16,989
Benefit payments	(573,118)
Net changes	(2,733,212)
Ending Total OPEB Liability, June 30, 2019	\$ 18,670,142

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education Group	June 30, 2019
Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	364,943

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective OPEB liability on the Statement of Net Position. The State's proportionate share of the OPEB liability associated with the District as of June 30, 2019 was \$18,670,142. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Actuarial assumptions and other inputs

The total non-employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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:

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increase through 2026	1.55 - 3.05%	2.00 - 6.00%
	based on service years	based on service years
Thereafter	1.55 - 3.05%	3.00 - 7.00%
	based on service years	based on service years

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF), “General” (PERS), and Safety (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projects from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the actual experience studies for the periods July 1, 2015 – June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather than the discount rate is set at the municipal bond rate.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%

The following represents sensitivity of total non-employer OPEB liability to changes in the discount rate and health care cost trend rate

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	At 1% decrease (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
Total OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 22,056,816	\$ 18,670,142	\$ 15,979,954

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2019 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At 1% decrease	At healthcare cost trend rate	At 1% increase
Total OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 15,383,365	\$ 18,670,142	\$ 23,021,160

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

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

For the year ended June 30, 2020, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$279,115 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2019 are as follows:

Deferred outflows of resources	\$	1,921,145,183.00
Deferred inflows of resources	\$	20,877,639,826.00
Collective OPEB expense	\$	1,015,664,874.00
District's Proportion		0.05%

Special Funding Situation

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

8. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

8. Risk Management (continued)

Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

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

Fiscal Year	Board Contributions	Federal Contributions	Employee Contributions	Interest on Investments	Amount Paid
2019-20	\$ 140,000	\$ 13,493	\$ 11,572	\$ 117	\$ 63,643
2018-19	63,000		17,162	113	67,497
2017-18	12,000		21,582	35	59,407

Joint Insurance Pool

The District is a member of the Burlington County Insurance Pool Joint Insurance Fund. The Fund provides the District with the following coverage:

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

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

9. Deferred Compensation

The District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by Lincoln Investment Planning, Inc., Met Life, and AXA Equitable permit participants to defer a portion of their salary until future years. Amounts deferred under the plans

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

9. Deferred Compensation (continued)

are not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan. Since the District does not hold the assets in a trustee capacity, the related assets are not included in the District's Fiduciary Fund Financial Statements.

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District amounted to the following as of June 30, 2020:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 658,287	
Special Revenue Fund		\$ 72,259
Rubino Academy Enterprise Fund		586,028
	\$ 658,287	\$ 658,287

The interfund receivable of \$658,287 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$72,259 and in the Rubino Academy Enterprise Fund for \$586,028 which represent funds advanced to these funds to cover temporary pooled cash shortages. All interfunds are expected to be repaid within one year.

11. Economic Dependency

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

12. Contingent Liabilities

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

13. Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 2,181,088
Interest Earnings	31,479
Deposits:	
Approved in June 2020 Board Resolution	<u>500,000</u>
Ending balance, June 30, 2020	<u>\$ 2,712,567</u>

At June 30, 2020, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

14. Commitments

The District has contractual commitments at June 30, 2020 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$428,742. The District also has contractual commitments at June 30, 2020 to various vendors recorded as part of the fund balance restricted for capital projects in the Capital Projects Fund in the amount of \$33,769, which is offset by a deficit fund balance.

15. Restricted Assets

The District has \$2,712,567 of capital reserve funds that are classified as restricted assets on the statement of net position because they are restricted by the District to be utilized for future capital projects that have been approved in the District's Long-Range Facility Plan.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

16. Solar Renewable Energy Credits

Solar Renewable Energy Credits are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District sold 390 Solar Renewable Energy Credits on January 14, 2020 and 470 on August 19, 2020. The District realized revenue in both the Government-Wide and Fund financial statements of \$192,720.

17. Liquidity, Management Plans and Intentions

Due to the COVID-19 Pandemic, the District closed its schools March 16, 2020 and continued to provide online instruction to its students through the end of the school year. The Pandemic did not have a significant impact on the financial statements of the District for the year ended June 30, 2020. However, the Pandemic did result in the State of New Jersey taking steps to reduce the amount of state aid to be provided to the District in the 2020-21 fiscal year subsequent to the District's adoption of its budget. Management has taken steps to reduce certain expenses related to operating the District and also plans to utilize existing funds to balance its budget for the 2020-21 fiscal year, if needed. Management believes that the unassigned fund balance available as of June 30, 2020 and the anticipated revenues from state aid, taxes, and other revenues will be sufficient to meet the District's financial needs for one year from the date of the issuance of this report.

Required Supplementary Information – Part II

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

Last Ten Fiscal Years

	Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset) - Local Group	0.0267244317%	0.0306275300%	0.0304596363%	0.0342277002%	0.0311686736%	0.0325376872%	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 4,815,337	\$ 6,030,409	\$ 7,090,516	\$ 10,137,263	\$ 6,996,743	\$ 6,091,945	\$ 5,775,933	n/a	n/a	n/a
District's covered payroll	\$ 1,848,537	\$ 2,047,264	\$ 2,099,084	\$ 2,163,582	\$ 2,266,652	\$ 2,190,683	\$ 2,179,379	\$ 2,089,934	\$ 2,260,433	\$ 2,439,281
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.49%	294.56%	337.79%	468.54%	308.68%	278.08%	265.03%	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	n/a	n/a	n/a

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

n/a - information not available

See notes to Required Supplementary Information

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

Last Ten Fiscal Years

	Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 310,553	\$ 259,951	\$ 304,645	\$ 288,631	\$ 304,074	\$ 267,967	\$ 268,236	\$ 253,560	\$ 260,531	\$ 284,342
Contributions in relation to the contractually required contribution	(310,553)	(259,951)	(304,645)	(288,631)	(304,074)	(267,967)	(268,236)	(253,560)	(260,531)	(284,342)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,745,828	\$ 1,848,537	\$ 2,047,264	\$ 2,099,084	\$ 2,163,582	\$ 2,266,652	\$ 2,190,683	\$ 2,179,379	\$ 2,089,934	\$ 2,260,433
Contributions as a percentage of covered-employee payroll	17.79%	14.06%	14.88%	13.75%	14.05%	11.82%	12.24%	11.63%	12.47%	12.58%

See notes to Required Supplementary Information

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

Last Ten Fiscal Years*

	Years Ended June 30,					
	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.0357031680%	0.03408507631%	0.0321995391%	0.0340971939%	0.0335513725%	0.0313901977%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 21,911,371	\$ 21,684,193	\$ 21,710,090	\$ 26,823,024	\$ 21,205,900	\$ 16,777,039
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 21,911,371</u>	<u>\$ 21,684,193</u>	<u>\$ 21,710,090</u>	<u>\$ 26,823,024</u>	<u>\$ 21,205,900</u>	<u>\$ 16,777,039</u>
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	26.49%	22.33%	28.71%	33.64%

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

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

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

See notes to Required Supplementary Information

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

Last Ten Fiscal Years*

	Year Ended June 30,			
	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.05%	0.05%	0.05%	0.05%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 18,670,142	\$ 21,403,354	\$ 24,718,547	\$ 26,665,519
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 18,670,142</u>	<u>\$ 21,403,354</u>	<u>\$ 24,718,547</u>	<u>\$ 26,665,519</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
	2020	2019	2018	2017**
Total OPEB Liability				
Service cost	\$ 690,884	\$ 781,475	\$ 929,757	
Interest cost	844,388	903,097	778,662	
Differences between expected and actual experiences	(3,990,728)	(1,991,085)		
Changes of assumptions	278,373	(2,456,142)	(3,103,939)	
Member contributions	16,989	19,780	21,082	
Gross benefit payments	(573,118)	(572,318)	(572,534)	
Net change in total OPEB liability	<u>(2,733,212)</u>	<u>(3,315,193)</u>	<u>(1,946,972)</u>	
Total OPEB liability - beginning	<u>21,403,354</u>	<u>24,718,547</u>	<u>26,665,519</u>	
Total OPEB liability - ending	<u>\$ 18,670,142</u>	<u>\$ 21,403,354</u>	<u>\$ 24,718,547</u>	
Covered-employee payroll	<u>\$ 5,555,964</u>	<u>\$ 5,801,028</u>	<u>\$ 5,860,573</u>	
Total OPEB liability as a percentage of covered-employee payroll	336.04%	368.96%	421.78%	

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

** information not available

See notes to Required Supplementary Information

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2020

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019.

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019.

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

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Required Supplementary Information – Part III

Budgetary Comparison Schedules

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 7,176,157		\$ 7,176,157	\$ 7,176,157	
Tuition from other LEAs within the State	3,752,616		3,752,616	3,553,770	\$ (198,846)
Tuition from other sources	45,000		45,000	49,627	4,627
Non-Resident Fees	150,000		150,000	117,410	(32,590)
Interest Earned on Investments	4,000		4,000	16,303	12,303
Interest Earned on Capital Reserve Funds	15,000		15,000	31,479	16,479
Unrestricted Miscellaneous Revenues	707,000		707,000	657,471	(49,529)
Total - Local Sources	11,849,773		11,849,773	11,602,217	(247,556)
State Sources:					
Equalization Aid	2,278,667		2,278,667	2,278,667	
Categorical Special Education Aid	293,805		293,805	293,805	
Security Aid	118,657		118,657	118,657	
Adjustment Aid	103,021		103,021	103,021	
TPAF Pension (On-Behalf - Non-Budgeted)				780,783	780,783
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				289,657	289,657
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,011	1,011
TPAF Social Security (Reimbursed - Non-Budgeted)				263,562	263,562
Total - State Sources	2,794,150		2,794,150	4,129,163	1,335,013
Total Revenues	14,643,923		14,643,923	15,731,380	1,087,457
EXPENDITURES:					
Current Expense:					
Regular Vocational Programs- Instruction					
Salaries of Teachers	2,335,916	\$ (10,108)	2,325,808	2,258,778	67,030
Purchased Professional-Educational Services	103,500	6,051	109,551	106,745	2,806
Purchased Technical Services	32,050	3,255	35,305	14,357	20,948
Other Purchased Services	51,775	3,809	55,584	24,864	30,720
General Supplies	334,755	(23,718)	311,037	275,729	35,308
Textbooks	82,050	1,833	83,883	69,103	14,780
Other Objects	19,300	(1,263)	18,037	8,430	9,607
Total Regular Vocational Programs- Instruction	2,959,346	(20,141)	2,939,205	2,758,006	181,199
Special Vocational Programs - Instruction					
Salaries of Teachers	779,598	(47,027)	732,571	721,072	11,499
Other Salaries for Instruction	273,714	(244)	273,470	245,033	28,437
Purchased Professional-Educational Services		1,558	1,558	1,557	1
Purchased Technical Services	14,800	523	15,323	7,284	8,039
Other Purchased Services	28,400	(122)	28,278	13,295	14,983
General Supplies	118,265	5,404	123,669	93,214	30,455
Textbooks	11,250	(4,908)	6,342	5,461	881
Other Objects	12,050		12,050	1,485	10,565
Total Special Vocational Programs- Instruction	1,238,077	(44,816)	1,193,261	1,088,401	104,860
TOTAL VOCATIONAL PROGRAMS - INSTRUCTION	4,197,423	(64,957)	4,132,466	3,846,407	286,059
Undistributed Expend. - Attend. and Social Work					
Salaries	20,948	3,329	24,277	24,277	
Total Undistributed Expend. - Attend. and Social Work	20,948	3,329	24,277	24,277	
Undist. Expend. - Health Services					
Salaries	124,945	79,562	204,507	204,507	
Purchased Professional and Technical Services	7,755		7,755	7,750	5
Other Purchased Services	14,800	(4,170)	10,630	4,309	6,321
Supplies and Materials	13,000		13,000	10,955	2,045
Total Undistributed Expenditures - Health Services	160,500	75,392	235,892	227,521	8,371

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Guidance					
Salaries of Other Professional Staff	\$ 431,757	\$ 9,410	\$ 441,167	\$ 441,167	
Salaries of Secretarial and Clerical Assistants	92,695	(1,951)	90,744	90,744	
Other Salaries	6,000		6,000	5,708	\$ 292
Other Purchased Services	46,350	(25,849)	20,501	10,332	10,169
Supplies and Materials	37,600	6,092	43,692	35,445	8,247
Other Objects	2,300	266	2,566	47	2,519
Total Undist. Expend. - Guidance	616,702	(12,032)	604,670	583,443	21,227
Undist. Expend. - Child Study Teams					
Purchased Professional-Educational Services		68,947	68,947	20,800	48,147
Total Undist. Expend. - Child Study Teams		68,947	68,947	20,800	48,147
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	241,626	19,682	261,308	255,517	5,791
Salaries of Secretarial and Clerical Assistants	122,172	(4,407)	117,765	117,765	
Purchased Professional-Educational Services		8,250	8,250	2,170	6,080
Other Purchased Services	12,000	(11,226)	774	450	324
Supplies and Materials	1,000	(750)	250		250
Total Undist. Expend. - Improvement of Inst. Serv.	376,798	11,549	388,347	375,902	12,445
Undist. Expend. - Inst Staff Training Serv					
Salaries	20,270	7,292	27,562	17,990	9,572
Purchased Prof. - Ed Services	8,000		8,000	3,055	4,945
Other Purchased Services	30,300	9,190	39,490	16,060	23,430
Supplies and Materials	2,000	100	2,100	1,820	280
Total Undist. Expend. - Inst Staff Training Serv	60,570	16,582	77,152	38,925	38,227
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	269,883		269,883	262,231	7,652
Legal Services	75,000	(5,400)	69,600	20,922	48,678
Audit Fees	37,650		37,650	37,650	
Architectural/Engineering Services	15,000	134,600	149,600	94,392	55,208
Other Purchased Professional Services	9,000		9,000	8,190	810
Communications/Telephone	50,125	2,459	52,584	52,584	
Board of Education Other Purchased Services	5,500	(700)	4,800	4,076	724
Miscellaneous Purchased Services	31,750	(1,239)	30,511	28,345	2,166
General Supplies	13,000	(8,250)	4,750	3,916	834
Judgments Against the School Dist.	30,000		30,000	30,000	
Miscellaneous Expenditures	250	(70)	180	67	113
Board of Education Dues and Fees	8,500		8,500	5,130	3,370
Total Undist. Expend. - Supp. Serv. - General Admin.	545,658	121,400	667,058	547,503	119,555
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	216,658	40,000	256,658	178,998	77,660
Salaries of Secretarial and Clerical Assistants	197,715		197,715	193,210	4,505
Purchased Prof. and Tech. Services	500		500		500
Other Purchased Services	29,900	(6,922)	22,978	16,280	6,698
Supplies and Materials	16,890	4,069	20,959	17,242	3,717
Other Objects	8,700	(1,569)	7,131	2,402	4,729
Total Undist. Expend. - Support Serv. - School Admin.	470,363	35,578	505,941	408,132	97,809
Undist. Expend. - Central Services					
Salaries	291,866		291,866	268,341	23,525
Misc Purchased Services	75,669	2,570	78,239	62,709	15,530
Supplies and Materials	15,000	(2,918)	12,082	11,547	535
Miscellaneous Expenditures	7,500	(4,817)	2,683	2,635	48
Total Undist. Expend. - Central Services	390,035	(5,165)	384,870	345,232	39,638
Undist. Expend. - Admin. Info. Technology					
Salaries	157,715	(11,172)	146,543	146,543	
Purchased Technical Services	75,000	(15,633)	59,367	55,583	3,784
Other Purchased Services	126,000	49,162	175,162	159,287	15,875
Supplies and Materials	215,000	16,263	231,263	225,939	5,324
Other Objects	5,000	(3,788)	1,212	1,212	
Total Undist. Expend. - Admin. Info. Technology	578,715	34,832	613,547	588,564	24,983

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Required Maint. for Sch. Facil.					
Cleaning, Repair and Maintenance Services	\$ 59,621		\$ 59,621	\$ 59,621	
Lead Testing of Drinking Water	7,500		7,500	2,912	\$ 4,588
Total Undist. Expend. - Required Maint. for Sch. Facil.	67,121		67,121	62,533	4,588
Undist. Expend. - Custodial Services					
Salaries	554,502	\$ (5,076)	549,426	535,572	13,854
Salaries of Non-Instructional Aides	9,000	5,076	14,076	14,076	
Purchased Professional and Technical Services	10,000		10,000	6,660	3,340
Cleaning, Repair and Maintenance Services	312,000	13,490	325,490	173,140	152,350
Lease Purchase Payments- Energy Savings Improvement Program	974,668		974,668	974,668	
Other Purchased Property Services	50,200	(903)	49,297	28,137	21,160
Insurance	93,500	9,000	102,500	99,000	3,500
Miscellaneous Purchased Services	10,500	(8,250)	2,250	373	1,877
General Supplies	103,500	(3,112)	100,388	71,163	29,225
Natural Gas	84,000	2,115	86,115	66,727	19,388
Electricity	128,100	7,243	135,343	117,606	17,737
Other Objects	5,307		5,307	4,932	375
Total Undist. Expend. - Custodial Services	2,335,277	19,583	2,354,860	2,092,054	262,806
Undist. Expend. - Security					
Cleaning, Repair and Maintenance Services	7,500		7,500		7,500
General Supplies	21,500		21,500	11,931	9,569
Total Undist. Expend. - Security	29,000		29,000	11,931	17,069
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. Other than Between Home and School	30,000	(3,316)	26,684	15,433	11,251
Cleaning, Repair and Maintenance Services	5,000	12,316	17,316	3,923	13,393
Contracted Services (Other than Between Home and School) - Vendors	29,000	(5,500)	23,500	12,525	10,975
Transportation Supplies	2,000		2,000	598	1,402
Total Undist. Expend. - Student Transportation Serv.	66,000	3,500	69,500	32,479	37,021
Unallocated Benefits					
Social Security Contributions	160,000	28,749	188,749	188,749	
Other Retirement Contributions - PERS	342,500	(2,574)	339,926	265,751	74,175
Unemployment Compensation	40,000	100,000	140,000	140,000	
Workers' Compensation	100,000	(11,453)	88,547	87,629	918
Health Benefits	2,275,000	(243,089)	2,031,911	1,594,353	437,558
Tuition Reimbursement	10,000	333	10,333	10,333	
Other Employee Benefits	31,750	(15,252)	16,498	10,370	6,128
Unused Sick Payment to Term/Ret. Staff	75,000		75,000		75,000
Total Unallocated Benefits	3,034,250	(143,286)	2,890,964	2,297,185	593,779
TPAF Pension (On-Behalf - Non-Budgeted)				780,783	(780,783)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				289,657	(289,657)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,011	(1,011)
TPAF Social Security (Reimbursed - Non-Budgeted)				263,562	(263,562)
Total On-behalf Contributions				1,335,013	(1,335,013)
TOTAL UNDISTRIBUTED EXPENDITURES	8,751,937	230,209	8,982,146	8,991,494	(9,348)
TOTAL GENERAL CURRENT EXPENSE	12,949,360	165,252	13,114,612	12,837,901	276,711
CAPITAL OUTLAY					
Equipment					
Special Education-Instruction:					
Regular Voc. Programs	187,200	(31,925)	155,275	110,811	44,464
Undistributed Expenditures:					
Central Services	10,000	6,104	16,104	16,103	1
Admin Info Tech	100,000		100,000	21,345	78,655
Undistributed Exp.-Custodial Services	305,861	(28,853)	277,008	206,169	70,839
Undistributed Exp.-Non-Instructional Services					
School buses-regular	77,500	2,099	79,599	12,185	67,414
Total Equipment	680,561	(52,575)	627,986	366,613	261,373
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	30,000	5,967	35,967	14,625	21,342
Construction Services	300,000	415,575	715,575	460,025	255,550
Total Facilities Acquisition and Construction Services	330,000	421,542	751,542	474,650	276,892
TOTAL CAPITAL OUTLAY	1,010,561	368,967	1,379,528	841,263	538,265

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
SPECIAL SCHOOLS					
Post-Secondary Programs - Instruction					
Salaries of Teachers	\$ 184,434	\$ (79,792)	\$ 104,642		\$ 104,642
Other Purchased Services	2,000	(200)	1,800		1,800
General Supplies	23,350	(14,000)	9,350		9,350
Textbooks	6,600		6,600		6,600
Other Objects	2,200		2,200		2,200
Total Post-Secondary Programs- Instruction	218,584	(93,992)	124,592		124,592
Post-Secondary Programs - Support Services					
Salaries	296,339	(62,907)	233,432	\$ 68,325	165,107
Personal Services-Empl. Benefits	136,850		136,850	4,808	132,042
Other Purchased Services	72,000	8,550	80,550	35,761	44,789
Supplies and Materials	47,178	6,875	54,053	32,492	21,561
Other Objects	4,000		4,000		4,000
Total Post-Secondary Programs- Support Services	556,367	(47,482)	508,885	141,386	367,499
Total Post-Secondary Programs	774,951	(141,474)	633,477	141,386	492,091
Other Special Schools - Instruction					
Other Salaries for Instruction	26,000	(1,380)	24,620	24,620	
General Supplies	3,500	5,219	8,719	2,740	5,979
Total Other Special Schools - Instruction	29,500	3,839	33,339	27,360	5,979
Other Special Schools - Support Services					
Salaries	5,500	(3,516)	1,984	1,984	
Supplies and Materials	1,500	(323)	1,177	1,176	1
Total Other Special Schools - Support Services	7,000	(3,839)	3,161	3,160	1
Total Other Special Schools	36,500		36,500	30,520	5,980
Vocational Evening- local - Instruction					
Salaries of Teachers	206,000		206,000	125,016	80,984
Other Salaries for Instruction	62,446		62,446	34,718	27,728
Purchased Prof. and Tech. Services	11,500		11,500	10,169	1,331
Other Purchased Services	24,000	9,995	33,995	19,188	14,807
General Supplies	48,540	14,134	62,674	33,515	29,159
Textbooks	36,000	(13,025)	22,975	19,737	3,238
Other Objects	2,500	6,446	8,946	8,730	216
Total Vocational Evening- local - Instruction	390,986	17,550	408,536	251,073	157,463
Vocational Evening- local - Support Services					
Salaries	221,394	(393)	221,001	175,982	45,019
Personal Services - Emp. Benefits	116,150	8,300	124,450	108,751	15,699
Other Purchased Services	27,300		27,300	21,372	5,928
Supplies and Materials	42,450		42,450	31,103	11,347
Other Objects	6,200		6,200	1,020	5,180
Total Vocational Evening- local - Support Services	413,494	7,907	421,401	338,228	83,173
Total Vocational Evening-Local	804,480	25,457	829,937	589,301	240,636
TOTAL SPECIAL SCHOOLS	1,615,931	(116,017)	1,499,914	761,207	738,707
TOTAL EXPENDITURES	15,575,852	418,202	15,994,054	14,440,371	1,553,683
(Deficiency) Excess of Revenues (Under) Over Expenditures	(931,929)	(418,202)	(1,350,131)	1,291,009	2,641,140
Fund Balance, July 1	5,245,905		5,245,905	5,245,905	
Fund Balance, June 30	\$ 4,313,976	\$ (418,202)	\$ 3,895,774	\$ 6,536,914	\$ 2,641,140

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to</u> <u>Actual</u>
Recapitulation of (Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing (uses)					
Budgeted Fund Balance	\$ (931,929)	\$ (887,230)	\$ (1,819,159)	\$ 821,981	\$ 2,641,140
Deposit To Capital Reserve		531,479	531,479	531,479	
Adjustment for Prior Year Encumbrances		(62,451)	(62,451)	(62,451)	
Total	<u>\$ (931,929)</u>	<u>\$ (418,202)</u>	<u>\$ (1,350,131)</u>	<u>\$ 1,291,009</u>	<u>\$ 2,641,140</u>
 Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Prior Year Excess Surplus Designated for Subsequent Year's Expenditures				\$ 1,263,777	
Excess Surplus-current year				1,345,507	
Capital Reserve				2,712,567	
Assigned to:					
Year End Encumbrances				428,742	
Unassigned Fund Balance				<u>786,321</u>	
				6,536,914	
 Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Final State Aid Payments Not Realized on GAAP Basis				<u>(279,415)</u>	
Fund balance per Government Funds (GAAP)				<u>\$ 6,257,499</u>	

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 101,504	\$ 74,676	\$ 176,180	\$ 172,209	\$ (3,971)
Federal sources	332,681	105,735	438,416	416,352	(22,064)
Total Revenues	<u>434,185</u>	<u>180,411</u>	<u>614,596</u>	<u>588,561</u>	<u>(26,035)</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries of teachers	57,135	15,000	72,135	72,135	
Purchased professional services	67,410	20,990	88,400	77,200	11,200
Other purchased services		11,350	11,350	7,850	3,500
General supplies	274,030	(213,963)	60,067	53,688	6,379
Other objects		1,242	1,242	700	542
Total instruction	<u>398,575</u>	<u>(165,381)</u>	<u>233,194</u>	<u>211,573</u>	<u>21,621</u>
Support services:					
Salaries	6,352	3,723	10,075	10,075	
Personal services—employee benefits	8,504	12,378	20,882	20,203	679
Purchased professional services	17,106	15,345	32,451	29,631	2,820
Other purchased professional services		1,075	1,075	200	875
Supplies and materials	3,648	7,872	11,520	11,519	1
Total support services	<u>35,610</u>	<u>40,393</u>	<u>76,003</u>	<u>71,628</u>	<u>4,375</u>
Capital outlay:					
Instructional equipment	-	305,399	305,399	305,360	39
Total capital outlay	<u>-</u>	<u>305,399</u>	<u>305,399</u>	<u>305,360</u>	<u>39</u>
Total Expenditures	<u>434,185</u>	<u>180,411</u>	<u>614,596</u>	<u>588,561</u>	<u>26,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET TO GAAP RECONCILIATION

YEAR ENDED JUNE 30, 2020

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 15,731,380	\$ 588,561
Differences - Budgetary to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		1,251
Current year		(9,757)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	262,291	
Current year	(279,415)	
	\$ 15,714,256	\$ 580,055
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 14,440,371	\$ 588,561
Differences - Budgetary to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior year		1,251
Current year		(9,757)
	\$ 14,440,371	\$ 580,055
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	\$ 14,440,371	\$ 580,055

Supplementary Information

Special Revenue Fund

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

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2020

	Carl D. Perkins	Title I Part A	Title II Part A	I.D.E.A. Part B Basic	Apprenticeship Coordinator	Carl D. Perkins	Pre-Apprenticeship in Career Education	Totals
REVENUES:								
State Sources					\$ 15,025	\$ 110,256	\$ 46,928	\$ 172,209
Federal Sources	\$ 242,438	\$ 106,114	\$ 17,501	\$ 50,299				416,352
Total Revenues	<u>\$ 242,438</u>	<u>\$ 106,114</u>	<u>\$ 17,501</u>	<u>\$ 50,299</u>	<u>\$ 15,025</u>	<u>\$ 110,256</u>	<u>\$ 46,928</u>	<u>\$ 588,561</u>
EXPENDITURES:								
Instruction:								
Salaries of Teachers		\$ 28,067		\$ 28,068				\$ 56,135
Other Salaries for Instructon							\$ 16,000	16,000
Purchased Professional and Technical Services	\$ 1,200					\$ 1,900	10,000	13,100
Purchased Professional - Educational Services		64,100						64,100
Travel							2,500	2,500
Tuition							5,350	5,350
Supplies and Materials	28,595	3,145				14,870	7,078	53,688
Other Objects		700						700
Total Instruction	<u>29,795</u>	<u>96,012</u>		<u>28,068</u>		<u>16,770</u>	<u>40,928</u>	<u>211,573</u>
Support Services:								
Salaries of Principals/Assistant Principals/Program Directors					\$ 5,075		5,000	10,075
Personal Services - Employee Benefits		10,102		10,101				20,203
Purchased Professional - Educational Services			\$ 17,501	12,130				29,631
Other Purchased Professional Services					200			200
Supplies and Materials	495				9,750	274	1,000	11,519
Total Support Services	<u>495</u>	<u>10,102</u>	<u>17,501</u>	<u>22,231</u>	<u>15,025</u>	<u>274</u>	<u>6,000</u>	<u>71,628</u>
Capital Outlay:								
Instructional Equipment	212,148					93,212		305,360
Total Capital Outlay	<u>212,148</u>					<u>93,212</u>		<u>305,360</u>
Total Expenditures	<u>\$ 242,438</u>	<u>\$ 106,114</u>	<u>\$ 17,501</u>	<u>\$ 50,299</u>	<u>\$ 15,025</u>	<u>\$ 110,256</u>	<u>\$ 46,928</u>	<u>\$ 588,561</u>

Capital Projects Fund

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

SUMMARY SCHEDULE OF PROJECT EXPENDITURES

Year ended June 30, 2020

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2020
			Prior Years	Current Year	
Assumpink Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	\$ 2,114,495	\$ 1,585,720	\$ 1,000	\$ 527,775
Sypek Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,056,069	1,613,196		442,873
Assumpink Center Vocational School: IT Upgrades	3/30/2017	118,568	40,824	317	77,427
Site Work	3/30/2017	262,953	9,500	83,458	169,995
Sypek: Street Light Addition	3/29/2018	160,000	14,200	3,300	142,500
Culinary Kitchen Renovations	3/29/2018	640,047	41,100	598,947	
Metal Shop	3/28/2019	63,743		63,743	
Office Suite Renovations	3/28/2019	65,000		31,231	33,769
Totals		<u>\$ 5,480,875</u>	<u>\$ 3,304,540</u>	<u>\$ 781,996</u>	<u>\$ 1,394,339</u>

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

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

(BUDGETARY BASIS)

Year ended June 30, 2020

	<u>Current Year</u>
Revenues	
County Sources	\$ 128,743
Total Revenues	<u>128,743</u>
Expenditures	
Construction services	<u>781,996</u>
Total Expenditures	<u>781,996</u>
Deficiency of revenues under expenditures	(653,253)
Fund Balance, July 1	<u>2,047,592</u>
Fund Balance, June 30	<u><u>\$ 1,394,339</u></u>
 <u>Reconciliation of Budgetary basis to GAAP basis:</u>	
Fund balance, budgetary basis, June 30, 2020	\$ 1,394,339
Less: Revenue not recognized on a GAAP basis	(835,320)
Fund balance, GAAP basis, June 30, 2020	<u><u>\$ 559,019</u></u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

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

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Transfer from capital reserve	\$ 1,268,697		\$ 1,268,697	\$ 1,268,697
State Sources	845,798		845,798	845,798
Total Revenues and Other Financing Sources	<u>2,114,495</u>		<u>2,114,495</u>	<u>2,114,495</u>
Expenditures and Other Financing Uses:				
Engineering services	118,020		118,020	107,000
Construction Services	1,467,700	\$ 1,000	1,468,700	2,007,495
Total Expenditures and Other Financing Uses	<u>1,585,720</u>	<u>1,000</u>	<u>1,586,720</u>	<u>2,114,495</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 528,775</u>	<u>\$ (1,000)</u>	<u>\$ 527,775</u>	<u>\$ -</u>

Additional Project Information:

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

Percentage Increase over Original
Authorized Cost

Percentage completion	75%
Target completion date	June 2021

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

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

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Transfer from capital reserve	\$ 68,697		\$ 68,697	\$ 68,697
State sources	845,798		845,798	845,798
Lease proceeds	1,141,574		1,141,574	1,141,574
Total Revenues and Other Financing Sources	<u>2,056,069</u>		<u>2,056,069</u>	<u>2,056,069</u>
Expenditures and Other Financing Uses:				
Engineering services	141,596		141,596	107,000
Construction Services	1,471,600		1,471,600	1,949,069
Total Expenditures and Other Financing Uses	<u>1,613,196</u>		<u>1,613,196</u>	<u>2,056,069</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 442,873</u>		<u>\$ 442,873</u>	<u>\$ -</u>

Additional Project Information:

Project number	G5-6141
Grant date	8/17/2015
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,056,069
Decrease in Authorized Cost	-
Revised Authorized Cost	\$ 2,056,069

Percentage Decrease over Original
Authorized Cost

Percentage completion	78.46%
Target completion date	June 2021

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Assunpink Center Vocational School: IT Upgrades

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 118,568		\$ 118,568	\$ 118,568
Total Revenues and Other Financing Sources	<u>118,568</u>		<u>118,568</u>	<u>118,568</u>
Expenditures and Other Financing Uses:				
Construction Services	40,824	\$ 317	41,141	118,568
Total Expenditures and Other Financing Uses	<u>40,824</u>	<u>317</u>	<u>41,141</u>	<u>118,568</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 77,744</u>	<u>\$ (317)</u>	<u>\$ 77,427</u>	<u>\$ -</u>

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 125,000
Additional Authorized Cost	(6,432)
Revised Authorized Cost	\$ 118,568
Percentage Increase over Original Authorized Cost	-5.1%
Percentage completion	35%
Target completion date	June 2021

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Site Work

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 263,000	\$ (47)	\$ 262,953	\$ 262,953
Total Revenues and Other Financing Sources	263,000	(47)	262,953	262,953
Expenditures and Other Financing Uses:				
Construction Services	9,500	83,458	92,958	262,953
Total Expenditures and Other Financing Uses	9,500	83,458	92,958	262,953
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 253,500	\$ (83,505)	\$ 169,995	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 263,000
Decrease in Authorized Cost	(47)
Revised Authorized Cost	\$ 262,953
Percentage Decrease over Original Authorized Cost	0.0%
Percentage completion	35.35%
Target completion date	June 2021

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Sypek: Street Light Addition

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 160,000		\$ 160,000	\$ 160,000
Total Revenues and Other Financing Sources	160,000		160,000	160,000
Expenditures and Other Financing Uses:				
Construction Services	14,200	\$ 3,300	17,500	160,000
Total Expenditures and Other Financing Uses	14,200	3,300	17,500	160,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 145,800	\$ (3,300)	\$ 142,500	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 160,000
Additional Authorized Cost	
Revised Authorized Cost	\$ 160,000

Percentage Increase over Original
Authorized Cost

Percentage completion 10.94%
Target completion date February 2021

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Culinary Kitchen Renovations

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 640,000	\$ 47	\$ 640,047	\$ 640,047
Total Revenues and Other Financing Sources	<u>640,000</u>	<u>47</u>	<u>640,047</u>	<u>640,047</u>
Expenditures and Other Financing Uses:				
Construction Services	41,100	598,947	640,047	640,047
Total Expenditures and Other Financing Uses	<u>41,100</u>	<u>598,947</u>	<u>640,047</u>	<u>640,047</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 598,900</u>	<u>\$ (598,900)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 640,000
Additional Authorized Cost	47
Revised Authorized Cost	\$ 640,047

Percentage Increase over Original
Authorized Cost

0.0%

Percentage completion
Target completion date

100.000%
Complete

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Metal Shop

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ -	\$ 63,743	\$ 63,743	\$ 63,743
Total Revenues and Other Financing Sources	-	63,743	63,743	63,743
Expenditures and Other Financing Uses:				
Construction Services	-	63,743	63,743	63,743
Total Expenditures and Other Financing Uses	-	63,743	63,743	63,743
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ -	\$ -	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 85,000
Reduction in Authorized Cost	(21,257)
Revised Authorized Cost	\$ 63,743
Percentage Decrease from Original Authorized Cost	-25.0%
Percentage completion	100.00%
Target completion date	Complete

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Office Suite Renovations

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ -	\$ 65,000	\$ 65,000	\$ 65,000
Total Revenues and Other Financing Sources	-	65,000	65,000	65,000
Expenditures and Other Financing Uses:				
Construction Services	-	31,231	31,231	65,000
Total Expenditures and Other Financing Uses	-	31,231	31,231	65,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 33,769	\$ 33,769	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 65,000
Additional Authorized Cost	
Revised Authorized Cost	\$ 65,000

Percentage Increase over Original
Authorized Cost

Percentage completion 48.05%
Target completion date June 2021

Fiduciary Funds

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Trust			Agency		
	Private-Purpose Scholarship Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and Cash Equivalents	\$ 8,742	\$ 137,100	\$ 145,842	\$ 28,083	\$ 75,848	\$ 103,931
Total Assets	<u>8,742</u>	<u>137,100</u>	<u>145,842</u>	<u>\$ 28,083</u>	<u>\$ 75,848</u>	<u>\$ 103,931</u>
Liabilities						
Accounts Payable		11,236	11,236			
Payroll Deductions and Withholdings Payable					\$ 75,848	\$ 75,848
Due to Student Groups				\$ 28,083		28,083
Total Liabilities		<u>11,236</u>	<u>11,236</u>	<u>\$ 28,083</u>	<u>\$ 75,848</u>	<u>\$ 103,931</u>
Net Position						
Held in Trust for Unemployment Claims		125,864	125,864			
Held in Trust for Scholarships	8,742		8,742			
Total Net Position	<u>\$ 8,742</u>	<u>\$ 125,864</u>	<u>\$ 134,606</u>			

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

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year ended June 30, 2020

	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
High Schools:				
Assunpink	\$ 6,126	\$ 5,794	\$ 6,205	\$ 5,715
Sypek Center	22,630	13,992	14,254	22,368
Total	\$ 28,756	\$ 19,786	\$ 20,459	\$ 28,083

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

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Year ended June 30, 2020

	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
Assets				
Cash and Cash Equivalents	\$ 74,789	\$ 7,040,791	\$ 7,039,733	\$ 75,848
Total Assets	<u>\$ 74,789</u>	<u>\$ 7,040,791</u>	<u>\$ 7,039,733</u>	<u>\$ 75,848</u>
Liabilities				
Payroll Deductions and Withholdings Payable	\$ 74,789	\$ 7,040,791	\$ 7,039,733	\$ 75,848
Total Liabilities	<u>\$ 74,789</u>	<u>\$ 7,040,791</u>	<u>\$ 7,039,733</u>	<u>\$ 75,848</u>

Long-Term Debt

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

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year Ended June 30, 2020

Purpose	Amount of Original Issue	Maturities		Interest Rate	Balance July 1, 2019	Retired	Cancelled	Balance June 30, 2020
		Date	Amount					
Energy Savings Improvement Plan Capital Lease	\$ 11,200,000	7/15/2020	\$ 770,000	3.85%	\$ 6,720,000	\$ 730,000		\$ 5,990,000
		7/15/2021	810,000	3.85%				
		7/15/2022	790,000	3.85%				
		7/15/2023	840,000	3.85%				
		7/15/2024	880,000	3.85%				
		7/15/2025	925,000	3.85%				
7/15/2026	975,000	3.85%						
2015-16 Capital Equipment Lease	1,200,000	2/15/2020	123,396	1.52%	245,861	186,911	\$ 58,950	
2018-19 Capital Equipment Lease	86,440	7/15/2020	10,895	3.80%	44,440	10,496		33,944
		7/15/2021	11,309	3.80%				
		7/15/2022	11,740	3.80%				
					<u>\$ 7,010,301</u>	<u>\$ 927,407</u>	<u>\$ 58,950</u>	<u>\$ 6,023,944</u>

Statistical Section
(Unaudited)

Statistical Section
Unaudited

Contents

Financial Trends

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

Demographic and Economic Information

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

Operating Information

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

Revenue Capacity

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

Debt Capacity

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

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ 9,358,565	\$ 9,825,725	\$ 10,974,824	\$ 17,146,622	\$ 18,021,560	\$ 18,177,214	\$ 19,222,712	\$ 20,326,428	\$ 20,632,239	\$ 21,452,163
Restricted	2,422,154	1,486,672	2,231,457	2,565,448	2,722,326	4,459,879	4,254,896	4,212,218	4,936,412	5,880,870
Unrestricted (deficit)	525,834	451,476	102,687	152,319	(5,410,629)	(6,133,111)	(6,910,963)	(6,896,118)	(7,013,830)	(6,509,321)
Total governmental activities net position	\$ 12,306,553	\$ 11,763,873	\$ 13,308,968	\$ 19,864,389	\$ 15,333,257	\$ 16,503,982	\$ 16,566,645	\$ 17,642,528	\$ 18,554,821	\$ 20,823,712
Business-type activities:										
Unrestricted					\$ 20,708	\$ 50,848	\$ 1,808	\$ 8,378		
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ 20,708	\$ 50,848	\$ 1,808	\$ 8,378	\$ -	\$ -
Government-wide:										
Net investment in capital assets	\$ 9,358,565	\$ 9,825,725	\$ 10,974,824	\$ 17,146,622	\$ 18,021,560	\$ 18,177,214	\$ 19,222,712	\$ 20,326,428	\$ 20,632,239	\$ 21,452,163
Restricted	2,422,154	1,486,672	2,231,457	2,565,448	2,722,326	4,459,879	4,254,896	4,212,218	4,936,412	5,880,870
Unrestricted (deficit)	525,834	451,476	102,687	152,319	(5,389,921)	(6,082,263)	(6,909,155)	(6,887,740)	(7,013,830)	(6,509,321)
Total government-wide net position	\$ 12,306,553	\$ 11,763,873	\$ 13,308,968	\$ 19,864,389	\$ 15,353,965	\$ 16,554,830	\$ 16,568,453	\$ 17,650,906	\$ 18,554,821	\$ 20,823,712

Source: CAFR Schedule A-1 and District records.

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

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

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

	Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities:										
Current:										
Vocational Education	\$ 2,718,487	\$ 3,035,578	\$ 3,222,243	\$ 3,328,663	\$ 3,848,035	\$ 4,203,647	\$ 4,927,850	\$ 5,324,742	\$ 5,260,694	\$ 4,874,292
Special Vocational Education	1,302,667	1,440,109	1,668,596	1,705,383	1,883,263	2,003,214	2,209,012	1,950,542	2,140,608	2,077,871
Support Services and Undistributed Costs:										
Student and Instruction Related Services	1,024,692	1,103,425	1,229,170	1,238,275	1,367,682	1,578,392	2,164,263	2,249,689	1,868,201	2,355,052
General Administrative Services	521,291	604,246	584,712	622,392	753,432	766,738	835,040	726,390	807,260	830,732
School Administration	795,035	809,625	883,739	885,199	954,242	967,944	1,134,178	1,213,086	1,052,937	728,483
Plant Operations and Maintenance	1,877,929	1,588,410	1,596,178	1,600,634	1,746,017	1,769,325	1,743,880	1,666,374	1,840,050	1,795,304
Pupil Transportation	13,442	15,640	20,338	25,366	31,411	28,960	19,230	90,994	32,244	49,205
Central Services/Benefits/Admin Info Tech	604,450	610,222	608,669	685,163	707,130	706,504	809,648	1,120,635	1,268,542	1,337,906
Special Schools	4,103,164	3,960,236	1,922,022	1,901,174	1,853,901	2,034,478	2,298,668	2,142,790	2,030,560	1,027,344
Interest on Long Term Obligations		415,981	419,558	427,910	365,488	356,459	327,362	294,742	266,572	231,693
Total governmental activities expenses	12,961,157	13,583,472	12,155,225	12,420,159	13,470,601	14,413,661	16,469,131	16,779,984	16,567,648	15,307,882
Business-Type Activities:										
Rubino Academy			2,432,215	2,792,285	2,639,250	2,298,370	1,882,070	1,697,765	2,091,182	1,979,472
H.O.S.A.					65,569					
Total business-type activities expenses			2,432,215	2,792,285	2,704,819	2,298,370	1,882,070	1,697,765	2,091,182	1,979,472
Total district expenses	12,961,157	13,583,472	14,587,440	15,212,444	16,175,420	16,714,031	18,351,201	18,477,749	18,658,830	17,287,354
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	3,094,121	2,611,035	1,031,750	1,397,363	1,733,380	2,357,440	3,380,962	3,819,606	4,081,204	4,027,333
Operating Grants and Contributions	493,643	437,251	441,596	476,502	517,310	620,306	544,921	658,135	518,029	580,055
Capital Grants and Contributions						623,668	486,434	506,622	550,407	781,396
Total governmental activities program revenues	3,587,764	3,048,286	1,473,346	1,873,865	2,250,690	3,601,414	4,412,317	4,984,363	5,149,640	5,388,784
Business-Type Activities:										
Charges for Services			2,432,215	2,792,285	2,725,527	2,328,510	1,833,030	1,704,335	2,078,650	1,979,472
Total business-type activities program revenues			2,432,215	2,792,285	2,725,527	2,328,510	1,833,030	1,704,335	2,078,650	1,979,472
Total district program revenues	3,587,764	3,048,286	3,905,561	4,666,150	4,976,217	5,929,924	6,245,347	6,688,698	7,228,290	7,568,256
Net (Expense)/Revenue:										
Governmental activities	(9,373,393)	(10,535,186)	(10,681,879)	(10,546,294)	(11,219,911)	(10,814,247)	(12,056,814)	(11,795,621)	(11,418,008)	(9,919,098)
Business-type activities					20,708	30,140	(49,040)	6,570	(12,532)	-
Total district-wide net expense	(9,373,393)	(10,535,186)	(10,681,879)	(10,546,294)	(11,199,203)	(10,784,107)	(12,105,854)	(11,789,051)	(11,430,540)	(9,919,098)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
County Taxes / Appropriation	6,134,097	6,134,097	8,243,485	12,944,147	7,631,695	6,685,363	6,762,253	6,897,498	7,035,448	7,176,157
State and Federal Sources	2,603,150	2,920,568	3,060,513	3,002,117	3,845,589	4,310,883	5,019,211	5,738,142	5,039,912	4,613,105
Miscellaneous Income	568,144	937,841	922,976	1,155,451	987,428	988,726	338,013	235,864	254,941	398,727
Total governmental activities	9,305,391	9,992,506	12,226,974	17,101,715	12,464,712	11,984,972	12,119,477	12,871,504	12,330,301	12,187,989
Business-type activities:										
Miscellaneous Income									4,154	
Total business-type activities									4,154	
Total district-wide	9,305,391	9,992,506	12,226,974	17,101,715	12,464,712	11,984,972	12,119,477	12,871,504	12,334,455	12,187,989
Change in Net Position:										
Governmental activities	(68,002)	(542,680)	1,545,095	6,555,421	1,244,801	1,170,725	62,663	1,075,883	912,293	2,268,891
Business-type activities					20,708	30,140	(49,040)	6,570	(8,378)	
Total district	\$ (68,002)	\$ (542,680)	\$ 1,545,095	\$ 6,555,421	\$ 1,265,509	\$ 1,200,865	\$ 13,623	\$ 1,082,453	\$ 903,915	\$ 2,268,891

Source: CAFR Schedule A-2 and District records.

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

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

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

	June 30.									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Restricted for										
Assigned to	\$ 2,422,154	\$ 1,486,672	\$ 2,231,457	\$ 2,565,448	\$ 2,709,951	\$ 2,855,791	\$ 3,380,647	\$ 3,614,983	\$ 4,376,793	\$ 5,321,851
Unassigned	450,686	692,391	230,185	316,031	527,105	7,142	66,604	232,009	62,451	428,742
Total General Fund	\$ 510,873	\$ 533,077	\$ 395,546	\$ 419,956	\$ 429,573	\$ 522,748	\$ 498,096	\$ 529,730	\$ 544,370	\$ 506,906
	<u>\$ 3,383,713</u>	<u>\$ 2,712,140</u>	<u>\$ 2,857,188</u>	<u>\$ 3,301,435</u>	<u>\$ 3,666,629</u>	<u>\$ 3,385,681</u>	<u>\$ 3,945,347</u>	<u>\$ 4,376,722</u>	<u>\$ 4,983,614</u>	<u>\$ 6,257,499</u>
All Other Governmental Funds:										
Unreserved, Reported In:										
Capital Projects Fund (deficit)	\$ (34,375)	\$ 518								
Restricted for Capital Projects					\$ 12,375	\$ 1,661,891	\$ 932,240	\$ 655,661	\$ 559,619	\$ 559,019
Total All Other Governmental Funds	<u>\$ (34,375)</u>	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,375</u>	<u>\$ 1,661,891</u>	<u>\$ 932,240</u>	<u>\$ 655,661</u>	<u>\$ 559,619</u>	<u>\$ 559,019</u>

Source: CAFR Schedule B-1 and District records.

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

	Year ended June 30.									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
County Appropriation / Tax Levy	\$ 6,134,097	\$ 6,134,097	\$ 6,379,461	\$ 6,467,961	\$ 6,467,961	\$ 6,629,660	\$ 6,762,253	\$ 6,897,498	\$ 7,035,448	\$ 7,176,157
County Appropriation / Capital Projects Fund			1,864,024	6,476,186	1,163,734	55,703	-			
Tuition	2,326,258	2,611,035	1,031,750	1,397,363	1,733,380	2,357,440	2,804,093	3,234,147	3,475,437	3,720,807
Interest Earnings	4,991	2,935	2,099	1,794	1,827	4,815	7,669	28,713	57,403	47,782
Miscellaneous	1,346,934	948,211	920,877	1,187,127	939,147	1,077,823	907,213	1,154,846	1,391,214	1,438,467
State Sources	2,634,481	2,867,786	3,080,982	3,016,418	3,140,578	4,064,088	3,877,425	4,028,134	4,102,362	4,285,899
Federal Sources	446,394	476,728	421,127	454,161	491,137	468,354	519,946	485,587	390,126	406,595
Total Revenues	12,893,155	13,040,792	13,700,320	19,001,010	13,937,764	14,657,883	14,878,599	15,828,925	16,451,990	17,075,707
Expenditures:										
Instruction:										
Regular Instruction	952,951	979,183	1,095,073	1,114,374	2,422,239	2,505,922	2,512,063	2,830,406	3,043,291	2,836,993
Special Education Instruction	2,086,611	2,140,412	2,220,331	2,263,532	1,135,116	1,144,187	1,273,689	1,053,536	1,214,845	1,212,481
Support Services:										
Student and Instruction Related Services	763,839	767,265	828,845	818,284	843,437	944,223	1,123,759	1,173,023	1,027,721	1,342,496
General Administration	404,000	403,236	416,844	433,215	473,236	474,167	484,134	427,765	512,258	547,503
School Administrative Services	570,982	542,501	571,793	571,123	550,415	565,965	567,240	600,551	563,992	408,132
Central Services	205,250	191,036	217,133	249,582	188,303	194,856	216,683	298,623	375,146	345,232
Admin. Information Technology	263,260	246,247	198,058	230,671	267,552	240,831	285,455	363,617	405,676	588,564
Plant Operations and Maintenance	1,550,228	1,185,631	1,068,878	1,136,740	1,179,485	1,168,244	1,117,284	1,083,857	1,197,550	1,191,849
Pupil Transportation	12,730	13,714	17,458	21,299	26,463	24,447	16,332	50,501	18,422	32,479
Employee Benefits	2,181,379	2,171,923	2,372,496	2,352,347	2,518,099	2,773,564	3,213,695	3,577,816	3,800,739	3,632,198
Special Schools	3,549,569	3,567,078	1,515,673	1,500,642	1,364,351	1,431,568	1,463,076	1,378,022	1,402,632	761,207
Debt Service:										
Principal			390,000	650,000	680,000	893,502	924,943	958,527	979,167	927,406
Interest			639,293	403,673	377,487	362,537	340,205	309,478	278,600	246,356
Cost of Issuance		41,200								
Capital Outlay	456,600	12,628,046	2,003,915	6,811,281	1,534,012	1,765,302	1,510,026	1,568,407	1,144,961	1,729,526
Total Expenditures	12,997,399	24,877,472	13,555,790	18,556,763	13,560,195	14,489,315	15,048,584	15,674,129	15,965,000	15,802,422
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	(104,244)	(11,836,680)	144,530	444,247	377,569	168,568	(169,985)	154,796	486,990	1,273,285
Other Financing Sources/(Uses):										
Cancellation of capital lease proceeds									(58,426)	
Proceeds from Capital Leases		11,200,000				1,200,000			86,440	
Transfers In					60,000	1,337,394	588	60,435		
Transfers Out					(60,000)	(1,337,394)	(588)	(60,435)	(4,154)	
Total Other Financing Sources/(Uses)	-	11,200,000	-	-	-	1,200,000	-	-	23,860	-
Net Change in Fund Balances	\$ (104,244)	\$ (636,680)	\$ 144,530	\$ 444,247	\$ 377,569	\$ 1,368,568	\$ (169,985)	\$ 154,796	\$ 510,850	\$ 1,273,285
Debt Service as a Percentage of										
Noncapital Expenditures	-		9%	9%	9%	10%	9%	9%	8%	8%

Source: CAFR Schedule B-2 and District records.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

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

Fiscal Year Ending June 30,	HCC/Evening School Fees	Interest on Investments	Textbook Sales	Miscellaneous	Program Sales	Total
2011	\$ 338,366	\$ 4,370	\$ 22,567	\$ 197,850		\$ 563,153
2012	707,695	2,417	38,269	186,525		934,906
2013	686,473	2,099	23,337	165,912	\$ 45,155	922,976
2014	752,580	1,794	15,896	375,383	35,228	1,180,881
2015	664,816	1,827	18,069	206,907	39,542	931,161
2016	592,650	4,815	23,808	429,480	31,285	1,082,038
2017	576,869	7,081	20,482	276,219	33,643	914,294
2018	585,459	28,278	19,947	170,458	16,746	820,888
2019	605,767	57,403	19,834	214,028	26,256	923,288
2020	306,526	47,782	17,745	313,174	20,026	705,253

Source: District records

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

Year Ended June 30,	<u>Governmental Activities</u>		Percentage of Personal Income ^a	Per Capita ^a
	Capital Leases	Total District		
2011	\$ -	\$ -	0.00%	\$ 30.7
2012	11,200,000	11,200,000	0.06%	30.4
2013	10,810,000	10,810,000	0.05%	29.3
2014	10,160,000	10,160,000	0.05%	27.4
2015	9,480,000	9,480,000	0.04%	25.5
2016	9,786,498	9,786,498	0.04%	26.4
2017	8,861,555	8,861,555	0.04%	23.9
2018	7,903,028	7,903,028	0.03%	21.1
2019	7,010,301	7,010,301	0.03%	19.0
2020	6,023,944	6,023,944	0.02%	16.4

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

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

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

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

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2011	367,959	\$ 19,555,181,055	\$ 53,145	7.7%
2012	367,908	20,087,776,800	54,600	7.8%
2013	369,171	21,032,041,041	56,971	6.7%
2014	370,984	22,076,515,872	59,508	5.7%
2015	371,601	21,301,284,123	57,323	4.7%
2016	371,398	22,237,455,250	59,875	4.8%
2017	371,023	23,466,091,681	63,247	4.3%
2018	374,733	23,696,990,721	63,237	4.1%
2019	369,811	24,534,371,173	66,343	3.7%
2020	367,430	25,479,065,920	69,344	3.2%

Source:

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

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

Estimates for 2011-2015 reflect county population estimates available as of March 2016.
Data reflects revised estimates for 2011-2020.

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

LAST TEN FISCAL YEARS
 (UNAUDITED)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction:										
Vocational - Regular	22.0	25.0	25.5	25.0	26.0	27.5	28.5	31.3	37.9	35.4
Vocational - Special	10.0	10.0	10.0	11.0	11.5	10.5	11.0	11.0	11.5	9.6
Support Services:										
Student and Instruction Related Services	19.0	19.0	20.0	19.0	17.5	18.0	18.0	19.0	18.0	23.0
General Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0
School Administrative Services	9.0	9.0	9.0	9.0	9.0	8.0	8.0	10.0	9.0	6.0
Central Services	21.5	21.5	21.0	22.0	20.0	19.0	19.0	19.0	18.0	19.0
Vocational - Post Secondary	15.0	15.0	15.0	13.0	11.0	10.0	10.0	8.0	11.0	5.0
Total	99.5	102.5	103.5	102.0	98.0	96.0	97.5	100.3	107.4	100.0

Source: District Personnel Records

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

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>Percentage Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2011	699.70	\$ 12,540,799	\$ 17,923	11.50%	47	14.89	699.70	652.00	-6.41%	93.18%
2012	865.00	12,208,226	14,114	-21.25%	50	17.30	836.00	791.00	19.48%	94.62%
2013	877.00	10,522,582	11,998	-14.99%	51	17.37	847.00	784.00	1.32%	90.20%
2014	886.00	10,691,809	12,068	0.58%	45	19.69	883.00	846.00	4.25%	95.49%
2015	884.00	10,968,696	12,408	2.82%	45	19.64	883.00	842.00	0.00%	95.25%
2016	878.00	11,467,974	13,061	5.27%	47	18.68	887.00	842.00	0.45%	95.90%
2017	935.00	12,273,410	13,127	0.50%	49	19.08	977.12	927.80	10.16%	99.23%
2018	879.00	12,837,717	14,605	11.26%	53	16.58	983.22	925.82	0.62%	105.33%
2019	929.00	13,562,272	14,599	-0.04%	49	18.96	1058.03	998.83	7.61%	107.52%
2020	954.00	12,899,134	13,521	-7.38%	46	20.74	937.80	896.85	-11.36%	94.01%

Source: District records

Note: Enrollment based on annual October District count.

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

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>District/Building</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
High School:										
Assunpink (1972)										
Square Feet	90,768	90,768	90,768	90,768	90,768	90,768	90,768	90,768	90,768	90,768
Capacity (Students)	336	336	380	380	380	380	380	380	380	380
Enrollment	357	355	372	372	345	380	397	355	355	418
Sypek (1974)										
Square Feet	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713
Capacity (Students)	444	444	444	444	444	444	444	444	444	444
Enrollment	386	339	368	368	481	478	493	465	465	548
Other:										
Health Careers Center (1911)										
Square Feet	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984
Capacity (Students)	200	200	200	200	200	200	200	200	200	200
Enrollment	154	171	162	162	171	156	142	170	149	0

Number of Schools at June 30, 2020

High Schools = 2

Other = 1

Source: District Facilities Office

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

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF REQUIRED MAINTENANCE

LAST TEN FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

11-000-261-xxx

Year	Assunpink Buildings	Sypek Buildings	Other Buildings	Total
2011	\$ 32,100	\$ 36,284	\$ 9,291	\$ 77,675
2012	26,160	32,816	7,702	66,678
2013	25,220	25,963	6,902	58,085
2014	25,960	25,944	7,717	59,621
2015	25,960	25,944	7,541	59,445
2016	22,082	25,827	7,893	55,802
2017	29,836	25,694	7,665	63,195
2018	24,834	26,312	7,769	58,915
2019	24,091	28,940	9,302	62,333
2020	25,960	25,944	10,629	62,533
Total School Facilities	<u>\$ 309,299</u>	<u>\$ 321,453</u>	<u>\$ 123,306</u>	<u>\$ 754,058</u>

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

Source: District records

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

INSURANCE SCHEDULE
(UNAUDITED)

June 30, 2020

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 175,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	20,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	20,000,000	
Pollution Legal Liability	3,000,000	25,000
		\$50,000 -
		\$250,000 Each
-Mold		Mold Incident *
Cyber Liability	1,000,000	10,000
Violent Malicious Acts	1,000,000	15,000
Disaster Management Services	2,000,000	15,000

* Mold deductibles are tiered based upon the age of applicable individual structures
(0-20 years \$50,000 / 20-50 years \$100,000 / 50+ years \$250,000)

Source: District records

Single Audit Section



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Area Vocational-Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2020, 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 28, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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


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

Compliance and Other Matters

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

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

Florham Park, New Jersey
January 28, 2021



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Area Vocational-Technical Schools of Mercer County School District's, in the County of Mercer, New Jersey (the "District") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

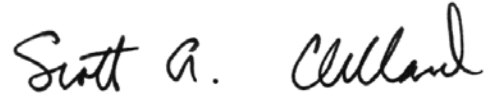
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

Purpose of this Report

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

Florham Park, New Jersey
January 28, 2021

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Grant Period		Balance, June 30, 2019			Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2020			
				From	To	(Accounts Receivable)	Unearned Revenue	Due to Grantor					(Accounts Receivable)	Unearned Revenue	Due To Grantor	
U.S. Department of Education:																
Passed-Through State Department of Education:																
Special Revenue Fund:																
Perkins (P.L. 101-391)	84.048A	V048A190030	\$ 215,573	07/01/19	09/30/20					\$ 180,909	\$ (214,734)		\$ (33,825)			
Perkins (P.L. 101-391)	84.048A	V048A180030	185,533	07/01/18	06/30/19	\$ (89,443)				89,443						
Perkins (P.L. 101-391)	84.048A	V048A180030	29,204	07/01/18	06/30/19	(29,191)				29,191						
Perkins (P.L. 101-391)	84.048A	V048A190030	27,707	07/01/19	09/30/20					26,942	(27,704)		(762)			
Title I - Part A	84.010A	S010A190030	114,516	07/01/19	09/30/20					78,152	(106,114)		(27,962)			
Title I - Part A	84.010A	S010A180030	112,914	07/01/18	06/30/19	(20,582)				20,582						
Title II - Part A - Improving Teacher Quality State Grants	84.367A	S010A180030	20,125	07/01/18	06/30/19	(1,550)				1,550						
Title II - Part A - Improving Teacher Quality State Grants	84.367A	S010A190030	20,321	07/01/19	09/30/20					17,501	(17,501)					
I.D.E.A. Part B Basic (Special Education Cluster)	84.027A	H027A190100	50,299	07/01/19	09/30/20					34,654	(50,299)		(15,645)			
I.D.E.A. Part B Basic (Special Education Cluster)	84.027A	H027A180100	43,614	07/01/18	06/30/19	(14,711)				14,711						
Total Special Revenue Fund						<u>(155,477)</u>				<u>493,635</u>	<u>(416,352)</u>		<u>(78,194)</u>			
U.S. Department of Labor:																
Passed-Through State Department of Labor and Workforce Development:																
Unemployment Compensation Trust Fund:																
COVID-19 CARES ACT - Unemployment Relief	17.000	Not available	13,493	04/01/20	06/30/20					13,493	(13,493)					
Total Expenditures of Federal Awards						<u>\$ (155,477)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,128</u>	<u>\$ (429,845)</u>	<u>\$ -</u>	<u>\$ (78,194)</u>	<u>\$ -</u>	<u>\$ -</u>	

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year ended June 30, 2020

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2019				Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balance	Balance, June 30, 2020			Memo Cumulative Total Expenditures	
			From	To	(Accounts Receivable)	Unearned Revenue	Due To Grantor	Cash Received				(Accounts Receivable)	Unearned Revenue	Due To Grantor		
State Department of Education																
General Fund:																
Equalization Aid	20-495-034-5120-078	\$ 2,278,667	07/01/19	06/30/20				\$ 2,050,800	\$ (2,278,667)					\$ (227,867)	\$ (2,278,667)	
Equalization Aid	19-495-034-5120-078	2,107,427	07/01/18	06/30/19	\$ (210,742)			210,742								
Special Education Categorical Aid	20-495-034-5120-089	293,805	07/01/19	06/30/20				264,424	(293,805)					(29,381)	(293,805)	
Special Education Categorical Aid	19-495-034-5120-089	293,805	07/01/18	06/30/19	(29,382)			29,382								
Security Aid	20-495-034-5120-084	118,657	07/01/19	06/30/20				106,791	(118,657)					(11,866)	(118,657)	
Security Aid	19-495-034-5120-084	118,657	07/01/18	06/30/19	(11,865)			11,865								
Adjustment Aid	20-495-034-5120-085	103,021	07/01/19	06/30/20				92,720	(103,021)					(10,301)	(103,021)	
Adjustment Aid	19-495-034-5120-085	103,021	07/01/18	06/30/19	(10,302)			10,302								
On-Behalf TPAF Pension	495-034-5094-002	780,783	07/01/19	06/30/20				780,783	(780,783)						(780,783)	
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	289,657	07/01/19	06/30/20				289,657	(289,657)						(289,657)	
On-Behalf TPAF Non-Contributory Insurance	495-034-5094-004	1,011	07/01/19	06/30/20				1,011	(1,011)						(1,011)	
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	263,562	07/01/19	06/30/20				250,388	(263,562)			\$ (13,174)			(263,562)	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	284,982	07/01/18	06/30/19	(13,411)			13,411						(279,415)	(4,129,163)	
Total General Fund					<u>(278,702)</u>			<u>4,112,276</u>	<u>(4,129,163)</u>			<u>(13,174)</u>				
State Department of Education Special Revenue Fund:																
Perkins (P.L. 101-391)	PSFS310519	107,652	07/01/19	06/30/20				110,256	(110,256)						(110,256)	
Pre-Apprenticeship in Career Education	N/A	50,000	06/01/19	05/31/20				37,928	(46,928)			(9,000)			(46,928)	
Apprentice Coordinator	99000127	15,900	07/01/19	06/30/20					(15,025)			(15,025)			(15,025)	
Apprentice Coordinator	99000127	15,900	07/01/18	06/30/19	(7,497)			7,497								
Total Special Revenue Fund					<u>(7,497)</u>			<u>155,681</u>	<u>(172,209)</u>			<u>(24,025)</u>			<u>(172,209)</u>	
State Department of Education Capital Projects Fund:																
NJ Schools Development Authority	Not available	1,018,550	07/01/15	completion		\$70,117			(400)			\$ 69,717			(400)	
Total Capital Projects Fund						<u>70,117</u>			<u>(400)</u>			<u>69,717</u>			<u>(400)</u>	
Total Expenditures of State Financial Assistance					\$ (283,199)	\$ 70,117	\$ -	\$ 4,267,957	\$ (4,301,772)	\$ -	\$ -	\$ (37,199)	\$ 69,717	\$ -	\$ (279,415)	\$ (4,301,772)
State Financial Assistance Not Subject to Single Audit Determination:																
On-Behalf TPAF Pension	495-034-5094-002	780,783	07/01/19	06/30/20				780,783	(780,783)						(780,783)	
On-Behalf TPAF Post Retirement Medical	495-034-5094-001	289,657	07/01/19	06/30/20				289,657	(289,657)						(289,657)	
On-Behalf TPAF Non-Contributory Insurance	495-034-5094-004	1,011	07/01/19	06/30/20				1,011	(1,011)						(1,011)	
Total State Financial Assistance Subject to Single Audit Determination					\$ (283,199)	\$ 70,117	\$ -	\$ 3,196,506	\$ (3,230,321)	\$ -	\$ -	\$ (37,199)	\$ 69,717	\$ -	\$ (279,415)	\$ (4,300,761)

The accompanying notes to the schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

Area Vocational-Technical Schools
of Mercer County School District

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

Year ended June 30, 2020

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal award and state financial assistance activity under programs of the federal and state government for the year ended June 20, 2020. The District is defined in Note 1 to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

The information in these schedules are presented in accordance with the 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 OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements. Because the schedules present only selected portions 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.

2. Summary of Significant Accounting Policies

The expenditures reported on the accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and New Jersey OMB Circular 15-08, wherein certain types of expenditures are allowable or are limited as to reimbursement. These bases of accounting are described in Note 1 to the District's basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the District's basic financial statements. The basic financial statements present the general

Area Vocational-Technical Schools
of Mercer County School District

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

Year ended June 30, 2020

3. Relationship to Basic Financial Statements (continued)

fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the award year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the two last state aid payments in the current year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent year due to the state deferral and recording of the last state aid payments in the subsequent year.

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$17,124 for the general fund and \$8,506 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		\$ 4,112,039	\$ 4,112,039
Special Revenue Fund	\$ 406,595	173,460	580,055
Capital Projects Fund		400	400
Total award revenues	\$ 406,595	\$ 4,285,899	\$ 4,692,494

4. Relationship to Federal and State Financial Reports

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

Area Vocational-Technical Schools
of Mercer County School District

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

Year ended June 30, 2020

5. Other

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2020.

The post retirement pension and medical benefits and insurance received on-behalf of the District for the year ended June 30, 2020, amounted to \$1,071,451. Since on-behalf post retirement pension, non-contributory insurance and medical benefits are paid by the State directly, these expenditures are not subject to a Single Audit in accordance with New Jersey OMB Circular 15-08, as directed by the funding agency.

6. Indirect Costs

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

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part I – Summary of Auditors’ Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es)	_____	Yes	<u> X </u>	No
Significant deficiency(ies)	_____	Yes	<u> X </u>	None Reported

Is any noncompliance material to financial statements noted?

_____	Yes	<u> X </u>	No
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State Financial Assistance

Internal control over major state programs:

Material weakness(es)	_____	Yes	<u> X </u>	No
Significant deficiency(ies)	_____	Yes	<u> X </u>	None Reported

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

Unmodified

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

_____	Yes	<u> X </u>	No
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Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-078	General State Aid Cluster: Equalization Aid Special Education Categorical Aid Security Aid Adjustment Aid
495-034-5120-089	
495-034-5120-084	
495-034-5120-085	

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

\$750,000

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	_____	No
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Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2020

Part II – Schedule of Financial Statement Findings

No state financial assistance program internal control over compliance or compliance findings or questioned costs were noted that are required to be reported in accordance with New Jersey State OMB Circular Letter 15-08.

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2020

**Part III – Schedule of State Financial Assistance Findings and
Questioned Costs**

State Financial Assistance Programs

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

Area Vocational-Technical Schools
of Mercer County School District

Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2020

No prior year findings were noted.