

AREA VOCATIONAL-
TECHNICAL SCHOOLS
OF MERCER COUNTY
SCHOOL DISTRICT

County of Mercer
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2012*

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

Hamilton, New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2012

Prepared by

Business Office

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Introduction Section



Board of Education
AREA VOCATIONAL-TECHNICAL SCHOOLS
of Mercer County

Albert W. Pitman
President

Judith Izard
Vice President

Nancy R. Swirsky
School Business Administrator
Board Secretary

www.mcts.edu

November 19, 2012

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

Dear Board Members and Constituents:

The comprehensive annual financial report of the Area Vocational-Technical Schools of Mercer County ("District") as of and for the year ended June 30, 2012, 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 comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this Transmittal Letter (designed to compliment Management's Discussion and Analysis and should be read in conjunction with it), the District's Organizational Chart and a 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 Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, and the State Treasury Circular Letter OMB 04-04,

Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. A federal single audit was not required in the 2012 fiscal year as federal expenditures did not exceed \$500,000. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Area Vocational-Technical Schools of Mercer County is considered fiscally dependent upon County Government; therefore, it is an entity that must report under GASB Statement No. 34.

The District provides a full range of educational services appropriate to grade levels 9 to 12 in full-time and grades 11 to 12 in shared-time secondary programs, adult, and post-secondary. These include regular, vocational as well as vocational special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an average enrollment of 836 students. Following are the District's average daily enrollments over the last five years:

Average Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>
2011-2012	836.0
2010-2011	699.7
2009-2010	747.6
2008-2009	783.9
2007-2008	766.5

2. ECONOMIC CONDITION AND OUTLOOK:

The Area Vocational-Technical School District of Mercer County currently is primarily a shared-time vocational-education delivery system serving all of the secondary public and non-public school districts in Mercer County but working to introduce full-time career academies 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 five-member Board of Education, the District also sponsors a comprehensive adult and post-secondary vocational-technical program.

The District is currently operating three secondary schools and one post-secondary school. The Assunpink Center houses both the full time Health Science Academy and with the Sypek Center operates shared-time vocational-technical facilities serving 11th and 12th grade students and other out-of-school youth who require entry-level career training. The Health Science Academy at the Assunpink Center is the first full-time program that serves students in 9th and 10th grade during the 2011-12 school year who are interested in the health and medical sciences. This successful program will add grade 11 in the 2012-13 school year and 12th grade the following year. The Career Tech Program, located on the West Windsor Campus of the Mercer County Community College, is also a shared-time educational program designed to serve 11th and 12th grade

students who are seeking careers in Theatre Arts, Landscape Design & Horticulture, Professional Cooking, Computer Systems & Networking, Criminal Justice, Fire Science Technology and EMT Technology, Business Foundations, and Radio & TV Production are also sponsored by the school district. The Health Careers Center is a post-secondary educational facility designed to serve individuals who are interested in pursuing careers in practical nursing, medical assisting, massage therapy, and other allied health careers. Part-time adult evening programs are available at the Assunpink and Health Careers Centers.

The adult evening school currently maintains approximately twenty-five (25) different occupational programs at various levels, in the areas of apprenticeship, business, trade and industry, health, and wastewater management. The District also serves as the local educational agency for the Thomas J. Rubino Academy, an alternative high school. The alternative education program is designed to offer structure different from the traditional form of education and to assist students in realizing their life goals and choices, talents, abilities, and career interests. The education services for the alternative program are provided by Camelot Educational Resources LLC, an educational service provider to assist New Jersey's public schools, private schools, and state agencies to meet their ever-increasing needs and demands. The education program is delivered at the Alfred Reed School in Ewing, New Jersey through an Interlocal agreement with the Mercer County Special Services School District. During the 2011-2012 school year, there were 110 students enrolled in the alternative education program.

The District acquires its funding from federal, state, county, and local sources. As per the 2011-12 budget of \$13,274,596 approximately 18% of the budget is supported by state aid, 50% by county tax aid, 1% by federal/state special revenue aid, and 31% from tuition, fees and miscellaneous income. For the 2011-2012 school year, the District was able to sustain its budget through the addition of fund balance.

The Division of Labor Market and Demographic Research from the State of New Jersey, Department of Labor and Workforce Development (August 2012) released statistics of the top 25 jobs in demand as of December 2011, which included Medical and Health Services positions such as Physical and Occupational Therapists, Pharmacists, Registered and Practical Nurses and Health Technicians. A total job increase in New Jersey between August 2011 to August 2012 was estimated at 47,100 positions with a state unemployment rate in August 2012 of 9.9%; during this period the Mercer County unemployment rate was 8.9%. The Department of Labor and Workforce Development releases local data monthly. Mercer County Technical Schools 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.

3. MAJOR INITIATIVES:

Capital Project Initiatives:

The conversion from a shared-time facility to a full-time facility remains an ongoing capital improvement project as part of the Long-Range Facility Plan. This facility proposal was initiated as a result of the new educational reforms established by the State Department of Education. Given the impact of the New Jersey Core Curriculum Content Standards, The No Child Left Behind Act of 2001 ("NCLB"), Partnership for 21st Century Skills (2008) and the New Jersey Department of Education High School Redesign Initiative (2007), it has become more evident that "full-time" career and technical education programs will offer students an integrated academic and technical comprehensive educational program. The design schematics for the proposed full-time educational program will include specialized laboratory facilities and academic classrooms for career programs in six distinct academies: Retail/Personal Services, Design and Construction, Transportation, Fashion/Creative Arts, and Health Sciences. The Academy concept incorporates innovative approaches to education such as flexible scheduling, integrated curriculum, industry-school mentorship and partnership, technology, project-based research experiences, and internships. The first Academy in Health Science is designed to meet the needs of those students who wish to prepare for careers in the Health and Medical Sciences. During the 2011-2012 school year, the district embarked on an Energy Savings Improvement Plan to maximize efficiencies in HVAC, lighting and savings through the addition of roof top solar panels on all the buildings at both the Assunpink and Sypek Centers.

Program Initiatives:

- Continued development of customized training programs for government, business, industry and labor groups with a special emphasis on those companies and industries that have either downsized or have decided to close their operations within the near future.
- Continued planning and implementation of the Career and Technology Schools That Work Comprehensive School Reform Project. A Technical Assistance site visit took place in January 2008. Activities included 1) alignment of the CTE curriculum with science, math and language arts core content standards, 2) initiation of the dual enrollment articulation agreements with Mercer County Community College, and 3) the development of a literacy plan in each career cluster.
- Expansion of the continuing education programs for practical nurses, medical assistants, and medical technicians to include a partnership with CVS "Career Prescription for Success" (CAPS) program that serve high school students.
- Development of student centered programs with higher education, business/industry, labor and government in collaborative partnerships to meet the future demands of the economy and workforce requirements.

- The Health Careers Center completed its self-study accreditation phase with The Council on Occupational Education and was awarded continued certification in October 2010 for six (6) years. The Council is a national accrediting agency that is committed to assuring quality and integrity in career and workforce development.

4. **INTERNAL ACCOUNTING CONTROLS:**

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

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

Although the District was not required to include a single audit report described earlier, tests are made to determine the adequacy of the internal control environment, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. **BUDGETARY CONTROLS:**

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimates. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund, if applicable. 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance on June 30, 2012.

6. **ACCOUNTING SYSTEM AND REPORTS:**

The District's accounting records reflect generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the 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. Under the New Jersey State School Funding Reform Act ("SFRA") of 2008, the District continues to provide funding for a Capital Reserve account for unanticipated expenditures. Financial summaries and detail should be reviewed in the Management's Discussion and Analysis for the Fiscal Year ended June 30, 2012.

8. **DEBT ADMINISTRATION:**

At June 30, 2012, the District had outstanding debt of \$11,200,000 for the financing of the Energy Savings Plan through a fifteen year lease with PNC bank at 3.85%. The facility improvement measure consisted of lighting retrofits, lighting occupancy controls, vending misers, roof replacements and solar PV panels and related equipment and property improvements for Assunpink Center, Sypek Center and Health Career Center.

9. **CASH MANAGEMENT:**

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

10. **RISK MANAGEMENT:**

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

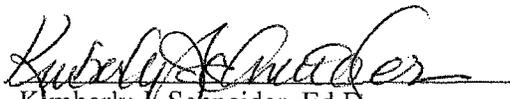
11. **OTHER INFORMATION:**

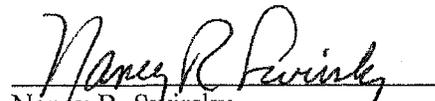
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm Wiss and Company, L.L.P. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and State Treasury Circular Letter OMB 04-04. The auditor's 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 not included in the single audit section of this report as it is not required.

12. **ACKNOWLEDGEMENTS:**

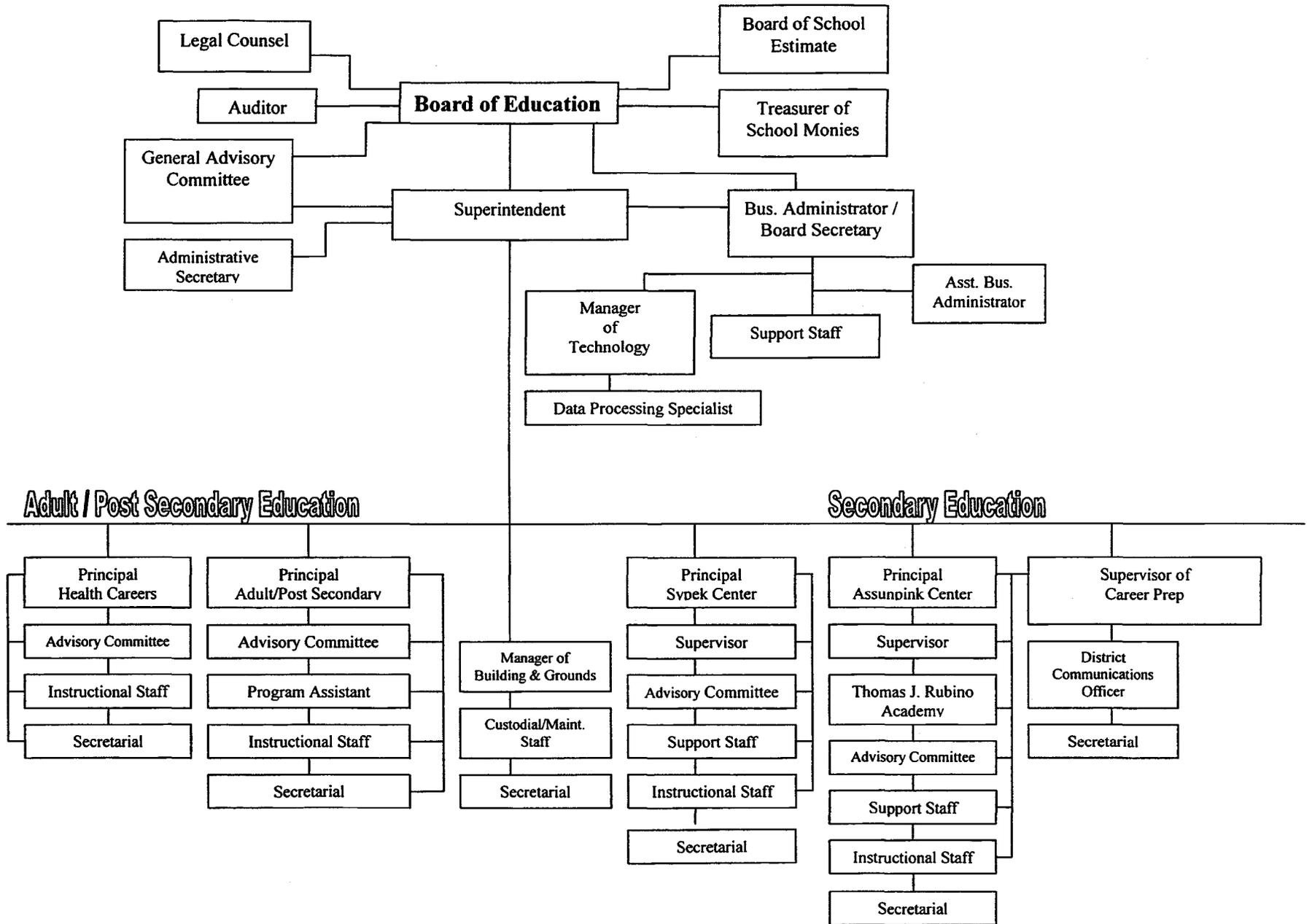
We would like to express our appreciation to the members of the Area Vocational-Technical Schools of Mercer County Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance 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


Nancy R. Swirsky
Business Administrator/Board Secretary

MERCER COUNTY TECHNICAL SCHOOL DISTRICT
 ORGANIZATIONAL CHART
 JUNE 30, 2012



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

Roster of Officials

June 30, 2012

Members of the Board of Education

Term Expires

Albert W. Pitman, President
Judith Iszard, Vice-President
John Zoller
Vacancy

November 2014
November 2015
November 2014

Dr. Samuel Stewart, Executive County Superintendent of Schools

Ex-Officio

Other Officials

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

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

Independent Auditors and Advisors

Independent Auditors

Wiss and Company, LLP
Iselin, New Jersey 08830

Attorneys

Herbert, Van Ness, Cayci & Goodell
Lawrenceville, New Jersey 08648

Official Depositories

New Jersey Cash Management
PNC Bank
Roma Federal Savings Bank
Bank of America
Deutsche Bank

Financial Section



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Area Vocational-Technical Schools of Mercer County School District, New Jersey (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information as noted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying supplementary information, which consists of 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Scott A. Clelland

Scott A. Clelland
Licensed Public School Accountant
No. 1049

Wiss & Company

WISS & COMPANY, LLP

November 19, 2012
Iselin, New Jersey

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, 2012
(UNAUDITED)

Management's discussion and analysis of 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, 2012. 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 (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets decreased \$542,680, which represents a 4.4 % decrease from 2011.
- ◆ Total assets of governmental activities increased by \$12,197,739, as cash and cash equivalents increased by \$1,527,199; restricted cash decreased by \$751,661; and capital assets increased by \$12,197,739.
- ◆ Total liabilities increased by \$12,740,419, as accounts payable increased by \$780,874; accrued interest payable increased by \$413,233; and non-current liabilities (sick leave reimbursement and long term debt) increased by \$11,198,380.
- ◆ General revenues accounted for \$9,992,506 in revenue or 76.6% of all revenues. Program specific revenues in the form of charges for services accounted for \$2,611,035 or 20% of total revenues of \$13,040,792.
- ◆ Total spending for all programs was \$13,583,472, including a charge of \$908,664 of allocated depreciation. Expenses in the amount of \$3,048,286 were offset by specific charges for services and operating and capital grant contributions. General revenues (primarily county tax levy and state and federal aid) of \$9,054,665 were adequate to provide for the balance of these programs, exclusive of the charge for depreciation.
- ◆ The General Fund had \$12,603,023 in revenues and \$13,274,596 in expenditures. The General Fund's balance decreased \$671,573 from 2011. This decrease was anticipated by the Board of Education.

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 other supplementary information in addition to the basic financial statements themselves.

Reporting the School District as a Whole

Government-wide Activities

The *Statement of Net Assets* 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 2011-12?" The *Statement of Net Assets* and the *Statement of Activities* helps answer this question. These statements include all assets and liabilities 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 assets and changes in those assets. This change in net assets 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 Assets* and the *Statement of Activities*, the District has the following distinct kind of activity:

- ◆ Governmental Activities – All of the District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

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 2011-12 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 two (2) categories: governmental 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District maintains three 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 special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are Schedules B-1, B-2 and B-3.

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 as noted in the table of contents of this report.

The School District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. Net assets may serve as an indicator of a government's financial position. However, as noted earlier, net assets are 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, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the District's net assets as of June 30, 2012 and 2011.

	Net Assets	
	June 30,	
	<u>2012</u>	<u>2011</u>
Assets:		
Cash and Cash Equivalents	\$ 2,787,029	\$ 1,259,830
Accounts Receivable	310,685	594,097
Deferred Charges	38,453	-
Restricted assets:		
Cash and Cash Equivalents	805,293	1,556,954
Capital Assets, Non-Depreciable		34,375
Capital Assets, Depreciable, Net	<u>21,025,725</u>	<u>9,324,190</u>
Total Assets	<u>24,967,185</u>	<u>12,769,446</u>
Liabilities:		
Accounts Payable	804,197	23,323
Accrued Interest Payable	413,233	-
Unearned Revenue and Other Current Liabilities	386,152	37,824
Payables – Other Governments		396
Noncurrent Liabilities:		
Due Within One Year	407,813	25,000
Due Beyond One Year	<u>11,191,917</u>	<u>376,350</u>
Total Liabilities	<u>13,203,312</u>	<u>462,893</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	9,825,725	9,358,565
Restricted for:		
Other Purposes	1,486,672	2,422,154
Unrestricted	<u>451,476</u>	<u>525,834</u>
Total Net Assets	<u>\$ 11,763,873</u>	<u>\$ 12,306,553</u>

Total assets increased by \$12,197,739. The majority of the increase resulted from the Energy Savings Improvement Program (ESIP) capital assets.

Total liabilities increased by \$12,740,419. The District's non-current liabilities increased \$11,198,380 and current liabilities increased \$1,542,039. The increase non-current liabilities resulted from the ESIP capital lease of \$11,200,000.

Unrestricted net assets, the part of net assets that can be used to finance day-to day activities, without constraints established by grants or legal requirements of the District, decreased by \$74,358.

The following table provides a comparison of Government-wide changes in net assets for the 2012 and 2011 fiscal years.

**Changes in Net Assets
Years ended June 30,**

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,611,035	\$ 3,094,121
Operating Grants and Contributions	437,251	493,643
General Revenues:		
County Appropriation / Taxes	6,134,097	6,134,097
State and Federal Sources	2,920,568	2,603,150
Interest on Investments	2,935	4,991
Miscellaneous	934,906	563,153
Total Revenues	<u>13,040,792</u>	<u>12,893,155</u>
Program Expenses:		
Instruction:		
Regular Vocational Programs	3,035,578	2,718,487
Special Vocational Programs	1,440,109	1,302,667
Support Services:		
Attendance, Health, Student Services and Transportation, and Improvement of Instruction	1,119,065	1,038,134
General Administration	604,246	521,291
School Administration	809,625	795,035
Operations and Maintenance	1,588,410	1,877,929
Central Services/Technology	610,222	604,450
Special Schools	3,960,236	4,103,164
Interest on Long Term Obligations	415,981	
Total Expenses	<u>13,583,472</u>	<u>12,961,157</u>
(Decrease) in Net Assets	(542,680)	(68,002)
Net Assets – Beginning	<u>12,306,553</u>	<u>12,374,555</u>
Net Assets – Ending	<u>\$ 11,763,873</u>	<u>\$ 12,306,553</u>

Charges for services revenue represents tuition, fees and other charges to users or recipients of the services the District provides. Charges for services include tuition and registration fees for full-time Health Science Academy and Special Education students, the alternative high school, interim alternative education setting program, day school, summer program, health careers post-secondary program, and the adult evening school. The decrease in charges for services was due largely to decrease in enrollment in certain tuition programs.

State and Federal sources general revenue increased as a result of the State funding which reflected an increase for the 2011/12 school year and the inclusion of Education Jobs Funding.

Regular program and special vocational program instructional costs increased due to state and federal funding allocated to instruction.

Operations and maintenance costs decreased as a result of energy savings initiatives occurring at the district.

Interest on long term obligations increased as a result of the ESIP long term liabilities associated with the capital lease.

Financial Analysis of the District's Funds

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

As the District completed the fiscal year ended June 30, 2012, it reported a general fund fund balance of \$2,712,140, which is a decrease of \$671,573 from the prior year. The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Schedule B-3, presents the reader with a detailed explanation of the decrease in fund balance for the fiscal year.

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2012, and the amount and percentage of increases and (decreases) in relation to prior year revenues.

Revenues

Year Ended June 30, 2012

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) Increase from 2011</u>	<u>Percent of (Decrease) Increase</u>
Local sources	\$9,695,760	74.4%	\$ (116,520)	(1.2)%
State sources	2,867,788	22.0	233,305	8.9 %
Federal sources	476,726	3.6	30,334	6.8 %
Total	\$ 13,040,274	100.0%	\$ 147,119	1.1 %

The increase in the state sources was mainly attributable to the increase in adjustment aid, equalization aid, and on behalf pension contributions. Federal sources increased primarily due to the District receiving one time Education Jobs funding.

The following schedule presents a summary of general fund and special revenue fund expenditures for the year ended June 30, 2012, and the amount and percentage of increases and (decreases) in relation to prior year expenditures.

Expenditures

Year Ended June 30, 2012

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2011</u>	<u>Percent of Increase (Decrease)</u>
Current:				
Instruction	\$ 3,119,595	22.7%	\$ 80,033	2.6 %
Undistributed expenditures	5,521,553	40.3	(430,115)	(7.2)%
Capital outlay	1,503,621	11.0	1,111,396	263.2 %
Special schools	3,567,078	26.0	17,509	(0.5)%
Total	\$ 13,711,847	100.0%	\$ 778,823	6.0 %

The increase in capital outlay is mainly attributable to the purchase and installation of new boilers and building improvements.

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 revenue and expenditures.

A schedule showing the District's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedules. The District generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

The General Fund finished the fiscal year approximately \$145,813 better than had been budgeted in terms of revenues and \$1,526,497 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$508,007 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

The decrease in expenditures was unanticipated as a result of immediate savings from the installation of energy efficient lighting, HVAC and solar power.

The fund balance will be carried forward into the beginning fund balance for the 2012-13 fiscal year and will be used in renovations as detailed in the District's Long Range Facility Plans.

Capital Assets

At the end of fiscal years 2012 and 2011, the District had \$21,025,725 and 9,358,565, respectively invested in a broad range of capital assets, including construction in progress, buildings, furniture, vehicles, computers, 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 2012 and 2011 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2012</u>	<u>2011</u>
Construction in Progress	\$ -	\$ 34,375
Buildings and Building Improvements	20,059,611	8,374,882
Machinery and Equipment	<u>966,114</u>	<u>949,308</u>
Total	<u>\$ 21,025,725</u>	<u>\$ 9,358,565</u>

During the current fiscal year, \$12,575,825 of capital assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year.

The District's capital additions for the 2011-12 fiscal year were significantly higher than the prior year because of additional renovations to the Health Science Academy and the Energy Savings Improvement Plan (ESIP) upgrades to buildings.

Economic Factors and Next Year's Budget

For the 2011-12 school year, the Area Vocational-Technical Schools of Mercer County School District was able to sustain its budget through the County Aid Levy, State Education Aid and Local Revenue Sources. Approximately 26% of the District's revenue was from Federal, State and Local Aid (Restricted and Not Restricted), while 47% of total revenue was from the County Tax Levy. The balance of the revenue was comprised of Tuition, Registration Fees and Miscellaneous Income.

The \$1,938,148 in Net Restricted and Unrestricted Net Assets for all governmental activities represents the accumulated results of all past years' operations. It means that, if the District had to pay off all bills today, including all of the District's non-capital liabilities (Compensated Absences), and sell all of its assets at net book value, the District would have \$1,938,148 remaining.

The 2011-12 budget was adopted on April 6, 2011 by the County Freeholders based in part on the State Education Aid the District anticipated receiving. Any future increases in State aid based on the State School Financing Reform Act will be based on the County Wealth based calculation and the minimum tax levy. Predicting future State Aid will be dependent upon new State formula-driven funding initiatives such as presented by the New Jersey Department of Education Acting Commissioner in his Education Funding Report of February 23, 2012.

The District anticipates an increase in enrollment for the 2012-13 fiscal year but, due to the elective nature of its programs, the District cannot accurately forecast future enrollment.

If the District were to experience a significant increase in enrollment with no appreciable increase in the County Tax Levy for future budgets, the District will be faced with the following alternatives: (a) reduce programs and services; (b) propose a Tuition Plan for the sending school districts; or (c) increase Tuition and other related fees for adult students.

Contacting the School District's Financial Management

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities as of and for the year ended June 30, 2012.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 2,787,029
Accounts Receivable	310,685
Deferred Charges	38,453
Restricted Assets:	
Cash and Cash Equivalents	805,293
Capital Assets, Depreciable, Net	<u>21,025,725</u>
Total Assets	<u>24,967,185</u>
 Liabilities	
Accounts Payable	804,197
Accrued Interest Payable	413,233
Unearned Revenue and Other Liabilities	386,152
Noncurrent Liabilities:	
Due Within One Year	407,813
Due Beyond One Year	<u>11,191,917</u>
Total Liabilities	<u>13,203,312</u>
 Net Assets	
Invested in Capital Assets, net of related debt	9,825,725
Restricted For:	
Other Purposes	1,486,672
Unrestricted	<u>451,476</u>
Total Net Assets	<u>\$ 11,763,873</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) and Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 3,035,578		\$ 201,864	\$ (2,833,714)
Special Education	1,440,109			(1,440,109)
Support Services:				
Student and Instruction Related Services	1,103,425		235,387	(868,038)
General Administrative Services	604,246			(604,246)
School Administrative Services	809,625			(809,625)
Central Administrative Services	279,674			(279,674)
Administrative Information Technology	330,548			(330,548)
Plant Operations and Maintenance	1,588,410			(1,588,410)
Pupil Transportation	15,640			(15,640)
Special Schools	3,960,236	\$ 2,611,035		(1,349,201)
Interest on long term obligations	415,981			(415,981)
Total Primary Government	<u>\$ 13,583,472</u>	<u>\$ 2,611,035</u>	<u>\$ 437,251</u>	<u>(10,535,186)</u>
General Revenues:				
				6,134,097
				2,920,568
				2,935
				934,906
Total General Revenues				<u>9,992,506</u>
Changes in Net Assets				(542,680)
Net Assets - Beginning				<u>12,306,553</u>
Net Assets - Ending				<u>\$ 11,763,873</u>

Fund Financial Statements

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

BALANCE SHEET

June 30, 2012

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 1,772,174	\$ 150,243	\$ 864,612	\$ 2,787,029
Interfund Receivable	199,875			199,875
Accounts Receivable:				
State	7,071	12,771		19,842
Federal		39,707		39,707
Other	238,131	13,005		251,136
Restricted Cash and Cash Equivalents	805,293			805,293
Total Assets	\$ 3,022,544	\$ 215,726	\$ 864,612	\$ 4,102,882
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable		\$ 199,875		\$ 199,875
Accounts Payable	\$ 266,597	15,851	\$ 521,749	804,197
Retainage Payable			342,345	342,345
Other Liabilities	43,807			43,807
Total Liabilities	310,404	215,726	864,094	1,390,224
Fund Balances:				
Restricted for:				
Excess Surplus	545,418			545,418
Prior Year Excess Surplus - Designated for Subsequent Year's Expenditures	135,961			135,961
Capital Reserve	805,293			805,293
Assigned to:				
Designated for Subsequent Years' Expenditures	443,846			443,846
Other Purposes	248,545			248,545
Unassigned	533,077		518	533,595
Total Fund Balances	2,712,140		518	2,712,658
Total Liabilities and Fund Balances	\$ 3,022,544	\$ 215,726	\$ 864,612	

Amounts reported for *governmental activities* in the statement of net assets (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 \$37,224,207 and the accumulated depreciation is \$16,198,482 (See Note 4).	21,025,725
Unamortized portion of capital lease issuance costs is not reported as an asset in the funds.	38,453
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.	(413,233)
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).	(11,599,730)
Net Assets of Governmental Activities	\$ 11,763,873

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2012

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 6,134,097			\$ 6,134,097
Tuition from Other Districts	404,547			404,547
Tuition from Individuals	100,300			100,300
Tuition From Other LEA's	2,022,588			2,022,588
Interest	2,417		\$ 518	2,935
Non-Resident Fees	83,600			83,600
Miscellaneous	934,906	\$ 13,305		948,211
Total - Local Sources	9,682,455	13,305	518	9,696,278
State Sources	2,829,774	38,014		2,867,788
Federal Sources	90,794	385,932		476,726
Total Revenues	12,603,023	437,251	518	13,040,792
Expenditures:				
Current:				
Regular Vocational - Instruction	1,938,547	201,864		2,140,411
Special Vocational - Instruction	979,183			979,183
Support Services and Undistributed Costs:				
Student and Instruction Related Services	666,286	100,980		767,266
General Administration	403,236			403,236
School Administration	542,501			542,501
Central Services	191,036			191,036
Administrative Information Technology	246,247			246,247
Plant Operations and Maintenance	1,185,631			1,185,631
Pupil Transportation	13,714			13,714
Unallocated Benefits	1,663,916			1,663,916
On-behalf TPAF FICA and Pension	508,007			508,007
Capital Outlay	1,369,214	134,407	11,124,425	12,628,046
Costs of Issuance			41,200	41,200
Special Schools	3,567,078			3,567,078
Total Expenditures	13,274,596	437,251	11,165,625	24,877,472
(Deficiency) of revenues (under) expenditures	(671,573)	-	(11,165,107)	(11,836,680)
Other Financing Sources:				
Proceeds from Capital Lease			11,200,000	11,200,000
Total Other Financing Sources			11,200,000	11,200,000
Net Change in Fund Balances	(671,573)	-	34,893	(636,680)
Fund Balance (Deficit), July 1	3,383,713	-	(34,375)	3,349,338
Fund Balance, June 30	\$ 2,712,140	\$ -	\$ 518	\$ 2,712,658

The reconciliation of the fund balances of the governmental funds to the net assets 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, 2012

Total Net Change in Fund Balances - Governmental Funds (B-2) \$ (636,680)

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

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

Depreciation Expense	\$ (908,664)	
Capital Additions	<u>12,575,825</u>	11,667,161

The issuance of long - term debt (e.g. capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (11,161,548)

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 increase in accrued interest from the prior year is a reduction to the reconciliation. (413,233)

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. 1,620

Change in Net Assets of Governmental Activities (A-2) \$ (542,680)

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 9,932	\$ 14,103	\$ 37,304
Total Assets	<u>9,932</u>	<u>14,103</u>	<u>\$ 37,304</u>
Liabilities			
Accounts Payable		8,380	
Payroll Deductions and Withholdings			\$ 8,511
Due to Student Groups			28,793
Total Liabilities		<u>8,380</u>	<u>\$ 37,304</u>
Net Assets			
Held in Trust for Unemployment Claims		<u>\$ 5,723</u>	
Held in Trust for Scholarships	<u>\$ 9,932</u>		

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2012

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Interest Income	\$ 11	\$ 13
Employee Contributions		12,651
Board Contributions		20,000
Other Contributions	810	
Total Additions	821	32,664
Deductions		
Scholarship payments	1,200	
Unemployment Compensation		30,594
Total Deductions	1,200	30,594
Change in Net Assets	(379)	2,070
Net Assets - Beginning of Year	10,311	3,653
Net Assets - End of Year	\$ 9,932	\$ 5,723

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2012

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 four 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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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.

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 assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District.

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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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 and capital lease obligations are recorded only when payment is due.

County taxes, interest, and state equalization monies 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.

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 debt service or 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 (other than those financed by proprietary funds). The financial resources are derived mainly from approved county funds and the Energy Savings Improvement Program (ESIP) capital lease.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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 School 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 fund is used to account for contributions from the District and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship trust fund is utilized to provide scholarships to students and to account for the related transactions.

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

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

The District reports unearned/deferred revenue on its statement of net assets and balance sheet. Unearned/deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned/deferred revenue also 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 both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned/deferred revenue is removed from the statement of net assets and balance sheet and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a County is required to remit to the school district the entire balance of taxes. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The County Board of Taxation is responsible for the assessment of properties. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control (continued)

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

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

E. Cash and Cash Equivalents

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

F. Tuition Receivable / Payable

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined. These adjustments are recorded upon certification by the State Department of Education, which is usually one to two years following the contract year. The cumulative adjustments through June 30, 2012 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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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 estimated fair market value on the date of donation.

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

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

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

I. Compensated Absences

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

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 Districts 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, 2012, a liability existed for compensated absences in the government-wide financial statements in the amount of \$399,730.

J. Deferred / Unearned Revenue

Deferred / unearned revenue in the general fund represents cash receipts received from tuition for future classes that have been received in advance.

K. 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.

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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

L. Fund Equity

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

1. Summary of Significant Accounting Policies (continued)

L. Fund Equity (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 \$2,712,140 of fund balance in the General Fund, \$248,545 of encumbrances is assigned to other purposes, \$805,293 has been restricted in the capital reserve account, \$545,418 has been restricted for excess surplus – current year, \$135,961 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$443,846 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$533,077 is classified as unassigned.

M. 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. The current year excess fund balance at June 30, 2012 was \$545,418, which will be utilized in the 2013-14 budget.

N. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets 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.

O. 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, 2012

1. Summary of Significant Accounting Policies (continued)

P. 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. The amounts are not required to be included in the District's annual budget.

Q. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2012 through November 19, 2012, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including the compensated absences and capital leases in the amount of \$11,599,730 are not due and payable in the current period and therefore are not reported in the funds.

3. Deposits and Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." 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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Deposits

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

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

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

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

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

Deposits (continued)

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2012, the District's carrying amount of deposits was \$2,937,661 and the bank balance was \$3,211,750. Of the bank balance, \$530,652 of the District's cash deposits on June 30, 2012 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$2,066,486. The money market funds held at Deutsche Bank are not backed by GUDPA.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. 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.

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits, in the form of certificates of deposit, money market accounts and checking accounts, may not be returned to it. The District does not have a deposit policy for custodial credit risk.

Investments

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

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank which have a maturity date not greater than twelve months from the date of purchase.
- c. State of New Jersey Cash Management Fund (NJCMF), New Jersey Asset and Rebate Management Fund (NJARM) and M.B.I.A. Class.
- d. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

3. Deposits and Investments (continued)

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 investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2012, the District’s balance was \$716,000 and is classified as cash equivalents due to its short-term nature.

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

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

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2012, the District’s investments were invested in the NJCMF.

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2012:

	Beginning Balance	Increases	Transfers	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 34,375		\$ (34,375)	
Total Capital Assets, Not Being Depreciated:	34,375		(34,375)	
Capital Assets, Being Depreciated:				
Buildings & Building Improvements	21,953,104	\$ 12,393,487	34,375	\$ 34,380,966
Machinery and Equipment	2,660,903	182,338		2,843,241
Total Capital Assets, Being Depreciated	24,614,007	12,575,825	34,375	37,224,207
Less accumulated depreciation for:				
Buildings & building improvements	(13,578,222)	(743,132)		(14,321,355)
Machinery and equipment	(1,711,595)	(165,532)		(1,877,127)
Total accumulated depreciation	(15,289,817)	(908,664)	-	(16,198,482)
Total capital assets, being depreciated, net	9,324,190	11,667,161	34,375	21,025,725
Governmental activities capital assets, net	\$ 9,358,565	\$ 11,667,161	\$ -	\$ 21,025,725

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

Regular Instruction	\$ 300,641
Special Education Instruction	137,536
Student and Instruction Related Services	107,770
General Administrative Services	56,638
School Administrative Services	76,199
Central Services	26,833
Administrative Information Technology	34,588
Plant operations and maintenance	166,533
Pupil Transportation	1,926
	<u>\$ 908,664</u>

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

5. Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences Payable	\$ 401,350	\$ 66,043	\$ 67,663	\$ 399,730	\$ 17,813
ESIP Capital Lease	-	11,200,000	-	11,200,000	390,000
Governmental Activities long-term liabilities	<u>\$ 401,350</u>	<u>\$ 11,266,043</u>	<u>\$ 67,663</u>	<u>\$ 11,599,730</u>	<u>\$ 407,813</u>

The District expects to liquidate the compensated absences and the ESIP Capital Lease with payments made from the District's general fund.

As of June 30, 2012, the District had no bonds payable and no authorized but not issued bonds or notes.

Energy Savings Improvement Plan

On May 19, 2011, the Board approved a resolution to finance energy conservation measures and a solar project pursuant to an Energy Savings Improvement Plan ("ESIP") for an amount not to exceed \$11,200,000. A lease with PNC Equipment Finance, LLC was consummated on July 15, 2011 in the amount of \$11,200,000 with the first payment due on July 15, 2012. During the year ended June 30, 2012, the project was completed. The District is utilizing the saving from the energy plan to make the lease payments to PNC Equipment Finance, LLC. Principal and interest due on the capital lease outstanding are as follows:

Year ended June 30,	Principal	Interest	Total
2013	\$ 390,000	\$ 639,293	\$ 1,029,293
2014	650,000	403,672	1,053,672
2015	680,000	378,070	1,058,070
2016	655,000	352,371	1,007,371
2017	690,000	326,480	1,016,480
2018-2022	3,725,000	1,217,274	4,942,274
2023-2027	4,410,000	441,980	4,851,980
	<u>\$ 11,200,000</u>	<u>\$ 3,759,140</u>	<u>\$ 14,959,140</u>

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Pension Plans

Description of Systems

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

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage.

Members hired before July 1, 2007 are eligible for retirement at age 55, with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Members hired after May 22, 2012 are eligible for retirement at age 60, with an annual benefit generally determined to be $N/60$ of the five (5) highest years on the social security base salary. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 or under age 60 after May 22, 2012 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55 and therefore 1% for each year between 55 and 60).

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 public agency, provided the employee is not a member of another State administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

6. Pension Plans (continued)

Public Employee's Retirement System (continued)

Members hired before July 1, 2007 are eligible for retirement at age 55, 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. Members hired after May 22, 2012 are eligible for retirement at age 60, with an annual benefit generally determined to be N/60 of the five (5) highest years on the social security base salary. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 or under age 60 after May 22, 2012 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55 and therefore 1% for each year between 55 and 60).

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, PO Box 295, Trenton, NJ 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. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2012, the State of New Jersey contributed \$273,034 to the TPAF for on-behalf medical 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 \$234,973 during the year ended June 30, 2012 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, 2012, 2011 and 2010 were \$284,342, \$251,304 and \$215,790, respectively.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

7. Post-Retirement Benefits

Plan Description

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

Funding Policy

P.L. 1987, Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers’ Pension and Annuity Fund (TPAF) and Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

7. Post-Retirement Benefits (continued)

Funding Policy (continued)

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011 and 2010 were \$182,333, \$207,281, and \$205,354, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

8. Risk Management (continued)

New Jersey Unemployment Compensation Insurance (continued)

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

Fiscal Year	Board Contributions	Employee Contributions	Interest on Investments	Amount Paid	Ending Balance
2011-12	\$ 20,000	\$ 12,651	\$ 13	\$ 30,594	\$ 5,723
2010-11	33,600	35,296	27	78,136	3,653
2009-10	-	19,630	48	26,149	12,866

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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District are as follows at June 30, 2012:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 199,875	
Special Revenue Fund		\$ 199,875
	\$ 199,875	\$ 199,875

The special revenue fund interfund payable represents amounts owed to the general fund as a result of the reimbursement procedures under which the District must spend the funds before requesting reimbursement from the State of New Jersey.

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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

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.

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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 1,556,954
Interest Earnings	618
Deposits:	
Approved in June 2012 Board Resolution	300,000
Withdrawals approved in 2011-2012 budget	<u>(1,052,279)</u>
Ending balance, June 30, 2012	<u>\$ 805,293</u>

At June 30, 2012, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

14. Commitments

The District has contractual commitments at June 30, 2012 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$248,545.

15. Restricted Assets

The District has \$805,293 of capital reserve funds that are classified as restricted assets on the statement of net assets 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 and emergencies.

Required Supplementary Information – Part II

Budgetary Comparison Schedules

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES:					
Local Sources:					
County Appropriation / Tax Levy	\$ 6,134,097		\$ 6,134,097	\$ 6,134,097	
Tuition From Other Districts	546,400		546,400	404,547	\$ (141,853)
Tuition from Individuals	68,250		68,250	100,300	32,050
Tuition From Other LEA's	2,709,660		2,709,660	2,022,588	(687,072)
Non-Resident Fees	48,000		48,000	83,600	35,600
Interest Earned	5,500		5,500	1,799	(3,701)
Interest Earned on Capital Reserve Funds	1,000		1,000	618	(382)
Unrestricted Miscellaneous Revenues	546,150		546,150	934,906	388,756
Total Local Sources	10,059,057		10,059,057	9,682,455	(376,602)
State Sources:					
Special Education Aid	200,693		200,693	200,693	
Equalization Aid	1,955,823		1,955,823	1,955,823	
Other State Aids				14,408	14,408
Categorical Security Aid	39,246		39,246	39,246	
Adjustment Aid	24,155	\$ 109,293	133,448	133,448	
On-Behalf TPAF Pension Contributions (Non-Budgeted)				273,034	273,034
Reimbursed TPAF Social Security (Non-Budgeted)				234,973	234,973
Total State Sources	2,219,917	109,293	2,329,210	2,851,625	522,415
Federal Sources:					
Education Jobs Fund	88,036	2,758	90,794	90,794	
Total Revenues	12,367,010	112,051	12,479,061	12,624,874	145,813
EXPENDITURES:					
Current Expense:					
Instruction:					
Regular Vocational Programs:					
Salaries of Teachers	1,572,845	39,274	1,612,119	1,594,165	17,954
Purchased Professional Educational Services	140,000	(9,680)	130,320	104,444	25,876
Purchased Technical Services	19,100	(6,392)	12,708	8,062	4,646
Other Purchased Services	14,500	(2,200)	12,300	4,306	7,994
General Supplies	177,550	7,483	185,033	176,430	8,603
Textbooks	48,750	(2,922)	45,828	41,490	4,338
Other Objects	11,400	3,629	15,029	9,650	5,379
Total Regular Vocational Programs - Instruction	1,984,145	29,192	2,013,337	1,938,547	74,790
Special Vocational Programs:					
Salaries of Teachers	641,020	870	641,890	602,615	39,275
Other Salaries for Instruction	271,800	(870)	270,930	262,170	8,760
Purchased Technical Services	6,700	(1,600)	5,100	2,297	2,803
Other Purchased Services	6,300		6,300	968	5,332
General Supplies	105,600	1,168	106,768	101,489	5,279
Textbooks	4,995	(360)	4,635	4,504	131
Other Objects	7,150		7,150	5,140	2,010
Total Special Vocational Programs	1,043,565	(792)	1,042,773	979,183	63,590
Total Instruction	3,027,710	28,400	3,056,110	2,917,730	138,380
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	14,400		14,400	14,400	
Total Attendance and Social Work Services	14,400		14,400	14,400	
Health Services:					
Salaries	121,190	250	121,440	121,440	
Purchased Professional and Technical Services	6,500		6,500	6,500	
Other Purchased Services	3,600	(1,006)	2,594	1,226	1,368
Supplies and Materials	4,775	265	5,040	4,818	222
Total Health Services	136,065	(491)	135,574	133,984	1,590
Guidance:					
Salaries Other Prof. Staff	289,285	2,192	291,477	291,475	2
Other Salaries	15,000	(537)	14,463	14,456	7
Other Purchased Services	17,750	2,476	20,226	20,085	141
Supplies and Materials	14,300	(537)	13,763	13,760	3
Other Objects	1,050	157	1,207	1,203	4
Total Guidance	337,385	3,751	341,136	340,979	157

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES:					
Undistributed Expenditures (continued):					
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	\$ 82,000	\$ 400	\$ 82,400	\$ 82,400	
Salaries of Other Professional Staff	25,000	(3,079)	21,921	6,346	\$ 15,575
Salaries of Secretarial and Clerical Assistants	57,000	(322)	56,678	56,678	
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	164,000	(3,001)	160,999	145,424	15,575
Instructional Staff Training Services:					
Salaries Superv. of Instruction	23,548		23,548	23,548	
Salaries Other Professional Staff	3,600	(2,400)	1,200		1,200
Purchased Professional Educational Services	2,500	(400)	2,100	1,995	105
Other Purchased Services	7,099	2,948	10,047	5,889	4,158
Supplies and Materials	1,000		1,000	67	933
Total Instructional Staff Training Services	37,747	148	37,895	31,499	6,396
Support Services - General Administration:					
Salaries	256,153		256,153	246,422	9,731
Legal Services	52,250	1,903	54,153	43,010	11,143
Audit Fees	20,000		20,000	20,000	
Other Purchased Professional Services	9,000		9,000	7,990	1,010
Communications/Telephone	38,300	2,674	40,974	37,572	3,402
BOE Other Purchased Services	2,000	(200)	1,800		1,800
Other Purchased Services	27,750	(1,147)	26,603	20,828	5,775
General Supplies	10,000	398	10,398	9,125	1,273
BOE Membership Dues and Fees	20,000	102	20,102	18,289	1,813
Total Support Services - General Administration	435,453	3,730	439,183	403,236	35,947
Support Services - School Administration:					
Salaries Principals / Assistant Principals	231,587	(113)	231,474	219,678	11,796
Salaries Secretarial and Clerical Assistants	298,176		298,176	290,880	7,296
Purchased Professional and Technical Services	1,000	(300)	700		700
Other Purchased Services	20,955	(1,199)	19,756	17,363	2,393
Supplies and Materials	9,875	752	10,627	9,651	976
Other Objects	5,900	801	6,701	4,929	1,772
Total Support Services - School Administration	567,493	(59)	567,434	542,501	24,933
Support Services - Central Services:					
Salaries	191,000	(22,200)	168,800	165,275	3,525
Miscellaneous Purchased Services	30,500	(6,999)	23,501	19,666	3,835
Supplies and Materials	3,000	3,200	6,200	6,025	175
Other Objects	500	(375)	125	70	55
Total Support Services - Central Services	225,000	(26,374)	198,626	191,036	7,590
Support Services - Admin. Info. Tech. Services:					
Salaries	128,370	4,569	132,939	132,938	1
Purchased Technical Services	110,765	(11,074)	99,691	56,243	43,448
Other Purchased Services	3,000	5,705	8,705	8,280	425
Supplies and Materials	36,080	3,000	39,080	39,064	16
Other Objects	10,000		10,000	9,722	278
Total Support Services - Admin. Info. Tech. Services	288,215	2,200	290,415	246,247	44,168
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	59,621	7,160	66,781	66,678	103
Total Required Maintenance for School Facilities	59,621	7,160	66,781	66,678	103
Other Operational & Maint. of Plant:					
Salaries	679,286	(2,000)	677,286	631,751	45,535
Cleaning, Repair and Maintenance Services	44,000	12,385	56,385	48,606	7,779
Other Purchased Property Services	66,000	(10,000)	56,000	26,544	29,456
Insurance	105,343	(10,400)	94,943	93,747	1,196
General Supplies	52,500	1,115	53,615	38,072	15,543
Energy (Natural Gas)	137,404	50,495	187,899	91,546	96,353
Energy (Electricity)	268,917	43,426	312,343	187,595	124,748
Other Objects	2,800	-	2,800	1,092	1,708
Total Other Oper. & Maint. of Plant:	1,356,250	85,021	1,441,271	1,118,953	322,318

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES:					
Undistributed Expenditures (continued):					
Student Transportation Services:					
Cleaning, Repair & Maint. Svcs	\$ 1,000		\$ 1,000	\$ 394	\$ 606
Contracted Services (Other Than Bet. Home & School) - Vendors	27,407		27,407	13,320	14,087
General Supplies	1,000		1,000		1,000
Total Student Transportation Services	29,407		29,407	13,714	15,693
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	148,350	\$ 13,310	161,660	161,081	579
TPAF Contributions - ERIP	81,540	(19,482)	62,058		62,058
Other Retirement Contributions - PERS	264,860	19,482	284,342	284,342	
Other Retirement Contributions - ERIP	24,600		24,600	23,175	1,425
Unemployment Compensation	57,600	(10,552)	47,048	20,000	27,048
Worker's Compensation	96,706	(2,408)	94,298	80,738	13,560
Health Benefits	1,057,627	12,395	1,070,022	1,054,247	15,775
Tuition Reimbursement	5,000	2,483	7,483	7,480	3
Other Employee Benefits	57,300	(12,470)	44,830	32,853	11,977
Total Unallocated Benefits - Employee Benefits	1,793,583	2,758	1,796,341	1,663,916	132,425
On-Behalf Payments:					
On-Behalf TPAF Pension Contributions				273,034	(273,034)
Reimbursed TPAF Social Security				234,973	(234,973)
Total On-Behalf Contributions				508,007	(508,007)
Total Undistributed Expenditures	5,444,619	74,843	5,519,462	5,420,574	98,888
Total Expenditures - Current Expense	8,472,329	103,243	8,575,572	8,338,304	237,268
CAPITAL OUTLAY					
Interest Deposit To Capital Reserve	1,000	(1,000)			
Total Interest Deposit To Capital Reserve	1,000	(1,000)			
Equipment:					
Regular Vocational Programs	17,000		17,000	12,582	4,418
Undistributed Expnses - Support Services - Extraordinary	2,000		2,000		2,000
Undistributed Expnses - Central Services	5,000	(2,800)	2,200	2,190	10
Special Schools All Programs - Student Transportation	17,600	26,465	44,065	41,403	2,662
Total Equipment	41,600	23,665	65,265	56,175	9,090
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	25,000	29,250	54,250	46,996	7,254
Construction Services	1,520,000	(22,252)	1,497,748	1,266,043	231,705
Total Facilities Acquisition and Construction Services	1,545,000	6,998	1,551,998	1,313,039	238,959
Total Expenditures - Capital Outlay	1,587,600	29,663	1,617,263	1,369,214	248,049
SPECIAL SCHOOLS					
Post-Secondary Programs - Instruction					
Salaries of Teachers	458,780		458,780	410,512	48,268
Purchased Prof.-Tech Services	17,300		17,300	8,438	8,862
Other Purchased Services	4,000	660	4,660	3,265	1,395
General Supplies	40,300	(660)	39,640	35,467	4,173
Textbooks	15,100		15,100	13,504	1,596
Other Objects	2,200		2,200	1,605	595
Total Post-Secondary Programs - Instruction	537,680	-	537,680	472,791	64,889
Post-Secondary Programs - Support Services					
Salaries	288,499	(12,100)	276,399	271,286	5,113
Personal Services-Employee Benefits	149,305	12,100	161,405	160,424	981
Other Purchased Services	62,215		62,215	36,985	25,230
Supplies and Materials	78,219	24,146	102,365	65,695	36,670
Other Objects	6,300		6,300	2,145	4,155
Total Post-Secondary Programs - Support Services	584,538	24,146	608,684	536,535	72,149
Total Post Secondary Programs	1,122,218	24,146	1,146,364	1,009,326	137,038

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
SPECIAL SCHOOLS (CONTINUED)					
Other Special Schools					
Purchased prof. & tech. services	\$ 2,409,660		\$ 2,409,660	\$ 1,717,704	\$ 691,956
Other Purchased Services	300,000		300,000	300,000	
Total Other Schools	2,709,660		2,709,660	2,017,704	691,956
Vocational evening - local - Instruction					
Salaries of Teachers	218,280		218,280	160,837	57,443
Other Salaries for Instruction	55,850		55,850	46,760	9,090
Purchased Professional and Technical Services	3,200		3,200	2,200	1,000
General Supplies	18,050		18,050	15,403	2,647
Textbooks	44,300		44,300	23,951	20,349
Other Objects	500		500		500
Total Vocational Evening Local Instruction	340,180		340,180	249,151	91,029
Vocational Evening - Local - Support Services					
Salaries	182,884		182,884	161,958	20,926
Personal services - Employee Benefits	34,485		34,485	31,863	2,622
Other Purchased Services	46,850	\$ (400)	46,450	34,859	11,591
Supplies and materials	113,869	31,166	145,035	59,266	85,769
Other objects	2,800	400	3,200	2,951	249
Total Vocational Evening - Local - Support Services	380,888	31,166	412,054	290,897	121,157
Total Vocational Evening - Local	721,068	31,166	752,234	540,048	212,186
Total Special Schools Expenditures	4,552,946	55,312	4,608,258	3,567,078	1,041,180
Total Expenditures	14,612,875	188,218	14,801,093	13,274,596	1,526,497
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	(2,245,865)	(76,167)	(2,322,032)	(649,722)	1,672,310
Fund Balances, July 1	3,594,780		3,594,780	3,594,780	
Fund Balances, June 30	\$ 1,348,915	\$ (76,167)	\$ 1,272,748	\$ 2,945,058	\$ 1,672,310
Recapitulation of (deficiency) excess of revenues (under) over expenditures					
Budgeted fund balance	\$ (995,865)	\$ 107,893	\$ (887,972)	\$ 586,617	\$ 1,474,589
Budgeted withdrawal from capital reserve	(1,250,000)		(1,250,000)	(1,052,279)	197,721
Adjustment for prior year encumbrances		(184,060)	(184,060)	(184,060)	
Total	\$ (2,245,865)	(76,167)	\$ (2,322,032)	\$ (649,722)	\$ 1,672,310
Recapitulation of fund balance:					
Restricted Fund Balance:					
Reserved - Prior Year Excess Surplus Designated for Subsequent Year's Expenditures				\$ 135,961	
Reserved - Excess Surplus				545,418	
Capital Reserve				805,293	
Assigned to:					
Designated for Subsequent Year's Expenditures				443,846	
Year End Encumbrances				248,545	
Unassigned Fund Balance				765,995	
				2,945,058	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not recognized on GAAP Basis				(232,918)	
Fund Balance per Governmental Funds (GAAP)				\$ 2,712,140	

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Revenues:					
Federal sources:					
Education Jobs Fund	\$ 88,036	\$ 2,758	\$ 90,794	\$ 90,794	
Total revenues	<u>88,036</u>	<u>2,758</u>	<u>90,794</u>	<u>90,794</u>	
Expenditures:					
Instruction:					
Salaries of Teachers	77,280	442	77,722	77,722	
Total Instruction	<u>77,280</u>	<u>442</u>	<u>77,722</u>	<u>77,722</u>	
Unallocated Benefits - Employee Benefits:					
Health Benefits	10,756	2,316	13,072	13,072	
Total Unallocated Benefits - Employee Benefits	<u>10,756</u>	<u>2,316</u>	<u>13,072</u>	<u>13,072</u>	
Total Expenditures	<u>88,036</u>	<u>2,758</u>	<u>90,794</u>	<u>90,794</u>	
Excess of Revenues Over Expenditures	-	-	-	-	
Fund Balance, July 1	-	-	-	-	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
State Sources	\$ 110,000	\$ (66,518)	\$ 43,482	\$ 38,014	\$ 5,468
Federal Sources	338,500	47,433	385,933	385,932	1
Local Sources		13,305	13,305	13,305	
Total Revenues	448,500	(5,780)	442,720	437,251	5,469
Expenditures:					
Instruction:					
Salaries of Teachers	312,000	(256,377)	55,623	55,623	
Purchased Professional-Technical Services	39,000	(29,801)	9,199	9,199	
Supplies & Materials		136,724	136,724	136,724	
Other Objects		318	318	318	
Total Instruction	351,000	(149,136)	201,864	201,864	
Support Services:					
Salaries	90,000	(71,021)	18,979	18,979	
Personal Services - Employee Benefits		10,742	10,742	10,742	
Purchased Professional - Technical Services	7,500	32,396	39,896	39,896	
Other Purchased Services		12,139	12,139	10,640	1,499
Travel		8,895	8,895	4,925	3,970
Supplies & Materials		7,985	7,985	7,985	
Miscellaneous Expenditures		7,813	7,813	7,813	
Total Support Services	97,500	8,949	106,449	100,980	5,469
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Instructional Equipment		134,407	134,407	134,407	
Total Facilities Acquisition and Construction Services		134,407	134,407	134,407	
Total Expenditures	448,500	(5,780)	442,720	437,251	5,469
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2012

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
SOURCES/INFLOWS OF RESOURCES		
Actual amounts (budgetary) "revenues" from the Budgetary Comparison Schedules (C-2)	\$ 12,624,874	\$ 437,251
Difference - budget to GAAP:		
State aid payments recognized for GAAP purposes in the current year, previously recognized for budgetary purposes.	211,067	
State aid payments recognized for budgetary purposes, not recognized for GAAP purposes until the subsequent year.	<u>(232,918)</u>	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 12,603,023</u>	<u>\$ 437,251</u>

Supplementary Information

AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2012

	<u>Carl D. Perkins Current</u>	<u>Title I Part A Current</u>	<u>Title II Part A Current</u>	<u>I.D.E.I.A. Part B Basic Current</u>
REVENUES:				
State Sources				
Federal Sources	\$ 278,724	\$ 41,005	\$ 6,896	\$ 59,307
Other Sources				
Total Revenues	<u>\$ 278,724</u>	<u>\$ 41,005</u>	<u>\$ 6,896</u>	<u>\$ 59,307</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	\$ 20,013	\$ 33,828		
Purchased Professional - Technical Services	2,699			\$ 6,500
Supplies & Materials	123,414			11,772
Other Objects				318
Total Instruction	<u>146,126</u>	<u>33,828</u>		<u>18,590</u>
Support Services:				
Salaries				
Personal Services - Employee Benefits	3,396	6,766		
Purchased Professional - Technical Services	31,500		\$ 6,896	
Other Purchased Services				
Travel				
Supplies & Materials		411		4,012
Miscellaneous Expenditures				
Total Support Services	<u>34,896</u>	<u>7,177</u>	<u>6,896</u>	<u>4,012</u>
Facilities Acquisition and Construction Services:				
Instructional Equipment	<u>97,702</u>			<u>36,705</u>
Total Facilities Acquisition and Construction Services	<u>97,702</u>			<u>36,705</u>
Total Expenditures	<u>\$ 278,724</u>	<u>\$ 41,005</u>	<u>\$ 6,896</u>	<u>\$ 59,307</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2012

	<u>High Schools That Work</u>	<u>Apprenticeship Coordinator</u>	<u>CVS Grant</u>	<u>Rutgers Grant</u>	<u>Totals</u>
REVENUES:					
State Sources	\$ 16,337	\$ 21,677			\$ 38,014
Federal Sources					385,932
Other Sources			\$ 13,005	\$ 300	13,305
Total Revenues	<u>\$ 16,337</u>	<u>\$ 21,677</u>	<u>\$ 13,005</u>	<u>\$ 300</u>	<u>\$ 437,251</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 170		\$ 1,612		\$ 55,623
Purchased Professional - Technical Services					9,199
Supplies & Materials			1,538		136,724
Other Objects					318
Total Instruction	<u>170</u>		<u>3,150</u>		<u>201,864</u>
Support Services:					
Salaries		\$ 18,979			18,979
Personal Services - Employee Benefits			580		10,742
Purchased Professional - Technical Services	1,500				39,896
Other Purchased Services	10,340			\$ 300	10,640
Travel	4,327	598			4,925
Supplies & Materials		2,100	1,462		7,985
Miscellaneous Expenditures			7,813		7,813
Total Support Services	<u>16,167</u>	<u>21,677</u>	<u>9,855</u>	<u>300</u>	<u>100,980</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment					<u>134,407</u>
Total Facilities Acquisition and Construction Services					134,407
Total Expenditures	<u>\$ 16,337</u>	<u>\$ 21,677</u>	<u>\$ 13,005</u>	<u>\$ 300</u>	<u>\$ 437,251</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, 2012

	<u>Current Year</u>
Revenues and Other Financing Sources:	
Proceeds from Capital Lease	\$ 11,200,000
Investment Earnings	518
Total Revenues and Other Financing Sources	<u>11,200,518</u>
Expenditures and Other Financing Uses:	
Cost of Issuance	41,200
Construction Services	11,124,425
Total Expenditures and Other Financing Uses	<u>11,165,625</u>
Excess of Revenues Under Expenditures	34,893
Fund Balance (Deficit), July 1	<u>(34,375)</u>
Fund Balance, June 30	<u>\$ 518</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)

Energy Savings Improvement Plan

Year ended June 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Proceeds from Capital Lease		\$ 11,200,000	\$ 11,200,000	\$ 11,200,000
Investment Earnings		518	518	
Total Revenues and Other Financing Sources	-	11,200,518	11,200,518	11,200,000
Expenditures and Other Financing Uses:				
Cost of Issuance		41,200	41,200	41,200
Construction Services	34,375	11,124,425	11,158,800	11,158,800
Total Expenditures and Other Financing Uses	34,375	11,165,625	11,200,000	11,200,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ (34,375)	\$ 34,893	\$ 518	\$ -

Additional Project Information:

Lease Number	148216000
Commencement Date	July 15, 2011
Lease Authorization (Referendum) Date	May 19, 2011
Lease Authorized	\$ 11,200,000
Lease Issued	11,200,000
Original Authorized Cost	11,200,000
Additional Authorized Cost	
Revised Authorized Cost	\$ 11,200,000
Percentage Increase over Original Authorized Cost	
Percentage Completion	100%
Original Target Completion Date	November 2012
Revised Target Completion Date	Complete

Fiduciary Funds Detail Statements

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

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Trust			Agency		
	Private Purpose Scholarship Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and Cash Equivalents	\$ 9,932	\$ 14,103	\$ 24,035	\$ 28,793	\$ 8,511	\$ 37,304
Total Assets	<u>9,932</u>	<u>14,103</u>	<u>24,035</u>	<u>\$ 28,793</u>	<u>\$ 8,511</u>	<u>\$ 37,304</u>
Liabilities						
Accounts Payable		8,380	8,380			
Payroll Deductions and Withholdings Payable					\$ 8,511	\$ 8,511
Due to Student Groups				\$ 28,793		28,793
Total Liabilities		<u>8,380</u>	<u>8,380</u>	<u>\$ 28,793</u>	<u>\$ 8,511</u>	<u>\$ 37,304</u>
Net Assets						
Held in Trust for Unemployment Claims		5,723	5,723			
Held in Trust for Scholarships	9,932		9,932			
Total net assets	<u>\$ 9,932</u>	<u>\$ 5,723</u>	<u>\$ 15,655</u>			

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

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
High Schools:				
Assunpink	\$ 20,305	\$ 20,764	\$ 20,173	\$ 20,896
Sypek Center	8,283	8,445	8,831	7,897
Total	\$ 28,588	\$ 29,209	\$ 29,004	\$ 28,793

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

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2012

	Balance July 1, 2011	Cash Receipts	Cash Disbursements	Balance June 30, 2012
Assets				
Cash and Cash Equivalents	\$ 18,720	\$ 6,931,090	\$ 6,941,299	\$ 8,511
Total Assets	<u>\$ 18,720</u>	<u>\$ 6,931,090</u>	<u>\$ 6,941,299</u>	<u>\$ 8,511</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 18,720	\$ 6,931,090	\$ 6,941,299	\$ 8,511
Total Liabilities	<u>\$ 18,720</u>	<u>\$ 6,931,090</u>	<u>\$ 6,941,299</u>	<u>\$ 8,511</u>

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

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year Ended June 30, 2012

<u>Purpose</u>	<u>Interest Rate</u> <u>Payable</u>	<u>Amount of</u> <u>Original Issue</u>	<u>Balance</u> <u>July 1, 2011</u>	<u>Issued</u>	<u>Balance</u> <u>June 30, 2012</u>
Energy Savings Improvement Plan Capital Lease	Variable	\$ 11,200,000	\$ -	\$ 11,200,000	\$ 11,200,000
			<u>\$ -</u>	<u>\$ 11,200,000</u>	<u>\$ 11,200,000</u>

<u>Annual Maturities</u>		<u>Interest</u> <u>Rate</u>
<u>Date</u>	<u>Amount</u>	
7/15/2012	\$ 390,000	3.85%
7/15/2013	650,000	3.85%
7/15/2014	680,000	3.85%
7/15/2015	655,000	3.85%
7/15/2016	690,000	3.85%
7/15/2017	720,000	3.85%
7/15/2018	695,000	3.85%
7/15/2019	730,000	3.85%
7/15/2020	770,000	3.85%
7/15/2021	810,000	3.85%
7/15/2022	790,000	3.85%
7/15/2023	840,000	3.85%
7/15/2024	880,000	3.85%
7/15/2025	925,000	3.85%
7/15/2026	975,000	3.85%
	<u>\$ 11,200,000</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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ended June 30, 2003; schedules presenting government-wide information include information beginning in that year. Ten years of information has been provided where available.

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

	June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Government-wide and Government Activities:									
Invested in Capital Assets, Net of Related Debt	\$ 11,549,354	\$ 10,993,459	\$ 10,455,922	\$ 9,915,678	\$ 9,653,138	\$ 10,081,187	\$ 9,498,226	\$ 9,358,565	\$ 9,825,725
Restricted	1,690,354	1,712,910	1,804,097	2,506,925	1,900,625	2,918,581	2,446,789	2,422,154	1,486,672
Unrestricted	(525,228)	(420,504)	910,790	(345,896)	547,467	489,328	429,540	525,834	451,476
Total Government Activities Net Assets	\$ 12,714,480	\$ 12,285,865	\$ 13,170,809	\$ 12,076,707	\$ 12,101,230	\$ 13,489,096	\$ 12,374,555	\$ 12,306,553	\$ 11,763,873

Source: CAFR Schedule A-1 and District records.

Note: This table was implemented in 2006. This information is presented back to 2004 and additional years will be added until 10 years are presented.

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

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Expenses:										
Governmental Activities:										
Current:										
Regular Instruction	\$ 1,216,300	\$ 1,263,210	\$ 1,324,650							
Vocational Education	2,039,681	2,087,809	809,007	\$ 2,079,637	\$ 2,499,679	\$ 2,352,142	\$ 2,484,146	\$ 2,718,487	\$ 3,035,578	
Special Vocational Education	767,500	802,289	779,643	781,860	1,156,244	1,301,839	1,283,951	1,302,667	1,440,109	
Support Services and Undistributed Costs:										
Student and Instruction Related Services	446,182	420,142	479,222	513,957	683,678	806,123	918,286	1,024,692	1,103,425	
General Administrative Services	297,785	377,772	419,617	1,582,752	676,924	325,040	353,298	521,291	604,246	
School Administration	599,702	532,638	564,997	578,243	697,348	799,971	831,526	795,035	809,625	
Plant Operations and Maintenance	1,401,840	1,488,176	1,516,092	1,539,799	1,705,387	1,923,237	2,077,956	1,877,929	1,588,410	
Pupil Transportation	21,783	24,648	31,782	35,696	22,835	24,771	15,949	13,442	15,640	
Central Services/Benefits/Admin Info Tech	2,045,696	2,285,238	2,436,667	2,382,732	529,237	631,379	580,226	604,450	610,222	
Entitlement Grants	232,546	163,476								
Special Schools	2,480,256	2,556,643	2,235,055	2,229,872	4,618,243	3,916,996	4,295,947	4,103,164	3,960,236	
Interest on Long Term Obligations									415,981	
Total Governmental Activities Expenses	11,549,271	12,002,041	10,596,732	11,724,548	12,589,575	12,081,498	12,841,285	12,961,157	13,583,472	
Total District Expenses	11,549,271	12,002,041	10,596,732	11,724,548	12,589,575	12,081,498	12,841,285	12,961,157	13,583,472	
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	2,186,017	1,995,706	1,503,121	264,962						
Special Schools (Tuition)					1,572,540	2,163,422	2,403,527	3,094,121	2,611,035	
Central and Other Support Services	483,936	490,714								
Operating Grants and Contributions	423,066	709,348	481,758	496,009			733,701	493,643	437,251	
Capital Grants and Contributions							137,386			
Total Governmental Activities Program Revenues	3,093,019	3,195,768	1,984,879	760,971	1,572,540	2,163,422	3,274,614	3,587,764	3,048,286	
Total District Program Revenues	3,093,019	3,195,768	1,984,879	760,971	1,572,540	2,163,422	3,274,614	3,587,764	3,048,286	
Net (Expense)/Revenue:										
Governmental Activities	(8,456,252)	(8,806,273)	(8,611,853)	(10,963,577)	(11,017,035)	(9,918,076)	(9,566,671)	(9,373,393)	(10,535,186)	
Total District-wide Net (Expense)/Revenue	(8,456,252)	(8,806,273)	(8,611,853)	(10,963,577)	(11,017,035)	(9,918,076)	(9,566,671)	(9,373,393)	(10,535,186)	
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
County Taxes	5,581,428	5,809,500	5,991,827	6,374,479	6,615,946	7,339,488	6,134,097	6,134,097	6,134,097	
State and Federal Sources	2,364,457	2,435,966	2,668,871	1,566,689	3,668,501	3,394,758	2,215,931	2,603,150	2,920,568	
Local and State Aid Restricted	196,121	54,775	232,907	1,256,790			11,917			
Miscellaneous Income	127,172	87,738	603,192	1,933,399	677,579	571,697	642,782	568,144	937,841	
Special Item - Loss on Disposal of Asset	(41,295)	(10,321)								
Total Governmental Activities	8,227,883	8,377,658	9,496,797	11,131,357	10,962,026	11,305,943	9,004,727	9,305,391	9,992,506	
Total District-wide	8,227,883	8,377,658	9,496,797	11,131,357	10,962,026	11,305,943	9,004,727	9,305,391	9,992,506	
Changes in Net Assets:										
Governmental Activities	(228,369)	(428,615)	884,944	167,780	(55,009)	1,387,867	(561,944)	(68,002)	(542,680)	
Total District	\$ (228,369)	\$ (428,615)	\$ 884,944	\$ 167,780	\$ (55,009)	\$ 1,387,867	\$ (561,944)	\$ (68,002)	\$ (542,680)	

Source: CAFR Schedule A-2 and District records.

Note: This table was implemented in 2006. This information is presented back to 2004 and additional years will be added until 10 years are presented.

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

	June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:									
Reserved	\$ 1,690,354	\$ 1,712,910	\$ 1,757,649	\$ 2,506,925	\$ 2,582,769	\$ 3,675,763	\$ 3,024,043		
Unreserved	476,911	494,831	1,765,403	430,628	551,936	387,282	429,540		
Restricted for								\$ 2,422,154	\$ 1,486,672
Assigned to								450,686	692,391
Unassigned (deficit)	(3,600)	(3,600)	(3,600)	(3,600)	(4,469)			510,873	533,077
Total General Fund	<u>\$ 2,163,665</u>	<u>\$ 2,204,141</u>	<u>\$ 3,519,452</u>	<u>\$ 2,933,953</u>	<u>\$ 3,130,236</u>	<u>\$ 4,063,045</u>	<u>\$ 3,453,583</u>	<u>\$ 3,383,713</u>	<u>\$ 2,712,140</u>
All Other Governmental Funds:									
Unreserved, Reported In:									
Special Revenue Fund (deficit)	\$ (3,600)	\$ (3,600)	\$ (3,600)	\$ (3,600)	\$ (4,469)				
Capital Projects Fund (deficit)								\$ (34,375)	\$ 518
Total All Other Governmental Funds	<u>\$ (3,600)</u>	<u>\$ (3,600)</u>	<u>\$ (3,600)</u>	<u>\$ (3,600)</u>	<u>\$ (4,469)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,375)</u>	<u>\$ 518</u>

Source: CAFR Schedule B-1 and District records.

Note: This table was implemented in 2006. This information is presented back to 2004 and additional years will be added until 10 years are presented.

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

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

	Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:									
County Appropriation / Tax Levy	\$ 5,581,428	\$ 5,809,500	\$ 5,991,827	\$ 6,374,479	\$ 6,615,946	\$ 7,339,488	\$ 6,271,483	\$ 6,134,097	\$ 6,134,097
Tuition	1,518,949	1,557,677	1,503,121	296,602	1,572,540	2,163,422	2,403,527	2,326,258	2,611,035
Interest Earnings	11,912	11,912	11,912	11,912	68,886	21,475	11,917	4,991	2,935
Miscellaneous	607,525	524,239	591,280	1,889,847	608,694	550,222	648,102	1,346,934	948,211
State Sources	3,321,699	3,353,881	3,141,438	3,020,037	3,393,389	3,067,068	1,941,806	2,634,481	2,867,786
Federal Sources	307,253	318,316	242,098	299,451	275,112	327,690	1,002,506	446,394	476,728
Total Revenues	11,348,766	11,575,525	11,481,676	11,892,328	12,534,567	13,469,365	12,279,341	12,893,155	13,040,792
Expenditures:									
Instruction:									
Regular Instruction	1,216,300	1,809,082	1,324,650						
Special Education Instruction	2,183,817	1,730,393	682,557	1,949,868	1,996,965	1,848,149	2,002,571	952,951	979,183
Other Special Instruction	1,768,768	1,764,330	1,711,048	1,679,115	1,584,815	1,731,970	1,699,488	2,086,611	2,140,412
Support Services:									
Student and Instruction Related Services	168,221	152,263	171,432	187,721	270,247	297,737	316,279	763,839	767,265
General Administration	437,682	473,701	419,617	1,582,752	416,600	351,428	392,353	404,000	403,236
School Administrative Services	588,835	522,032	553,264	566,564	579,815	499,518	553,121	570,982	542,501
Central Services		289,935	317,851	207,047	182,208	300,731	192,531	205,250	191,036
Admin. Information Technology		189,763	164,317	186,081	256,947	229,061	291,806	263,260	246,247
Plant Operations and Maintenance	974,827	1,061,170	1,085,898	1,101,133	1,203,410	1,348,338	1,447,898	1,550,228	1,185,631
Pupil Transportation	21,783	24,648	31,782	35,696	33,628	36,066	27,769	12,730	13,714
Other Support Services	1,249,513	786,805	802,751	820,947	334,733	401,463	522,091		
Employee Benefits	1,202,970	1,416,633	1,495,491	1,552,219	2,459,067	2,193,041	2,059,256	2,181,379	2,171,923
Special Schools	1,164,316	1,225,380	1,244,987	1,274,220	2,966,168	2,440,326	2,853,904	3,549,569	3,567,078
Cost of Issuance									41,200
Capital Outlay	279,301	88,914	114,272	119,030	167,121	858,728	529,736	456,600	12,628,046
Total Expenditures	11,256,333	11,535,049	10,119,917	11,262,393	12,451,724	12,536,556	12,888,803	12,997,399	24,877,472
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	92,433	40,476	1,361,759	629,935	82,843	932,809	(609,462)	(104,244)	(11,836,680)
Other Financing Sources/(Uses):									
Proceeds from Capital Leases									11,200,000
Transfers Out	(16,569)								
Total Other Financing Sources/(Uses)	(16,569)	-	-	-	-	-	-	-	11,200,000
Net Change in Fund Balances	\$ 75,864	\$ 40,476	\$ 1,361,759	\$ 629,935	\$ 82,843	\$ 932,809	\$ (609,462)	(104,244)	\$ (636,680)
Debt Service as a Percentage of Noncapital Expenditures	-	-	-	-	-	-	-	-	-

Source: CAFR Schedule B-2 and District records.

Note: This table was implemented in 2006. This information is presented back to 2004 and additional years will be added until 10 years are presented.

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	Custom Refunds	Textbook Sales	Prior-Year Refunds	Miscellaneous	Program Sales	Total
2003	\$ 195,650	\$ 21,742	\$ 3,440	\$ 26,145	\$ 1,331	\$ 279,785	\$ 141,430	\$ 669,523
2004	281,262	11,912	3,327	33,893	1,856	106,207	108,927	547,384
2005	264,387	33,394	2,200	27,991	2,168	53,901	133,507	517,548
2006	324,481	12,809		31,789	1,551	544,197		914,827
2007	324,481	12,809		31,789	1,551	544,197		914,827
2008	332,070	68,886		37,637		238,987		677,580
2009	366,104	21,475		37,919		145,338		570,836
2010	378,648	11,917		32,750		264,133		687,448
2011	338,366	4,370		22,567		197,850		563,153
2012	707,695	2,417		38,269		186,525		934,906

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
2003	358,669	\$ 15,458,633,900	\$ 43,100	Not Available
2004	361,225	16,070,539,025	44,489	Not Available
2005	361,882	16,621,602,142	45,931	3.80%
2006	362,813	18,311,534,923	50,471	4.20%
2007	363,402	19,316,996,712	53,156	3.80%
2008	364,571	19,672,615,731	53,961	4.90%
2009	366,222	19,024,134,234	51,947	7.80%
2010	366,511	19,240,361,456	52,496	7.80%
2011	Not Available	Not Available	Not Available	Not Available
2012	Not Available	Not Available	Not Available	Not Available

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 County population and per capita personal income presented.
- ^c Per capita personal income estimated based upon the 2010 Census published by the US Bureau of Economic Analysis.
- ^d New Jersey Department of Labor and Workforce Development, Labor Planning and Analysis

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

LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction:										
Vocational - Regular	27.0	24.0	26.0	26.0	26.0	25.0	25.0	25.0	22.0	25.0
Vocational - Special	10.0	10.0	11.0	12.0	12.0	11.0	11.0	11.0	10.0	10.0
Support Services:										
Student and Instruction Related Services	16.0	15.0	15.5	17.0	16.5	16.0	18.5	18.0	19.0	19.0
General Administration	2.0	2.5	2.5	2.5	2.5	2.0	2.0	2.0	3.0	3.0
School Administrative Services	11.0	10.5	10.5	10.0	10.0	10.0	8.0	9.0	9.0	9.0
Central Services	17.0	16.0	16.0	16.0	17.0	17.0	16.0	18.0	21.5	21.5
Vocational - Post Secondary	11.0	12.0	10.0	11.0	11.0	10.0	12.0	11.0	15.0	15.0
Total	94.0	90.0	91.5	94.5	95.0	91.0	92.5	94.0	99.5	102.5

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)^d</u>	<u>Percentage Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2003	938.60	\$ 9,245,902	\$ 9,851	22.15%	48	19.55	938.60	843.00	0.85%	89.81%
2004	927.10	10,404,597	11,223	13.93%	48	19.31	927.10	839.50	-1.23%	90.55%
2005	826.90	10,770,928	13,026	16.07%	46	17.98	826.90	751.00	-10.81%	90.82%
2006	776.80	10,906,794	14,041	7.79%	49	15.85	776.80	705.50	-6.06%	90.82%
2007	797.70	9,706,152	12,168	-13.34%	49	16.28	797.70	723.60	2.69%	90.71%
2008	766.50	12,052,555	15,724	29.23%	46	16.66	766.50	705.60	-3.91%	92.05%
2009	783.90	11,497,549	14,667	-6.72%	48	16.33	783.90	714.80	2.27%	91.19%
2010	747.60	12,017,716	16,075	9.60%	47	15.91	747.60	682.30	-4.63%	91.27%
2011	699.70	12,540,799	17,923	11.50%	47	14.89	699.70	652.00	-6.41%	93.18%
2012	865.00	12,208,226	14,114	-21.25%	50	16.72	836.00	791.00	19.48%	94.62%

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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
High School:										
Assunpink										
Square Feet	90,768	90,768	90,768	90,768	90,678	90,678	90,678	90,678	90,678	90,678
Capacity (Students)	336	336	336	336	336	336	336	336	336	336
Enrollment	428	414	444	406	395	399	409	391	357	355
Sypek										
Square Feet	90713	90713	90713	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	411	406	441	413	392	396	401	395	386	339
Other:										
Health Careers Center										
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	185	187	201	177	150	157	169	163	154	171

Number of Schools at June 30, 2012

Elementary = 0
Middle School = 0
High School = 2
Other = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions.
Enrollment is based on the annual October District count.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF REQUIRED MAINTENANCE

LAST TEN FISCAL YEARS
(UNAUDITED)

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

	Assunpink Building A	Assunpink Building B	Assunpink Building C	Sypek Building A	Sypek Building B	Sypek Building C	Sypek Building C Annex	Other Buildings	Total
2003	\$ 9,958	\$ 6,267	\$ 5,921	\$ 6,234	\$ 11,290	\$ 5,219	\$ 5,915	\$ 10,999	\$ 61,803
2004	15,033	4,706	6,054	6,620	9,140	11,926	10,295	11,584	75,358
2005	12,713	7,059	9,019	6,492	9,165	9,531	8,795	11,230	74,004
2006	16,831	9,346	11,940	8,595	12,134	12,618	11,644	14,867	97,975
2007	5,000	8,500	7,500	5,000	8,500	7,500	6,100	8,300	56,400
2008	17,914	5,400	4,800	8,785	6,035	11,176	6,070	32,095	92,275
2009	11,182	9,000	9,000	8,250	8,250	8,250	8,250	8,800	70,982
2010	13,400	10,560	8,702	5,500	13,750	10,930	6,930	9,680	79,452
2011	13,400	10,560	8,140	5,500	13,734	10,120	6,930	9,291	77,675
2012	12,200	10,000	3,960	4,030	10,500	8,500	9,786	7,702	66,678
Total School F	<u>\$ 136,583.00</u>	<u>\$ 91,841.00</u>	<u>\$ 85,480.00</u>	<u>\$ 70,315.00</u>	<u>\$ 113,631.00</u>	<u>\$ 100,840.00</u>	<u>\$ 82,993.00</u>	<u>\$ 124,548.00</u>	<u>752,602.00</u>

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

Source: District records

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2012
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 150,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	10,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	10,000,000	
Pollution Legal Liability	3,000,000	25,000

Source: District records

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Area Vocational-Technical Schools of Mercer School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2012. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph over financial reporting of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

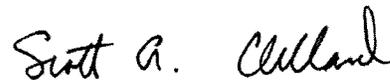
We noted certain matters involving internal control over financial reporting that we have reported to the District in the separate *Auditors' Management Report on Administrative Findings* dated November 19, 2012.

Compliance and Other Matters

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

We noted a certain matter of noncompliance that we have reported to the District in the separate *Auditors' Management Report on Administrative Findings* dated November 19, 2012.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 19, 2012
Iselin, New Jersey

Independent Auditors' Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with
New Jersey OMB Circular 04-04

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

Compliance

We have audited the Board of Education of the Area Vocational-Technical Schools of Mercer School District, in the County of Mercer, New Jersey (the "District") compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards and requirements and New Jersey OMB Circular 04-04, 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Scott A. Clelland

Scott A. Clelland
Licensed Public School Accountant
No. 1049

Wiss & Company

WISS & COMPANY, LLP

November 19, 2012
Iselin, New Jersey

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2011			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2012			
				From	To	(Accounts Receivable)	Deferred Revenue	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due To Grantor	
U.S. Department of Education:															
Passed-Through State Department of Education:															
General Fund:															
Education Jobs Fund	84.410	Not Available	\$ 90,794	7/1/11	6/30/12				\$ 90,794	\$ (90,794)					
Total General Fund									90,794	(90,794)					
U.S. Department of Education:															
Passed-Through State Department of Education:															
Special Revenue Fund:															
Perkins (P.L. 101-392)	84.048	PSFS310512	184,745	07/01/11	06/30/12				165,766	(184,744)		\$ (18,978)			
Perkins (P.L. 101-391)	84.048	PERK310511	215,148	07/01/10	06/30/11	\$ (8,316)			8,316						
Perkins (P.L. 101-391)	84.048	PERK310512	93,980	07/01/11	06/30/12				93,980	(93,980)					
Title I - Part A	84.010	NCLB310510	39,064	09/01/10	08/31/11	(21,462)			21,462						
Title I - Part A	84.010	NCLB310511	41,005	09/01/11	08/31/12				20,276	(41,005)		(20,729)			
Title II - Part A - Improving Teacher Quality State Grants	84.367	NCLB310511	6,896	09/01/11	08/31/12				6,896	(6,896)					
I.D.E.A. Part B Basic	84.027	IDEA310511	46,046	09/01/10	08/31/11	(3,659)			3,659						
I.D.E.A. Part B Basic	84.027	IDEA310511	59,307	09/01/11	08/31/12				59,307	(59,307)					
ARRA CRST	93.714	PY2010-189	22,500	08/01/09	07/31/10						\$ (396)				
Total Special Revenue Fund						(33,437)		396	379,662	(385,932)	(396)	(39,707)			
Total Federal Awards						\$ (33,437)	\$ -	\$ 396	\$ 470,456	\$ (476,726)	\$ (396)	\$ (39,707)	\$ -	\$ -	

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2011				Repayment of Prior Years' Balance	Balance, June 30, 2012			Memo		
			From	To	(Accounts Receivable)	Deferred Revenue	Due To Grantor	Cash Received		Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue	Due To Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
Equalization Aid	11-495-034-5120-078	\$ 1,909,932	07/01/10	06/30/11	\$ (190,997)			\$ 190,997							
Equalization Aid	12-495-034-5120-078	1,955,823	07/01/11	06/30/12				1,760,243	\$ (1,955,823)				\$ (195,580)	\$ (1,955,823)	
Special Education Categorical Aid	11-495-034-5120-089	200,693	07/01/10	06/30/11	(20,070)			20,070							
Special Education Categorical Aid	12-495-034-5120-089	200,693	07/01/11	06/30/12				180,624	(200,693)				(20,069)	(200,693)	
Security Aid	12-495-034-5120-084	39,246	07/01/11	06/30/12				35,322	(39,246)				(3,924)	(39,246)	
Adjustment Aid	12-495-034-5120-085	133,448	07/01/11	06/30/12				120,103	(133,448)				(13,345)	(133,448)	
Other State Aid	Not Available	1,013	07/01/11	06/30/12				1,013	(1,013)					(1,013)	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	220,871	07/01/10	06/30/11	(10,980)			10,980							
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	234,973	07/01/11	06/30/12				228,092	(234,973)	\$ (6,881)				(234,973)	
Reimbursed TPAF - Social Security Wage Freeze	11-495-034-5095-002	52	07/01/10	06/30/11	(26)			26							
State Department of Labor and Workforce															
Vocational Rehabilitation	Not Available	13,395	07/01/11	06/30/12				13,205	(13,395)			(190)		(13,395)	
Total General Fund					(222,073)			2,560,675	(2,578,591)			(7,071)		(232,918)	(2,578,591)
State Department of Education															
Special Revenue Fund:															
High Schools That Work	12-304330-05	15,000	10/01/11	09/30/12				8,851	(9,532)			(681)		(9,532)	
High Schools That Work	11-304330-05	15,000	10/01/10	09/30/11		\$ 6,055		750	(6,805)					(6,805)	
Apprentice Coordinator	99000127	21,677	07/01/11	06/30/12				9,587	(21,677)			(12,090)		(21,677)	
Apprentice Coordinator	99000127	18,605	07/01/10	06/30/11	(5,289)			5,289							
Total Special Revenue Fund					(5,289)	6,055		24,477	(38,014)			(12,771)		(38,014)	
Total State Financial Assistance					\$ (227,362)	\$ 6,055	\$ -	\$ 2,585,152	\$ (2,616,605)	\$ -	\$ (19,842)	\$ -	\$ -	\$ (232,918)	\$ (2,616,605)

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, 2012

1. General

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

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the District's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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

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, 2012

3. Relationship to Basic Financial Statements (continued)

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 \$(21,851) for the general 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. Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 90,794	\$ 2,829,744	\$ 2,920,568
Special Revenue Fund	385,932	38,014	423,946
Total award revenues	<u>\$ 476,726</u>	<u>\$ 2,867,788</u>	<u>\$ 3,344,514</u>

4. Relationship to Federal and State Financial Reports

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

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, 2012.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on behalf of the District, which amounted to \$273,034 for the year ended June 30, 2012. These expenditures are not subject to New Jersey OMB Circular 04-04 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore have not been included on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

State Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04? Yes X No

Identification of major programs:

GMIS/Program Number	Name of State Program or Cluster
12-495-034-5120-078	Equalization Aid
12-495-034-5120-089	Special Education Categorical Aid
12-495-034-5120-084	Security Aid
12-495-034-5120-085	Adjustment Aid

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II - Financial Statement Findings

No financial statement findings were noted that were required to be reported under *Government Auditing Standards*.

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III- Schedule of Findings of State Awards

No state award compliance findings or questioned costs were noted that are required to be reported in accordance with New Jersey OMB 04-04.

Area Vocational-Technical Schools
of Mercer County School District

Summary Schedule of Prior Years Findings

Year ended June 30, 2012

None.