

MERCER COUNTY
SPECIAL
SERVICES
SCHOOL DISTRICT

County of Mercer
Board of Education
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2011*

Mercer County Special Services School District

**Mercer County Special Services School District
Hamilton
Mercer County, New Jersey**

Comprehensive Annual Financial Report
For the Year Ended June 30, 2011

Prepared by
Business Office

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Introductory Section



MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

2nd Floor Administrative Offices
1020 Old Trenton Road
Hamilton, New Jersey 08690
Phone: 609-631-2100 Fax: 609- 570-1154

Kimberly Schneider, Ed.D.
Superintendent

Nancy R. Swirsky
School Business Administrator/Board Secretary

December 2, 2011

Honorable President and
Members of the Board of Education
Mercer County Special Services School District
County of Mercer
Hamilton, New Jersey 08690

Dear Board Members and Constituents:

The comprehensive annual financial report of the Mercer County Special Services School District ("District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the administration of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the governmental-type activities, the business-type activities, and each major fund 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 (4) sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart and a list of principal officials. The Financial section includes Management's Discussion and Analysis (immediately following the independent auditors' report) and the basic financial statements, footnotes and schedules, as well as the auditor's report thereon. 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, Local Governments and Non-Profit Organizations, and the State OMB Circular Letter 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. Information related to this single audit, including the auditor's report on the internal controls over compliance and compliance with applicable laws and regulations and any related findings and recommendations are included in the Single Audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

Mercer County Special Services School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (“GASB”) Statement No. 14. All major funds of the District and the government-wide financial statements are included in this report. The Mercer County Special Services Board of Education and its schools constitute the District’s reporting entity.

The District provides a full range of special needs educational services appropriate to grade levels pre-K through 12. The District completed the 2011 fiscal year with an average daily enrollment of 699.7 students, which is 47.9 students less than the previous year’s enrollment. The following details the changes in the student enrollment of the District over the last ten (10) years.

Average Daily Enrollment

<u>Fiscal Year Ending</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	699.7	(6.41)%
2009-2010	747.6	(4.63)%
2008-2009	783.9	2.27%
2007-2008	766.5	(3.91)%
2006-2007	797.7	2.69%
2005-2006	776.8	(6.06)%
2004-2005	826.9	(10.81)%
2003-2004	927.1	(1.23)%
2002-2003	938.6	0.85%
2001-2002	930.7	(0.74)%

2) MAJOR INITIATIVES:

The enrollment has leveled off after more than twenty years of growth. The District has now experienced a decrease in enrollment due to the elimination of the half-day preschool program for autistic students, the Department of Education requirements for controlling out of District placements and the on going economic recession.

The District has implemented a successful integrated preschool program with non-disabled peers and a half-day prevocational placement option for autistic high school students. A major initiative for the District is the implementation of a new student information system.

3) INTERNAL CONTROLS:

The administration 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 structure 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 to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by the administration.

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

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

4) BUDGETARY CONTROLS:

In addition to internal 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 Chosen Freeholders of the County of Mercer. 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. The final budget amount as amended for the fiscal year is reflected in the Financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as a portion of fund balance at June 30, 2011.

5) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board ("GASB"). The accounting system of the District is organized on the basis of funds. These funds are explained in Notes to the Basic Financial Statements, Note 1.

6) FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the Financial section of this report, the District continues to meet its responsibility for sound financial management. Financial summaries and detail should be reviewed in the Management's Discussion and Analysis for the fiscal year ended June 30, 2011.

7) CASH MANAGEMENT:

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

8) RISK MANAGEMENT:

The Board carries various forms of insurance including, but not limited to, property, inland marine and automobile physical damage; boiler and machinery; crime; general and automobile liability; workers' compensation; educator's legal liability; pollution legal liability and surety bonds.

9) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wiss & Company LLP was selected by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State OMB Circular Letter OMB 04-04. The auditors' report on the basic financial statements and specific required supplementary information and the combining and individual fund statements and schedules are included in the Financial section of this report. The auditors' report related specifically to the single audit is included in the single audit section of this report.

10) ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Mercer County Special Services School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the County and 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 our Business Office staff.

Respectfully Submitted,

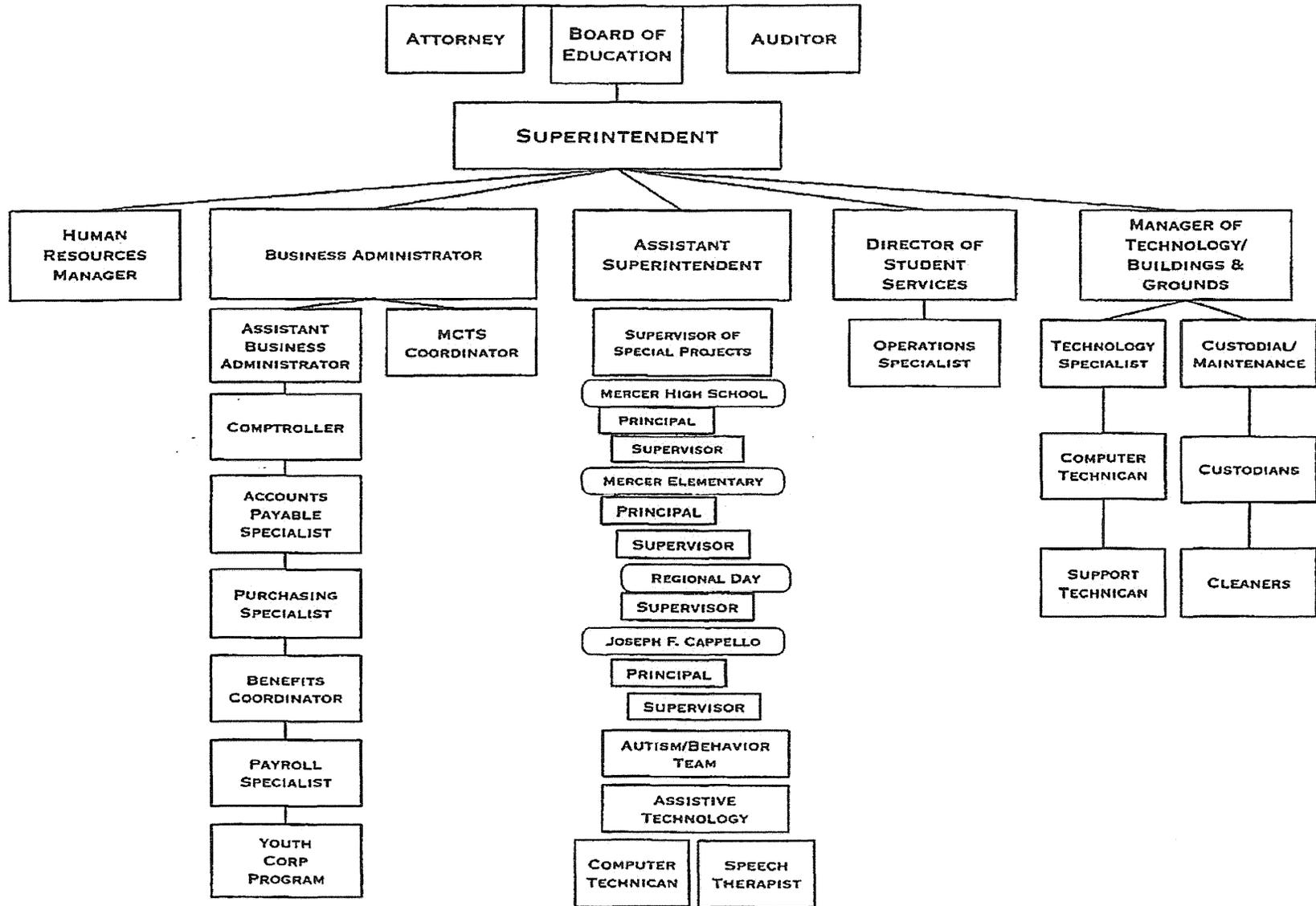


Dr. Kimberly J. Schneider
Superintendent



Nancy R. Swirsky
School Business Administrator/
Board Secretary

Mercer County Special Services School District



Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2011

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dana Hice-DPugh, President	2014
Camille Raineiro, Vice-President	2014
Samuel J. Floyd	2014
Lisa Vena	2013
Russell White	2012
Jan Lewis	2014
Dr. Samuel Stewart, Executive County Superintendent of Schools	Ex-Officio

Other Officials

Dr. Kimberly J. Schneider, Superintendent of Schools
Nancy R. Swirksy, School Business Administrator / Board Secretary
David Miller, Treasurer of School Monies

Mercer County Special Services School District
Mercer County, New Jersey

Independent Auditors and Advisors

Independent Auditors

Wiss and Company, LLP
Iselin, New Jersey 08830

Attorneys

Michael J. Herbert, Esq.
Herbert, Van Ness, Cayci & Goodell
Princeton, New Jersey 08542

Official Depositories

New Jersey Cash Management
PNC Bank
New Jersey Asset and Rebate Management Program

Financial Section



Independent Auditors' Report

Honorable President and
Members of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey
County of Mercer

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mercer County Special Services School District, County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2011, 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 Division of Administration and 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, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2011 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

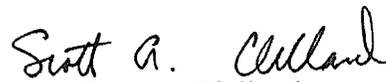
In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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.

Management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements, capital lease schedule and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and capital lease schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis 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, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Scott A. Clelland

Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

December 2, 2011
Iselin, New Jersey

Required Supplementary Information
Part I

Management's Discussion and Analysis

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

UNAUDITED

The discussion and analysis of Mercer County Special Services School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements 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 2011 are as follows:

- ◆ Total net assets increased \$1,156,207 which represents a 2.4% increase from 2010 due to an increase in receivables; primarily due to an increase in the County Tax Levy receivable, offset by a decrease in capital assets due to depreciation.
- ◆ Total assets of governmental activities increased by \$1,191,332, receivables increased by \$1,895,396, and capital assets, net decreased by \$921,412.
- ◆ Total liabilities increased by \$22,824, as payables and other current liabilities increased by \$149,921, non-current liabilities (sick leave reimbursement and early retirement benefit incentives) decreased by \$127,097.
- ◆ General revenues from Tuition accounted for \$33,765,994 or 63.9% and revenues from County Tax Levy of \$2,870,529 accounted for 5.4% of all revenues. Business-type revenues of \$11,578,139 accounted for 22.0% of all revenues.
- ◆ Total spending for all programs was \$51,680,167.
- ◆ The General Fund had \$39,824,117 in revenues and \$37,807,232 in expenditures. The General Fund's balance increased \$2,051,581 as compared to 2010. This increase was primarily related to a more favorable rate for health care benefits and a change to the State Health Plan which was not foreseen by the Board of Education at the time the budget was prepared. At the time of budget preparation negotiations for health care providers were not yet determined.

Using this Comprehensive Annual Financial Report (CAFR)

This CAFR consists of a series of basic financial statements and notes to those basic statements. These statements are organized so the reader can understand the Mercer County Special Services School 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 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 the Mercer County Special Services School District, the General Fund is by far the most significant fund.

While this document contains a 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 2010/11?" 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 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, whether 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 County property tax base, current laws in New Jersey restricting Districts revenue growth, facility condition, required educational programs, student enrollment growth and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- ◆ Governmental-Type 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 and extracurricular activities.
- ◆ Business-Type Activities – These services are provided on a charge for goods or services basis to recover all the expense of the goods or services provided. Various enterprise funds are reported as a business activity and are listed in the Notes to Basic Financial Statements, Note 1C.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major (all) funds is included in the 2010-11 Comprehensive Annual Financial Report as presented by the District. Fund financial statements provide detailed information about the District's major funds. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements are utilized for District financial decision making.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you 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.

Enterprise Funds

The District maintains nine enterprise funds, which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service program, Mercer cooperative transportation system, NJ state regional day school at Hamilton, integrated preschool, assisted augmentive technology, clinic parent, community resources, special aides and chuck's place programs, all of which are considered to be major funds of the District. The basic enterprise fund financial statements are Schedules B-4, B-5 and B-6.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity in its donation trust fund,

AFLAC trust fund and unemployment compensation trust fund. The District uses agency funds to account for resources held for student activities and groups and payroll-related liabilities. The basic fiduciary fund financial statements are Schedules B-7 and B-8.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31 through 57 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 acquisition and payment of debt, 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 comparison of the District's net assets for 2011 and 2010.

Net Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and Cash Equivalents	\$ 6,473,849	\$ 6,582,931
Accounts Receivable	4,211,234	2,351,173
Inventories	26,585	15,010
Restricted assets:		
Cash and Cash Equivalents	750,824	499,821
Capital Assets, Non-Depreciable	38,274	-
Capital Assets, Net	<u>39,786,380</u>	<u>40,659,180</u>
Total Assets	<u>51,287,146</u>	<u>50,108,115</u>
Liabilities:		
Accounts Payable and Accrued Liabilities	588,620	498,894
Intergovernmental Payable to State	93	-
Intergovernmental Payable to Federal	976	-
Unearned Revenue	34,156	19,734
Noncurrent Liabilities:		
Due Within One Year	44,704	-
Due Beyond One Year	<u>2,097,646</u>	<u>2,224,743</u>
Total Liabilities	<u>2,766,195</u>	<u>2,743,371</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	39,789,958	40,659,180
Restricted for:		
Other Purposes	750,824	499,821
Unrestricted	<u>7,980,169</u>	<u>6,205,743</u>
Total Net Assets	<u>\$ 48,520,951</u>	<u>\$ 47,364,744</u>

Total assets increased by \$1,179,031. The majority of the increase resulted from an increase in receivables due to the timing of collections from the county offset by the depreciation expense on capital assets.

Total liabilities increased by \$22,824. The District's current liabilities increased \$149,921 and noncurrent liabilities decreased by \$127,097. The current liabilities increase resulted from an increase in the District's accounts payables as of June 30, 2011 versus June 30, 2010. The decrease non-current liabilities primarily resulted from a combination of the 2010-2011 compensated absence payouts from retirements and the reclassification of the current portion of the compensated absence liability.

Restricted net assets increased due to a transfer of \$250,000 into the capital reserve in June 2011. 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, increased by \$1,774,426, largely due to a reduction in overall health benefit costs related to the change to the State Health Benefit Plan.

The following table provides a comparison analysis of government-wide changes in net assets from fiscal years 2011 and 2010.

**Changes in Net Assets
Years ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for Services	\$11,235,037	\$ 13,249,053
Operating Grants and Contribution	1,738,819	2,036,943
Capital Grants and Contributions	38,274	
General Revenues:		
County Appropriation	2,870,529	2,870,529
Tuition - LEAs	33,595,981	33,538,835
Nonresident Fees	170,013	175,860
State and Federal Sources	2,818,167	2,995,850
Interest Earned on Investment	14,362	22,233
Miscellaneous Income	<u>355,192</u>	<u>306,151</u>
Total Revenues	<u>52,836,374</u>	<u>55,155,454</u>
Governmental Activities Expenses:		
Instruction:		
Special Education Instruction	23,158,192	24,841,406
Support Services:		
Student and Instruction Related Services	10,695,312	11,074,334
General Administration	449,249	497,896
School Administration	1,417,875	1,631,986
Central Services	883,952	1,058,708
Administration Information Technology	429,035	455,442
Plant Operations and Maintenance	2,943,122	2,999,265
Pupil Transportation	<u>68,936</u>	<u>29,498</u>
Total Governmental Functions/Program Expenses	<u>40,045,673</u>	<u>42,588,534</u>

Changes in Net Assets
Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Business-Type Expenses:		
Project Adults		\$ 45,289
Food Services	\$ 472,240	423,955
Mercer Cooperative Transportation System	6,577,813	8,410,047
NJ State Regional Day School at Hamilton	2,257,360	2,237,440
Integrated Preschool	160,782	196,322
Assisted Augmentative Technology	34,813	47,036
Respite		506
Clinic Parent	37,904	22,296
Community Resources	274,074	372,160
Capital Academy		20,671
Social Skill		1,350
Emergency Treatment Services		28,788
Special Aides	1,737,379	1,912,584
Chuck's Place	<u>82,129</u>	
Total Business-Type Activities Expenses	<u>11,634,494</u>	<u>13,718,444</u>
Total Expenses	<u>51,680,167</u>	<u>56,306,978</u>
Increase/(Decrease) in Net Assets	1,156,207	(1,151,524)
Net Assets, Beginning of Year	<u>47,364,744</u>	<u>48,516,268</u>
Net Assets, End of Year	<u>\$ 48,520,951</u>	<u>\$ 47,364,744</u>

Activity Descriptions

Special Education Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Student and Instruction Related Services expenses include the activities designed to assess and improve the well being of students and to supplement the teaching process.

School and Other Administrative services include expenses associated with establishing and administering policy for the District including financial supervision.

Plant operation and maintenance of plant activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from student activities as provided by State law and Board Policy.

GOVERNMENT-TYPE ACTIVITIES

At June 30, 2011, Governmental-Type Activities net assets were 94.8% of the District's total net assets.

The Governmental-Type Activities net assets increased \$1,212,561 from \$44,767,914 at June 30, 2010 to \$45,980,475 at June 30, 2011. This increase is primarily due to a combination of a reduction in overall health benefit costs related to the change to the State Health Benefit Plan, the capital asset additions and the offsetting capital asset depreciation expense.

In FY 2011 Governmental-Type Activities revenues were \$ 41,258,235 or 78.1% of total revenues.

In FY 2011 General Revenues - County Appropriation of \$2,870,529 made up 7.0%, and General Revenues - Tuition LEA's of \$33,595,981 made up 81.4% of the Governmental-Type Activities revenues.

In FY 2011 the District's Governmental-Type Activities expenditures were \$40,045,673 compared to \$42,588,534 for FY 2010, a decrease of \$2,542,861 or 6.0%. The most significant contributors to the lower expenditures were a decrease in the cost of benefits related to the change to the State Health Benefits Plan and lower capital outlay expenditures.

BUSINESS-TYPE ACTIVITIES

At June 30, 2011, Business-Type Activities net assets were 5.5% of the District's total net assets.

Business-Type Activities net assets decreased \$56,335 from \$2,596,831 at June 30, 2010 to \$2,540,476 at June 30, 2011.

In FY 2011 Business-Type Activities revenues were \$11,578,139.

Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$11,578,012 in FY 2011 compared to \$13,543,364 in FY 2010, a 14.8% decrease. The significant decrease was related to the reduction of transportation services during FY 2011.

Expenses for Business-Type Activities were \$11,634,494 in FY 2011 compared to \$13,718,444 in FY 2010, a 15.2% decrease. The significant decrease was related to the reduction of transportation services during FY 2011.

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, 2011, it reported a general fund fund balance of \$8,670,653 which is an increase of \$2,051,581. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Exhibit B-2, presents the reader with a detailed explanation of the increase in fund balance for the fiscal year.

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2011, and the amount and percentage of (decreases) in relation to prior year revenues.

Revenues

Year Ended June 30, 2011

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) from 2010</u>	<u>Percent of (Decrease)</u>
Local sources	\$ 37,516,014	91.0%	\$ (33,704)	(0.1)%
State sources	3,269,005	7.9	(305,459)	(8.5)
Federal sources	434,942	1.1	(52,618)	(10.8)
Total	<u>\$ 41,219,961</u>	<u>100.0%</u>	<u>\$ (391,781)</u>	<u>(0.9)%</u>

The decrease in the state sources was mainly attributable to the decrease in the Reimbursed TPAF Social Security and Youth Corp state sources in the current year. The federal sources decreased primarily due to a combination of the District receiving one time ARRA Title I funding in prior year as well as the District expending less Title I, Part A funds as a result of receiving a lower award amount in the current year.

The following schedule presents a summary of general fund and special revenue fund expenditures for the year ended June 30, 2011, and the amounts and percentage of (decreases) in relation to prior year expenditures.

Expenditures

Year Ended June 30, 2011

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) From 2010</u>	<u>Percent of (Decrease)</u>
Current:				
Instruction	\$ 15,011,701	38.3%	\$ (1,032,844)	(6.4)%
Undistributed expenditures	23,956,017	61.1	(1,606,479)	(6.3)
Capital outlay	235,358	0.6	(261,299)	(52.6)
Total	<u>\$ 39,203,076</u>	<u>100.0%</u>	<u>\$ (2,900,622)</u>	<u>(6.9)%</u>

The decrease in the instruction was due to the reduction in the District's salaries of teachers that resulted from retirements and staff reductions that resulted from the District having a decreased enrollment.

The decrease in the undistributed expenditures resulted primarily from the reduction in overall health benefit costs which resulted from the District's change to the State Health Benefit Plan. The capital outlay decrease resulted from the District completing the ongoing projects and the District's new projects approved by the County not beginning as of June 30, 2011.

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.

Throughout the year budget transfers were effectuated between budget accounts to re-align the FY 2011 budget to meet the District's needs.

The final budgetary basis revenue estimate was \$36,885,344. The original budget estimate was \$36,515,788.

The District received \$2,540,993 in reimbursed T.P.A.F. Social Security Aid and T.P.A.F. Pension and Post-Retirement Medical Contributions. These reimbursements are reflected as revenue and expenditures in the General Fund Budgetary Comparison Schedule and have no corresponding budget amounts.

The final budgetary basis expenditure appropriation estimate was \$38,907,711 compared to the original estimate of \$38,427,364.

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 \$2,938,773 better than had been budgeted in terms of revenues and \$1,100,479 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$2,540,993 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

Capital Assets

At the end of fiscal years 2011 and 2010, the District had \$39,452,172 and \$40,373,585 respectively invested in a broad range of governmental activities capital assets, including construction in progress buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. 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 capital assets at the end of 2011 and 2010 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2011</u>	<u>2010</u>
Construction in Progress	\$ 38,274	
Site Improvements	89,531	\$ 72,642
Buildings and Building Improvements	38,913,179	39,989,516
Furniture, Vehicles, and Equipment	<u>411,188</u>	<u>311,427</u>
Total	<u>\$ 39,452,172</u>	<u>\$ 40,373,585</u>

During the current fiscal year, \$288,490 of capital assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year.

The District also has business-type activities capital assets, net of accumulated depreciation at June 30, 2011 and 2010 in the amount of \$372,482 and \$285,594, respectively.

Economic Factors and Next Year's Budget

For the 2010-11 school year, the Mercer County Special Services School District was able to sustain its budget through Tuition revenues, the County Tax levy, and out of county fees.

The \$8,730,893 in Net Restricted and Unrestricted Net Assets for all governmental and business type 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 \$8,730,893 remaining.

The 2010-11 budget was adopted April 2011 based in part on a no increase in tuition rates and closely matching services and expenditures to actual enrollment. Due to the State of New Jersey State Financing Reform Act ("SFRA"), funding from the Sending Districts for the current year was slightly above the previous year. Future increases in State aid based on SFRA calculations and predicting future County Aid will be dependent upon economic conditions.

The District anticipates no increase in enrollment for the 2011-12 fiscal year. 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) limiting programs and services; (b) increasing tuition rates for the sending districts; or (c) increasing other related fees.

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 Mercer County Special Services School District, 1020 Old Trenton Road, Hamilton, New Jersey 08690. Also, please visit our website to learn more about our District at www.mcsssd.org.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2011.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 4,919,037	\$ 1,554,812	\$ 6,473,849
Internal Balances	961,347	(961,347)	-
Receivables	2,609,162	1,602,072	4,211,234
Inventories		26,585	26,585
Restricted assets:			
Cash and Cash Equivalents	750,824		750,824
Capital Assets, Non-Depreciable	38,274		38,274
Capital Assets, Depreciable, Net	39,413,898	372,482	39,786,380
Total Assets	<u>48,692,542</u>	<u>2,594,604</u>	<u>51,287,146</u>
Liabilities			
Accounts Payable	188,242	52,838	241,080
Accrued Liabilities	347,540		347,540
Payable to State Government	93		93
Payable to Federal Government	976		976
Unearned Revenue	32,866	1,290	34,156
Noncurrent Liabilities:			
Due Within One Year	44,704		44,704
Due Beyond One Year	2,097,646		2,097,646
Total Liabilities	<u>2,712,067</u>	<u>54,128</u>	<u>2,766,195</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	39,417,476	372,482	39,789,958
Restricted For:			
Other Purposes	750,824		750,824
Unrestricted	5,812,175	2,167,994	7,980,169
Total Net Assets	<u>\$ 45,980,475</u>	<u>\$ 2,540,476</u>	<u>\$ 48,520,951</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Special Education	\$ 23,108,085		\$ 502,352		\$ (22,605,733)		\$ (22,605,733)
School Sponsored/Other Instructional	50,107				(50,107)		(50,107)
Support Services:							
Student and Instruction Related Services	10,695,312		893,492		(9,801,820)		(9,801,820)
General Administrative Services	449,249				(449,249)		(449,249)
School Administrative Services	1,417,875				(1,417,875)		(1,417,875)
Central Administrative Services	883,952				(883,952)		(883,952)
Administrative Information Technology	429,035				(429,035)		(429,035)
Plant Operations and Maintenance	2,943,122			\$ 38,274	(2,904,848)		(2,904,848)
Pupil Transportation	68,936				(68,936)		(68,936)
Total Governmental Activities	<u>40,045,673</u>		<u>1,395,844</u>	<u>38,274</u>	<u>(38,611,555)</u>		<u>(38,611,555)</u>
Business-type Activities:							
Food Service	472,240	\$ 97,432	342,975		\$ (31,833)		(31,833)
Mercer Cooperative Transportation System	6,577,813	6,578,015			202		202
NJ State Regional Day School	2,257,360	2,113,580			(143,780)		(143,780)
Integrated Preschool	160,782	328,626			167,844		167,844
Assisted Augmentative Technology	34,813	24,354			(10,459)		(10,459)
Clinic Parent	37,904	29,350			(8,554)		(8,554)
Community Resources	274,074	243,104			(30,970)		(30,970)
Chuck's Place	82,129	83,197			1,068		1,068
Special Aides	1,737,379	1,737,379			-		-
Total Business-type Activities	<u>11,634,494</u>	<u>11,235,037</u>	<u>342,975</u>		<u>(56,482)</u>		<u>(56,482)</u>
Total Primary Government	<u>\$ 51,680,167</u>	<u>\$ 11,235,037</u>	<u>\$ 1,738,819</u>	<u>\$ 38,274</u>	<u>(38,611,555)</u>	<u>(56,482)</u>	<u>(38,668,037)</u>
General Revenues.							
County appropriation/taxes					2,870,529		2,870,529
Tuition - LEA's					33,595,981		33,595,981
Nonresident Fees					170,013		170,013
State and Federal Sources					2,818,167		2,818,167
Interest Earnings					14,235	127	14,362
Miscellaneous					355,192		355,192
Total General Revenues					<u>39,824,117</u>	<u>127</u>	<u>39,824,244</u>
Changes in Net Assets					1,212,562	(56,355)	1,156,207
Net Assets - Beginning					44,767,913	2,596,831	47,364,744
Net Assets - Ending					<u>\$ 45,980,475</u>	<u>\$ 2,540,476</u>	<u>\$ 48,520,951</u>

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2011

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 4,919,037			\$ 4,919,037
Interfund Receivable	1,251,888			1,251,888
Accounts Receivable:				
State	62,104	\$ 157,535		219,639
Federal		33,700		33,700
Other	2,229,506	88,043	\$ 38,274	2,355,823
Restricted cash and cash equivalents	750,824			750,824
Total Assets	\$ 9,213,359	\$ 279,278	\$ 38,274	\$ 9,530,911
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable		\$ 257,690	\$ 32,851	\$ 290,541
Accounts Payable	\$ 164,215	18,604	5,423	188,242
Accrued liabilities	347,540			347,540
Intergovernmental Payables:				
State		93		93
Federal		976		976
Deferred Revenue	30,951	1,915		32,866
Total Liabilities	542,706	279,278	38,274	860,258
Fund Balances:				
Restricted for:				
Capital Reserve	750,824			750,824
Assigned to:				
Designated for Subsequent Years' Expenditures	1,254,883			1,254,883
Other Purposes	104,940			104,940
Unassigned:				
General Fund	6,560,006			6,560,006
Total Fund Balances	8,670,653			8,670,653
Total Liabilities and Fund Balances	\$ 9,213,359	\$ 279,278	\$ 38,274	

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 \$54,211,549 and the accumulated depreciation is \$14,759,377 (See Note 4). 39,452,172

Long-term liabilities, including obligations under capital leases and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 5). (2,142,350)

Net Assets of Governmental Activities \$ 45,980,475

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2011

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 2,870,529		\$ 38,274	\$ 2,908,803
Tuition from Other Districts	29,734,187			29,734,187
Other Tuition	3,861,794			3,861,794
Non-Resident Fees	170,013			170,013
Interest	14,235			14,235
Miscellaneous	355,192	\$ 510,064		865,256
Total - Local Sources	37,005,950	510,064	38,274	37,554,288
State Sources	2,541,735	727,270		3,269,005
Federal Sources	276,432	158,510		434,942
Total Revenues	39,824,117	1,395,844	38,274	41,258,235
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	14,473,348	502,352		14,975,700
School Sponsored	36,001			36,001
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,722,741	870,117		7,592,858
General Administration	317,327			317,327
School Administration	1,006,393			1,006,393
Central Services	613,412			613,412
Administrative Information Technology	332,388			332,388
Plant Operations and Maintenance	2,460,992			2,460,992
Pupil Transportation	32,795			32,795
Unallocated Benefits	9,058,859			9,058,859
On-behalf TPAF FICA and Pension	2,540,993			2,540,993
Capital Outlay	211,983	23,375	38,274	273,632
Total Expenditures	37,807,232	1,395,844	38,274	39,241,350
Excess of revenues over expenditures	2,016,885	-	-	2,016,885
Other Financing Sources:				
Capital Leases (non-budgeted)	34,696			34,696
Total Other Financing Sources	34,696			34,696
Net change in fund balances	2,051,581	-	-	2,051,581
Fund Balance, July 1	6,619,072	-	-	6,619,072
Fund Balance, June 30	\$ 8,670,653	\$ -	\$ -	\$ 8,670,653

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

MERCER COUNTY SPECIAL SERVICES 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, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 2,051,581
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:	
<p>Capital additions for capital assets are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions and disposals in the current fiscal year.</p>	
Depreciation Expense	\$ (1,206,957)
Capital Additions	288,490
Loss on disposal of capital assets	<u>(2,946)</u>
	(921,413)
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>	
	117,090
<p>In the Governmental Funds, capital leases proceeds are reported as other financing sources, but the proceeds increase long-term liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.</p>	
	(34,696)
Change in Net Assets of Governmental Activities	<u><u>\$ 1,212,562</u></u>

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUND

STATEMENT OF FUND NET ASSETS

June 30, 2011

Major Enterprise Funds

	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Assisted Augmentative Technology	Clinic Parent	Community Resources	Special Aides	Chuck's Place	Totals
Assets										
Current Assets:										
Cash and Cash Equivalents	\$ 42,654		\$ 607,169	\$ 435,050	\$ 33,448	\$ 18,511	\$ 417,220		\$ 760	\$ 1,554,812
Accounts Receivable:										
State	986									986
Federal	58,305									58,305
Other		\$ 622,428	431,451	77,385	11,654		54,994	\$ 344,869		1,542,781
Inventories	26,139								446	26,585
Total Current Assets	128,084	622,428	1,038,620	512,435	45,102	18,511	472,214	344,869	1,206	3,183,469
Capital Assets										
Site Improvements			9,500							9,500
Equipment	200,360		26,001		31,174					257,535
Building and Building Improvements			279,525							279,525
Accumulated Depreciation	(141,947)		(22,141)		(9,990)					(174,078)
Total Capital Assets, Net	58,413		292,885		21,184					372,482
Total Assets	186,497	622,428	1,331,505	512,435	66,286	18,511	472,214	344,869	1,206	3,555,951
Liabilities										
Interfund Payable		622,226						339,121		961,347
Accounts Payable	32,645		20,010		45				138	52,838
Unearned Revenue	1,290									1,290
Total Liabilities	33,935	622,226	20,010		45			339,121	138	1,015,475
Net Assets										
Invested in Capital Assets, Net of Related Debt	58,413		292,885		21,184					372,482
Unrestricted	94,149	202	1,018,610	512,435	45,057	18,511	472,214	5,748	1,068	2,167,994
Total Net Assets	\$ 152,562	\$ 202	\$ 1,311,495	\$ 512,435	\$ 66,241	\$ 18,511	\$ 472,214	\$ 5,748	\$ 1,068	\$ 2,540,476

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Year ended June 30, 2011

	Major Enterprise Funds									Totals
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Assisted Augmentative Technology	Clinic Parent	Community Resources	Special Aides	Chuck's Place	
Operating Revenues:										
Local Sources:										
Daily Sales - Reimbursable Programs	\$ 74,744									\$ 74,744
Daily Sales - Non-Reimbursable Programs	22,688									22,688
Transportation Fees		\$ 6,578,015								6,578,015
Non-Resident Fees			\$ 45,045							45,045
Miscellaneous			7,006		\$ 24,354	\$ 29,350	\$ 243,104	\$ 1,737,379	\$ 83,197	2,124,390
Tuition			2,061,529	\$ 328,626						2,390,155
Total Operating Revenues	97,432	6,578,015	2,113,580	328,626	24,354	29,350	243,104	1,737,379	83,197	11,235,037
Operating Expenses:										
Salaries	149,608	189,613	1,582,020	116,240	22,442	37,545	239,893	1,115,141		3,452,502
Employee Benefits	41,702	58,245	426,237	44,277			30,705	622,238		1,223,404
Purchased Professional/Technical Services	392	4,000	11,523	265						16,180
Cleaning, Repair and Maintenance	20,388								2,474	22,862
Contracted Services		6,320,354								6,320,354
Other Purchased Services			34,872							34,872
Insurance	12,792		19,300							32,092
Miscellaneous Purchased Services	1,338									1,338
Supplies and Materials	21,939	1,842	49,344		6,305	359	1,001		79,340	160,130
Energy	536		89,790							90,326
Telephone/Communications/Postage	1,000	3,609	19,864				1,508			25,981
Textbooks			4,045							4,045
Transportation			397							397
Travel							967			967
Cost of Sales	167,580									167,580
Miscellaneous Expenditures	8,054	150							315	8,519
Admin & Supervision	23,000									23,000
Other	9,507		3,419							12,926
Depreciation Expense	14,404		16,549		6,066					37,019
Total Operating Expenses	472,240	6,577,813	2,257,360	160,782	34,813	37,904	274,074	1,737,379	82,129	11,634,494
Operating (Loss) Income	(374,808)	202	(143,780)	167,844	(10,459)	(8,554)	(30,970)	-	1,068	(399,457)
Nonoperating Revenues:										
Local Sources:										
Interest on Investments	127									127
State Sources:										
State School Lunch Program	4,966									4,966
Federal Sources:										
National School Lunch Program	206,778									206,778
National School Breakfast Program	102,523									102,523
Food Donation Program	28,708									28,708
Total Nonoperating Revenues	343,102									343,102
Change in Net Assets	(31,706)	202	(143,780)	167,844	(10,459)	(8,554)	(30,970)	-	1,068	(56,355)
Total Net Assets - Beginning	184,268	-	1,455,275	344,591	76,700	27,065	503,184	5,748	-	2,596,831
Total Net Assets - Ending	\$ 152,562	\$ 202	\$ 1,311,495	\$ 512,435	\$ 66,241	\$ 18,511	\$ 472,214	\$ 5,748	\$ 1,068	\$ 2,540,476

See independent auditors' report and accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUND

STATEMENT OF CASH FLOWS

Year ended June 30, 2011

Major Enterprise Funds

	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Assisted Augmentative Technology	Clinic Parent	Community Resources	Special Aides	Chuck's Place	Total
Cash Flows From Operating Activities:										
Receipts from Customers	\$ 97,432	\$ 6,341,059	\$ 2,049,223	\$ 299,045	\$ 24,354	\$ 29,350	\$ 306,991	\$ 2,072,062	\$ 83,197	\$ 11,302,713
Receipts of Interfund		236,924								236,924
Payments to Employees	(149,608)	(189,613)	(1,582,020)	(116,240)	(22,442)	(37,545)	(239,893)	(1,115,141)		(3,452,502)
Payments for Employee Benefits	(41,702)	(58,245)	(426,237)	(44,277)			(30,705)	(622,238)		(1,223,404)
Payments to Suppliers	(245,010)	(6,330,125)	(221,869)	(265)	(5,313)	(359)	(3,605)	(450)	(82,437)	(6,889,433)
Payments of Interfund								(334,233)		(334,233)
Net Cash (Used In) / Provided By Operating Activities	(338,888)	-	(180,903)	138,263	(3,401)	(8,554)	32,788	-	760	(359,935)
Cash Flows From Noncapital Financing Activities:										
Cash Received From State and Federal Reimbursements	310,979									310,979
Net Cash Provided By Noncapital Financing Activities	310,979									310,979
Cash Flows From Capital and Related Financing Activities:										
Purchase of Capital Assets - Equipment			(123,907)							(123,907)
Net Cash (Used In) Capital and Related Financing Activities			(123,907)							(123,907)
Cash Flows From Investing Activities:										
Interest Income	127									127
Net Cash Provided By Investing Activities	127									127
Net (Decrease) Increase in Cash and Cash Equivalents	(27,782)		(304,810)	138,263	(3,401)	(8,554)	32,788		760	(172,736)
Cash and Cash Equivalents, Beginning of Year	70,436		911,979	296,787	36,849	27,065	384,432			1,727,548
Cash and Cash Equivalents, End of Year	\$ 42,654	\$ -	\$ 607,169	\$ 435,050	\$ 33,448	\$ 18,511	\$ 417,220	\$ -	\$ 760	\$ 1,554,812
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:										
Operating (Loss) Income	\$ (374,808)	\$ 202	\$ (143,780)	\$ 167,844	\$ (10,459)	\$ (8,554)	\$ (30,970)		\$ 1,068	\$ (399,457)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:										
Depreciation	14,404		16,549		6,066					37,019
Changes in Assets and Liabilities:										
(Increase) Decrease in Accounts Receivable		(236,956)	(64,357)	(29,581)	946		63,887	\$ 334,683		68,622
(Increase) in Inventory	(11,129)								(446)	(11,575)
Increase (Decrease) in Accounts Payable	32,645	(170)	10,685		46		(129)	(450)	138	42,765
Increase (Decrease) in Interfund Payable		236,924						(334,233)		(97,309)
Net Cash (Used In) / Provided By Operating Activities	\$ (338,888)	\$ -	\$ (180,903)	\$ 138,263	\$ (3,401)	\$ (8,554)	\$ 32,788	\$ -	\$ 760	\$ (359,935)

Noncash Noncapital Financing Activities

The District received \$29,998 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2011.

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	Donations Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
Assets			
Cash and Cash Equivalents	\$ 33,681	\$ 72,037	\$ 223,722
Total Assets	33,681	72,037	\$ 223,722
Liabilities			
Accounts Payable		32,682	
Payroll Deductions and Withholdings Payable To Student Groups			\$ 201,674 22,048
Total Liabilities	-	32,682	\$ 223,722
Net Assets			
Held in Trust for Unemployment Claims and Other Purposes		\$ 39,355	
Held in Trust for Scholarships	\$ 33,681		

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2011

	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund
Additions			
Interest Income			\$ 83
Employee Contributions		\$ 15,997	75,820
Board Contributions			200,000
Other Contributions	\$ 16,032		
Total Additions	<u>16,032</u>	<u>15,997</u>	<u>275,903</u>
Deductions			
Scholarship Payments	26,294		
Medical Reimbursements		16,040	
Unemployment Benefit Payments			319,476
Total Deductions	<u>26,294</u>	<u>16,040</u>	<u>319,476</u>
Change in Net Assets	(10,262)	(43)	(43,573)
Net Assets - Beginning of Year	43,943	43	82,928
Net Assets - End of Year	<u>\$ 33,681</u>	<u>\$ -</u>	<u>\$ 39,355</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies

The financial statements of the Mercer County Special Services School District (the "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 an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the District. The Board is comprised of six members appointed to three year terms as well as the Executive County Superintendent of Schools. The purpose of the School District is to provide programs adapted to each student's unique needs and abilities, in grades K through 12. Focusing on students' capabilities, the District provides specialized academic instructional recreational activities combined with the specialized therapeutic interventions need to assure that each child reaches full potential. By carefully structuring each student's program on an individual basis, the District strives to have each student become a productive, self-sufficient member of the community. The Mercer County Special Services School District has an approximate enrollment at June 30, 2011 of 700.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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 a capital lease are recorded only when payment is due.

County taxes, interest, and state and federal 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 an 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 from approved county funds.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

The District reports several major enterprise funds, which are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students or other entities on a continuing basis are financed or recovered primarily through user charges. The major enterprise funds include the following funds:

Food Service Fund: The food service enterprise fund accounts for all revenues and expenses pertaining to the food service operations of the District.

Mercer Cooperative Transportation Systems – The mercer cooperative transportation systems fund accounts for the financial transactions related to the transportation of students into the District as well as transportation to other Districts.

NJ State Regional Day School – The NJ state regional day school fund accounts for the financial transactions related to educational services provided to State students.

Integrated Preschool – The integrated preschool fund accounts for the financial transactions related to general integrated services, intensive integrated services, and more intensive integrated services for preschool services.

Assisted Augmentative Technology – The assisted augmentative technology fund accounts for the financial transactions related to the rental of special education equipment to other districts.

Community Resources – The community resources fund accounts for the financial transactions related to various related therapy services provided to other school districts.

Special Aides – The special aides fund accounts for the financial transactions related to special one-on-one aides for students.

Clinical Parent Program – The clinical program fund accounts for the financial transactions related to the therapy and related services of non-classified preschool children who exhibit delays in the areas of speech/language, fine motor, gross motor, and readiness skills.

Chuck's Place – The Chuck's Place fund accounts for the financial transactions related to the workforce training and education provided to the school district's students.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation, donation and AFLAC trust funds and agency funds. The trust funds are reported using the economic resources measurement focus. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

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

Trust Funds: The unemployment compensation, donations and AFLAC 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 donation trust fund is utilized to provide scholarships to students and to account for the related transactions. The AFLAC trust fund is utilized to account for contributions from employees and payment of medical reimbursements for employees.

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.

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's business type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

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) fees 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for sales of food and tuition. Operating expenses for the enterprise fund include the cost of sales, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 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 in the amount certified prior to the end of the school year. 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 and are voted upon at the annual Board of School Estimates Meeting in April. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

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.

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 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, Cash Equivalents and Investments

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

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.

F. Tuition Receivable

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 two years following the contract year. The cumulative adjustments through June 30, 2011 which have not been recorded, are not determinable.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

G. Interfund Receivables/Payables

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

H. Inventories

Enterprise fund inventories are valued at cost, which approximates market using the first-in, first-out (FIFO) method. At June 30, 2011, the unused Food Donation Program Commodities of \$1,290 are reported as unearned revenue.

I. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements and machinery and equipment, are reported in the applicable governmental or business-type 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>Years</u>
School Buildings	40
Building Improvements	20
Electrical/Plumbing	20
Light Vehicles	10
Heavy Vehicles	15
Office and Computer Equipment	10
Instructional Equipment	10
Grounds Equipment	15
Proprietary Fund Equipment	12
Software	5

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

J. Compensated Absences

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

District employees are granted vacation and sick leave in varying amounts under the District’s personnel policies and collective bargaining agreements. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service. Upon retirement, employees shall be 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, 2011, a liability existed for compensated absences in the government-wide financial statements in the amount of \$2,107,654 and no liability existed for compensated absences in the proprietary fund types.

K. Deferred Revenue / Unearned Revenue

Deferred revenue in the general fund represents cash for the District’s tuition adjustments which has been received but not yet earned. Deferred revenue in the special revenue fund represents cash which has been received but not yet earned and outstanding encumbrances. Unearned revenue in the enterprise fund represents the unused portion of U.S.D.A. commodities on hand at June 30, 2011.

L. Long-Term Obligations

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net assets.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Bonds are authorized in accordance with State law by the Board of Chosen Freeholders of the County through bond ordinances. All bonds are retired in serial instruments within the statutory period of usefulness. The bonds are issued by the Mercer County Improvement Authority and are general obligation bonds. As of January 1, 2008, the County Government of Mercer assumed the debt service outstanding.

M. Fund Balances

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 is effective for periods beginning after June 15, 2010 and establishes 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 determined by a formal action of the government's highest level of decision-making authority.
- 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.
- 5) Unassigned – includes all spendable amounts not contained in the other classifications.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Of the \$8,670,653 of fund balance in the General Fund, \$104,940 of encumbrances is assigned to other purposes, \$750,824 has been restricted in the capital reserve account, \$1,254,883 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$6,560,006 is classified as unassigned.

N. Net Assets

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

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. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no impact on the net assets or fund balances. The government-wide reclassifications occurred between all expense lines in the expense column of the Statement of Activities. The NJ State Regional Day School Enterprise Fund reclassifications occurred between the other purchased property services, other purchased services, insurance, miscellaneous expenditures, other and depreciation expense Operating Expenses in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

1. Summary of Significant Accounting Policies (continued)

R. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2011 through December 2, 2011, 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 capital lease and compensated absences are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are as follows:

Compensated absences	\$ 2,107,654
Capital lease	34,696
Net adjustment to increase fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 2,142,350</u>

3. Deposits and Investments

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

3. Deposits and Investments (continued)

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 least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

New Jersey statutes (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 Arbitrage 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.

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2011, the District's carrying amount of deposits was \$5,678,770 and the bank balance was \$6,299,977. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2011 were secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$6,049,977.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

3. Deposits and Investments (continued)

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

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, 2011, the District’s balance was \$1,873,650 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.

New Jersey Asset and Rebate Management Program

The District participated in the New Jersey Asset and Rebate Management Program (“NJARM”), which is a Joint Investment Program. This program was established in accordance with the New Jersey Interlocal Services Act and is administered by NJARM. NJARM invests funds for the participants in U.S. Government and State of New Jersey Securities. Amounts on deposit are available without restriction and are considered cash equivalents and are not subject to custodial credit risk. At June 30, 2011, the District’s deposits with NJARM are \$1,846 in the General Account.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2011, the District's investments were invested in the NJCMF and NJARM.

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 and NJARM, are less than one year.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress		\$ 38,274		\$ 38,274
Total capital assets, not being depreciated:		38,274		38,274
Capital assets, being depreciated:				
Site improvements	\$ 399,390	\$ 23,540		\$ 422,930
Buildings & building improvements	52,904,641	66,513		52,971,154
Machinery and equipment	677,117	160,163	\$ (58,089)	779,191
Total capital assets, being depreciated	53,981,147	250,216	(58,089)	54,173,275
Less accumulated depreciation for:				
Site improvements	(326,748)	(6,651)		(333,399)
Buildings & building improvements	(12,915,126)	(1,142,850)		(14,057,976)
Machinery and equipment	(365,689)	(57,456)	55,143	(368,002)
Total accumulated depreciation	(13,607,563)	(1,206,957)	55,143	(14,759,377)
Total capital assets, being depreciated, net	40,373,585	(956,741)	(2,946)	39,413,898
Governmental activities capital assets, net	\$ 40,373,585	\$(918,467)	\$ (2,946)	\$ 39,452,172

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

4. Capital Assets (continued)

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

Special education instruction	\$ 660,447
School Sponsored instruction	1,588
Student and instruction related services	334,855
School administrative services	44,383
General administrative services	13,995
Central services	27,052
Administrative Information Technology	14,659
Plant operations and maintenance	108,533
Pupil Transportation	1,445
	<u>\$ 1,206,957</u>

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2011:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
<i>Capital assets being depreciated:</i>			
Site Improvements	\$ 5,400	\$ 4,100	\$ 9,500
Equipment	255,381	2,154	257,535
Building and Building Improvements	161,872	117,653	279,525
Less accumulated depreciation	(137,059)	(37,019)	(174,078)
Total business-type activities capital assets, net	<u>\$ 285,594</u>	<u>\$ 86,888</u>	<u>\$ 372,482</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

5. Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 2,224,744	\$ 3,829	\$ 120,919	\$ 2,107,654	\$ 27,370
Capital lease		34,696		34,696	17,334
Governmental activity long-term liabilities	<u>\$ 2,224,744</u>	<u>\$ 38,525</u>	<u>\$ 120,919</u>	<u>\$ 2,142,350</u>	<u>\$ 44,704</u>

The District expects to liquidate the compensated absences and obligations under the capital lease with payments made from the District's general fund.

Bonds Payable and Bonds Authorized but Not Issued

As of June 30, 2011, the District had no bonds payable and no authorized but not issued bonds.

Capital Leases Payable

The District is leasing a bus totaling \$34,696 under a capital lease, at an interest rate of 3.19%. The following is a schedule of the future minimum lease payments under the capital lease agreement over the remaining life of the lease:

Fiscal Year Ending:	Amount
2012	\$ 17,915
2013	17,915
	<u>35,830</u>
Amount representing interest	(1,134)
Total minimum lease payments	<u>\$ 34,696</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

5. Long-Term Liabilities (continued)

Operating Leases

The District has commitments to lease copy machines and a laminator under operating leases that expire in 2015. Total operating lease payments made during the year ended June 30, 2011 were \$64,993. Future minimum lease payments are as follows:

Fiscal Year Ending	Amount
2012	\$ 60,583
2013	52,424
2014	25,186
2015	12,235
Total minimum lease payments	<u>\$ 150,428</u>

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

6. Pension Plans (continued)

Members 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. 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 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).

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 8 to 10 years of service.

Members 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 creditable service. 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 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).

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

6. Pension Plans (continued)

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% 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, 2011, the State of New Jersey contributed \$1,301,635 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 \$1,239,358 during the year ended June 30, 2011 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, 2011, 2010 and 2009 were \$363,215, \$301,518 and \$355,869 respectively.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

7. Post-Retirement Benefits (continued)

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, 2010, 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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

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, 2011, 2010 and 2009 were \$1,013,517, \$1,207,326 and \$1,168,022, 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

8. Risk Management

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

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

Fiscal Year	Board Contributions	Employee Contributions	Interest on Investments	Amount Paid or Accrued	Ending Balance
2010-11	\$ 200,000	\$ 75,820	\$ 83	\$ 316,476	\$ 39,355
2009-10	112,459	44,514	310	167,083	82,928
2008-09	-	47,027	734	33,967	92,728

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

8. Risk Management (continued)

Joint Insurance Pool

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

The Fund provides the District with the following coverage:

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

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

9. Deferred Compensation

The District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457(b). The plans, which are administered by various insurance companies, 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District are as follows at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,251,888	
Special Revenue Fund		\$ 257,690
Capital Projects Fund		32,851
Enterprise Fund – Special Aides		339,121
Enterprise Fund – Cooperative Transportation		622,226
	\$ 1,251,888	\$ 1,251,888

The general fund interfund receivable is comprised of four interfunds. The interfunds to the special revenue fund, the capital projects fund, the special aides enterprise fund and the cooperative transportation enterprise fund represents a loan to eliminate a pooled cash deficit. All interfunds are expected to be paid within one year.

11. Economic Dependency

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

12. Contingent Liabilities

The District is also involved in several 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.

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 by inclusion of \$526,711 in June of 1995 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

13. Capital Reserve Account (continued)

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 Board resolution at year end (June 1 and June 30) of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. 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, 2010 to June 30, 2011 fiscal year is as follows:

Beginning balance, July 1, 2010	\$ 499,821
Increased by:	
Interest earnings	1,003
Deposit approved in June 2011 Board Resolution	250,000
Ending balance, June 30, 2011	<u>\$ 750,824</u>

At June 30, 2011, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

14. Commitments

The District has contractual commitments at June 30, 2011 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$104,940.

The District also has \$246,226 of encumbrances outstanding at June 30, 2011 for various construction contracts recorded in the capital projects fund. The encumbrances were offset against the undesignated deficit.

15. Restricted Assets

The District has \$750,824 of capital reserve funds that are classified as restricted assets on the statement of net assets because they are restricted by the New Jersey Department of Education to be utilized for future capital projects that have been approved in the District's Long-Range Facility Plan and emergencies.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2011

16. Calculation of Excess Surplus

Special service school districts are subject to an excess surplus calculation in accordance with N.J.S.A. 18A.46-31, as amended. This calculation will be performed by the Department of Education during the tuition rate certification process.

Required Supplementary Information
Part II
Budgetary Comparison

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 2,870,529		\$ 2,870,529	\$ 2,870,529	
Tuition From LEA's	29,842,647		29,842,647	29,734,187	\$ (108,460)
Other Tuition	3,117,872	\$ 369,556	3,487,428	3,861,794	374,366
Non-Resident Fees	171,990		171,990	170,013	(1,977)
Interest Earned				13,232	
Interest Earned on Capital Reserve Funds				1,003	1,003
Unrestricted Miscellaneous Revenues	400,250		400,250	355,192	(45,058)
Total Local Sources	36,403,288	369,556	36,772,844	37,005,950	233,106
State Sources:					
On-Behalf TPAF Pension Contributions				1,301,635	1,301,635
Reimbursed TPAF Social Security				1,239,358	1,239,358
Reimbursed TPAF Social Security Wage Freeze				742	742
Total State Sources				2,541,735	2,541,735
Federal Sources:					
Medicaid Reimbursement	112,500		112,500	276,432	163,932
Total Federal Sources	112,500		112,500	276,432	163,932
Total Revenues	36,515,788	369,556	36,885,344	39,824,117	2,938,773
EXPENDITURES:					
Current Expense:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	754,189	(93,241)	660,948	657,556	3,392
Other Salaries for Instruction	224,682	(30,454)	194,228	191,891	2,337
General Supplies	9,500		9,500	9,366	134
Textbooks	3,500		3,500	3,500	
Other Objects	2,600		2,600	2,325	275
Total Behavioral Disabilities	994,471	(123,695)	870,776	864,638	6,138
Multiple Disabilities:					
Salaries of Teachers	4,011,869	(456,142)	3,555,727	3,550,798	4,929
Other Salaries for Instruction	1,074,571	433,072	1,507,643	1,506,988	655
Other Purchased Services	500		500	82	418
General Supplies	120,895	(3,883)	117,012	96,280	20,732
Textbooks	22,200	(2,512)	19,688	19,684	4
Other Objects	3,500		3,500	2,999	501
Total Multiple Disabilities	5,233,535	(29,465)	5,204,070	5,176,831	27,239
Autism:					
Salaries of Teachers	2,151,120	113,912	2,265,032	2,258,116	6,916
Other Salaries for Instruction	1,635,905	(194,882)	1,441,023	1,439,605	1,418
General Supplies	26,300	2,840	29,140	19,055	10,085
Textbooks	8,620	(3,040)	5,580	4,778	802
Other Objects	2,900		2,900	1,306	1,594
Total Autism	3,824,845	(81,170)	3,743,675	3,722,860	20,815
Preschool Disabilities - Full-Time:					
Salaries of Teachers	545,814	55,538	601,352	601,352	
Other Salaries for Instruction	490,636	(55,538)	435,098	424,293	10,805
General Supplies	14,600		14,600	10,810	3,790
Other Objects	1,000		1,000	1,000	
Total Preschool Disabilities - Full-Time	1,052,050	-	1,052,050	1,036,455	15,595
Extended School Year:					
Salaries of Teachers	1,780,157	(338,962)	1,441,195	1,441,195	
Salaries of Supervisors of Instruction	131,697	41,630	173,327	173,327	
Other Salaries for Instruction	709,234	105,663	814,897	814,897	
Other Purchased Services (400-500 Series)	76,784	15,830	92,614	92,614	
Total Extended School Year	2,697,872	(175,839)	2,522,033	2,522,033	
Cognitive - Severe:					
Salaries	725,820	(84,393)	641,427	630,672	10,755
Other Salaries for Instruction	511,776	4,064	515,840	511,216	4,624
General Supplies	12,000	1,321	13,321	5,943	7,378
Textbooks	6,721	(1,321)	5,400	2,700	2,700
Other Objects	1,500		1,500	1,500	
Total Cognitive - Severe	1,257,817	(80,329)	1,177,488	1,150,531	26,957
Total Special Education - Instruction	15,060,590	(490,498)	14,570,092	14,473,348	96,744
Home Instruction:					
Salaries	21,000	618	21,618	21,618	
Supplies and Materials	15,000	(618)	14,382	14,382	
Total School-Sponsored Co/Extra-Curr. Activities - Instruction	36,000		36,000	36,000	
Total Instruction	15,096,590	(490,498)	14,606,092	14,509,348	96,744

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (CONTINUED):					
Undistributed Expenditures					
Health Services:					
Salaries	\$ 440,315	\$ 53,147	\$ 493,462	\$ 482,922	\$ 10,540
Purchased Professional and Technical Services	43,800		43,800	41,330	2,470
Other Purchased Services	2,700		2,700	1,254	1,446
Supplies and Materials	18,300		18,300	16,821	1,479
Total Health Services	505,115	53,147	558,262	542,327	15,935
Other Support Serv. - Students - Related Services:					
Salaries	4,136,236	310,219	4,446,455	4,369,320	77,135
Purchased Professional - Educational Services	35,000	45,000	80,000	72,816	7,184
Supplies and Materials	21,650		21,650	18,343	3,307
Total Other Support Serv. - Students - Related Services	4,192,886	355,219	4,548,105	4,460,479	87,626
Child Study Team:					
Salaries of Other Professional Staff	1,304,756	(80,000)	1,224,756	1,155,107	69,649
Purchased Professional - Educational Services	1,000		1,000	1,000	
Supplies and Materials	2,700		2,700	2,020	680
Total Child Study Team	1,308,456	(80,000)	1,228,456	1,158,127	70,329
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	141,965		141,965	117,624	24,341
Salaries of Other Professional Staff	108,684	(40,000)	68,684	63,035	5,649
Salaries of Secretarial and Clerical Assistants	165,981		165,981	145,885	20,096
Other Salaries	98,219		98,219	77,651	20,568
Other Purchased Services	6,650	57	6,707	6,193	514
Supplies and Materials	1,400	1,493	2,893	2,391	502
Other Objects	3,000		3,000	1,669	1,331
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	525,899	(38,450)	487,449	414,448	73,001
Educational Media Services/School Library:					
Salaries	129,105		129,105	124,888	4,217
Supplies and Materials	11,750		11,750	10,968	782
Total Educational Media Services/School Library	140,855	-	140,855	135,856	4,999
Instructional Staff Training Services:					
Other Salaries	1,500	(371)	1,129	650	479
Other Purchased Professional and Technical Services	8,500		8,500	8,089	411
Other Purchased Services	8,050		8,050	2,559	5,491
Supplies and Materials	250	371	621	206	415
Total Instructional Staff Training Services	18,300	-	18,300	11,504	6,796
Support Services - General Administration:					
Salaries	72,080		72,080	65,589	6,491
Legal Services	70,000	1,424	71,424	45,199	26,225
Architectural/Engineering Services	30,000		30,000		30,000
Other Purchased Professional Services	50,000		50,000	42,000	8,000
Purchased Technical Services	16,200		16,200	3,840	12,360
Communications/Telephone	99,300		99,300	73,412	25,888
BOE Other Purchased Services	25,000	42,500	67,500	51,611	15,889
Other Purchased Services	30,500	(300)	30,200	27,027	3,173
General Supplies	1,200	300	1,500	1,274	226
Judgments Against School District	1,000		1,000		1,000
Miscellaneous Expenditures	5,900		5,900	1,254	4,646
BOE Membership Dues and Fees	7,500		7,500	6,121	1,379
Total Support Services - General Administration	408,680	43,924	452,604	317,327	135,277
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	394,382		394,382	335,204	59,178
Salaries of Other Professional Staff	349,491	(6,000)	343,491	297,206	46,285
Salaries of Secretarial and Clerical Assistants	361,024	6,000	367,024	312,963	54,061
Other Purchased Services	45,120	1,200	46,320	37,433	8,887
Supplies and Materials	36,555	(2,750)	33,805	18,152	15,653
Other Objects	9,340	1,483	10,823	5,435	5,388
Total Support Services - School Administration	1,195,912	(67)	1,195,845	1,006,393	189,452
Support Services - Central Services:					
Salaries	727,394	(35,000)	692,394	565,592	126,802
Purchased Technical Services	25,305	900	26,205	22,851	3,354
Miscellaneous Purchased Services	14,300		14,300	10,386	3,914
Supplies and Materials	12,200		12,200	10,207	1,993
Miscellaneous Expenditures	11,500		11,500	4,376	7,124
Total Support Services - Central Services	790,699	(34,100)	756,599	613,412	143,187
Support Services - Admin. Info. Tech. Services:					
Salaries	178,199	35,000	213,199	190,449	22,750
Purchased Professional Services	5,000		5,000	668	4,332
Other Purchased Services	1,000		1,000	347	653
Supplies and Materials	66,536	8,596	75,132	69,992	5,140
Other Objects	73,600		73,600	70,932	2,668
Total Support Services - Admin. Info. Tech. Services	324,335	43,596	367,931	332,388	35,543
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	81,042	4,091	85,133	83,133	2,000
Required Maintenance for School Facilities	81,042	4,091	85,133	83,133	2,000

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (CONTINUED):					
Other Oper. & Maint. of Plant:					
Salaries	\$ 987,638		\$ 987,638	\$ 867,823	\$ 119,815
Purchased Professional and Technical Services	44,600	\$ 1,930	46,530	46,530	
Cleaning, Repair and Maintenance Services	239,000	40,472	279,472	176,225	103,247
Other Purchased Property Services	68,800	1,704	70,504	60,535	9,969
Insurance	134,595		134,595	134,595	
Miscellaneous Purchased Services	750		750	619	131
General Supplies	145,000	2,359	147,359	140,819	6,540
Energy (Natural Gas)	831,500	(565,583)	265,917	210,002	55,915
Energy (Electricity)	350	842,613	842,963	740,712	102,251
Other Objects	277,380	(277,030)	350		350
Total Other Oper. & Maint. of Plant:	2,729,613	46,465	2,776,078	2,377,860	398,218
Student Transportation Services:					
Cleaning, Repair and Maintenance Services	4,000	915	4,915	4,915	
Contracted Services (Other Than Bet. Home & School) - Vendors	10,500	2,085	12,585	11,380	1,205
Miscellaneous Purchased Services - Transportation	19,500	(3,000)	16,500	16,500	
Total Student Transportation Services	34,000		34,000	32,795	1,205
Special Programs - Instruction - Employee Benefits:					
Social Security Benefits	150,000	(150,000)			
Health Benefits	270,000	(270,000)			
Total Special Programs - Instruction - Employee Benefits	420,000	(420,000)			
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	630,000	185,851	815,851	743,314	72,537
TPAF Contribution - ERIP	47,532		47,532	42,302	5,230
Other Retirement Contributions - Regular	736,806	214,819	951,625	910,459	41,166
Unemployment Compensation		200,000	200,000	200,000	
Workmen's Compensation	1,213,848	(200,000)	1,013,848	724,324	289,524
Health Benefits	7,532,692	567,789	8,100,481	6,300,396	1,800,085
Tuition Reimbursement	52,500		52,500	18,641	33,859
Other Employee Benefits	155,704		155,704	119,423	36,281
Total Unallocated Benefits - Employee Benefits	10,369,082	968,459	11,337,541	9,058,859	2,278,682
On-behalf payments:					
On-Behalf TPAF Pension Contributions				1,301,635	(1,301,635)
Reimbursed TPAF Social Security				1,239,358	(1,239,358)
Total On-Behalf Contributions				2,540,993	(2,540,993)
Total Undistributed Expenditures	23,044,874	942,284	23,987,158	23,085,901	901,257
Total Expenditures - Current Expense	38,141,464	451,786	38,593,250	37,595,249	998,001
CAPITAL OUTLAY					
Increase in Capital Reserve	1,500	(1,500)			
Total Increase in Capital Reserve	1,500	(1,500)			
Equipment:					
Multiple Disabilities	12,000	(12,000)			
Undist. Expend. - Admin. Info. Technology Services	22,400		22,400	20,750	1,650
Undist. Expend. - Operation & Maint. of Plant Services	25,000	25,286	50,286	29,401	20,885
Special Schools All Purposes - Student Transportation	20,000		20,000	20,000	
Total Equipment	79,400	13,286	92,686	70,151	22,535
Facilities Acquisition and Construction Services:					
Construction Services	205,000	16,775	221,775	107,136	114,639
Total Facilities Acquisition and Construction Services	205,000	16,775	221,775	107,136	114,639
Assets Acquired Under Capital Leases (Non-Budgeted)				34,696	(34,696)
Total Expenditures - Capital Outlay	285,900	28,561	314,461	211,983	102,478
Total Expenditures	38,427,364	480,347	38,907,711	37,807,232	1,100,479
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	(1,911,576)	(110,791)	(2,022,367)	2,016,885	4,039,252
Other Financing Sources					
Capital Leases (Non-Budgeted)				34,696	(34,696)
Total Other Financing Sources				34,696	(34,696)
(Deficiency)/Excess of Revenues (Under) /Over Expenditures and Other Financing Sources	(1,911,576)	(110,791)	(2,022,367)	2,051,581	4,073,948
Fund Balances, July 1	6,619,072	-	6,619,072	6,619,072	-
Fund Balances, June 30	\$ 4,707,496	\$ (110,791)	\$ 4,596,705	\$ 8,670,653	\$ 4,073,948
Recapitulation of (Deficiency) excess of revenues (under) over expenditures and other financing (uses)					
Budgeted Fund Balance	\$ (1,911,576)		\$ (1,911,576)	\$ 2,162,372	\$ 4,073,948
Adjustment for prior year encumbrances		\$ (110,791)	\$ (110,791)	\$ (110,791)	
Total	\$ (1,911,576)	\$ (110,791)	\$ (2,022,367)	\$ 2,051,581	\$ 4,073,948
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 750,824	
Assigned to:					
Designated for Subsequent Years Expenditures				1,254,883	
Encumbrances				104,940	
Unassigned Fund Balance				6,560,006	
Fund Balance per Governmental Funds (GAAP and budgetary basis)				\$ 8,670,653	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
State Sources	\$ 489,483	\$ 408,962	\$ 898,445	\$ 725,691	\$ (172,754)
Federal Sources	177,778	66,044	243,822	144,466	(99,356)
Other Sources	469,187	41,189	510,376	510,376	
Total Revenues	1,136,448	516,195	1,652,643	1,380,533	(272,110)
Expenditures:					
Instruction:					
Salaries of Teachers	1,102,882	(693,442)	409,440	336,409	73,031
Other Salaries		190,067	190,067	133,610	56,457
Purchased Professional-Technical Services		18,428	18,428	18,428	
Supplies & Materials	25,374	(4,967)	20,407	12,949	7,458
Total Instruction	1,128,256	(489,914)	638,342	501,396	136,946
Support Services:					
Salaries		571,378	571,378	464,738	106,640
Personal Services - Employee Benefits	3,000	238,517	241,517	217,335	24,182
Purchased Professional/Technical Services	3,440	13,997	17,437	16,936	501
Miscellaneous Purchased Services		9,442	9,442	8,723	719
Supplies & Materials	1,752	49,012	50,764	49,988	776
Purchased Property Services		18,749	18,749	17,564	1,185
Travel		3,010	3,010	2,686	324
Miscellaneous Expenditures		79,272	79,272	78,687	585
Total Support Services	8,192	983,377	991,569	856,657	134,912
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Instructional Equipment		22,732	22,732	22,480	252
Total Facilities Acquisition and Construction Services	-	22,732	22,732	22,480	252
Total Expenditures	1,136,448	516,195	1,652,643	1,380,533	272,110
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2011

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

	<u>Special Revenue Fund</u>
SOURCES/INFLOWS OF RESOURCES	
Actual amounts (budgetary) "revenues" from the Budgetary Comparison Schedules (C-2)	\$ 1,380,533
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Current Year Encumbrances	(1,916)
Prior Year Encumbrances	<u>17,227</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,395,844</u>
USES/OUTFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-2)	\$ 1,380,533
Difference - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Current Year Encumbrances	(1,916)
Prior Year Encumbrances	<u>17,227</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,395,844</u>

Other Supplementary Information

Special Revenue Fund
Budgetary Statements

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year ended June 30, 2011

	Projects Adult County	Title I, Part A		Case Management - Special Child Health Services		Clinic Project Program Child
		Current	ARRA	State	County	
Revenues:						
State Sources				\$ 253,749		
Federal Sources		\$ 89,483	\$ 3,516			
Other Sources	\$ 100,000				\$ 98,345	\$ 19,329
Total Revenues	<u>\$ 100,000</u>	<u>\$ 89,483</u>	<u>\$ 3,516</u>	<u>\$ 253,749</u>	<u>\$ 98,345</u>	<u>\$ 19,329</u>
Expenditures:						
Instruction:						
Salaries of Teachers		\$ 63,187				
Salaries of Aides						
Purchased Professional-Technical Services						
Supplies and Materials			\$ 3,516			
Total Instruction		<u>63,187</u>	<u>3,516</u>			
Support Services:						
Salaries	\$ 74,113			\$ 243,309	\$ 27,283	\$ 17,329
Personal Services - Employee Benefits	21,436	12,317		888	50,441	
Purchased Professional & Technical Services					3,500	
Supplies & Materials	4,124	13,979		6,140	1,827	2,000
Purchased Property Services						
Travel	327			1,334		
Miscellaneous Expenditures					12,794	
Miscellaneous Purchased Services				2,078	2,500	
Total Support Services	<u>100,000</u>	<u>26,296</u>		<u>253,749</u>	<u>98,345</u>	<u>19,329</u>
Facilities Acquisition						
Instructional Equipment						
Total Facilities Acquisition						
Total Expenditures	<u>\$ 100,000</u>	<u>\$ 89,483</u>	<u>\$ 3,516</u>	<u>\$ 253,749</u>	<u>\$ 98,345</u>	<u>\$ 19,329</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year ended June 30, 2011

	Youth Corp	Youth Detention Program	WIA Out-of-School Youth	Carl D. Perkins	Youth Corp	Totals
Revenues:						
State Sources	\$ 404,532				\$ 67,410	\$ 725,691
Federal Sources			\$ 33,830	\$ 17,637		144,466
Other Sources		\$ 292,702				510,376
Total Revenues	<u>\$ 404,532</u>	<u>\$ 292,702</u>	<u>\$ 33,830</u>	<u>\$ 17,637</u>	<u>\$ 67,410</u>	<u>\$ 1,380,533</u>
Expenditures:						
Instruction:						
Salaries of Teachers	\$ 50,000	\$ 200,634			\$ 22,588	\$ 336,409
Salaries of Aides	104,790		\$ 28,820			133,610
Purchased Professional-Technical Services	18,428					18,428
Supplies and Materials	1,317	2,635		\$ 5,481		12,949
Total Instruction	<u>174,535</u>	<u>203,269</u>	<u>28,820</u>	<u>5,481</u>	<u>22,588</u>	<u>501,396</u>
Support Services:						
Salaries	59,001	20,941			22,762	464,738
Personal Services - Employee Benefits	44,947	64,557	2,607		20,142	217,335
Purchased Professional & Technical Services		3,436		10,000		16,936
Supplies & Materials	19,166	499	2,253			49,988
Purchased Property Services	15,646				1,918	17,564
Travel	920		105			2,686
Miscellaneous Expenditures	65,848		45			78,687
Miscellaneous Purchased Services	4,145					8,723
Total Support Services	<u>209,673</u>	<u>89,433</u>	<u>5,010</u>	<u>10,000</u>	<u>44,822</u>	<u>856,657</u>
Facilities Acquisition						
Instructional Equipment	<u>20,324</u>			<u>2,156</u>		<u>22,480</u>
Total Facilities Acquisition	<u>20,324</u>			<u>2,156</u>		<u>22,480</u>
Total Expenditures	<u>\$ 404,532</u>	<u>\$ 292,702</u>	<u>\$ 33,830</u>	<u>\$ 17,637</u>	<u>\$ 67,410</u>	<u>\$ 1,380,533</u>

Capital Projects Fund
Detail Statements

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Year ended June 30, 2011

	Current Year
Revenues:	
County Sources	\$ 530,000
Total Revenues	<u>530,000</u>
Expenditures:	
Construction Services	<u>38,274</u>
Total Expenditures	<u>38,274</u>
Excess of Revenues Over Expenditures	491,726
Fund Balance, July 1	-
Fund Balance, June 30	<u>\$ 491,726</u>
 <u>Reconciliation to Fund Financial statements</u>	
Fund Balance, June 30, 2011 - Budgetary - Basis	\$ 491,726
GAAP Basis Revenues Not Recognized	<u>(491,726)</u>
Fund Balance, June 30, 2011 - GAAP basis	<u>\$ -</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Mercer High School and Joseph Cappello HVAC Controls
and Mercer High School Driviv Replacement

Year ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$	\$ 530,000	\$ 530,000	\$ 530,000
Total Revenues		530,000	530,000	530,000
Expenditures and Other Financing Sources:				
Construction Services			38,274	530,000
Total Expenditures	-	-	38,274	530,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 530,000	\$ 491,726	\$ -

Additional Project Information:

Project Number	3103-055-02-0690
Grant Date/Letter of Notification	04/21/10
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 530,000
Additional Authorized Cost	-
Revised Authorized Cost	530,000

Percentage Increase over Original Authorized Cost	0.00%
Percentage Completion	7.22%
Original Target Completion Date	November 2011
Revised Target Completion Date	

Fiduciary Funds
Detail Statements

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	Trust			Agency		
	Donation Trust Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
<u>Assets</u>						
Cash and Cash Equivalents	\$ 33,681	\$ 72,037	\$ 105,718	\$ 22,048	\$ 201,674	\$ 223,722
Total Assets	33,681	72,037	105,718	22,048	201,674	223,722
<u>Liabilities:</u>						
Accounts Payable		32,682	32,682			
Payroll Deductions and Withholdings					\$ 201,674	\$ 201,674
Due to Student Groups				\$ 22,048		22,048
Total Liabilities		32,682	32,682	22,048	201,674	223,722
<u>Net Assets:</u>						
Held in Trust for Unemployment		39,355	39,355			
Held in Trust for Scholarships	33,681		33,681			
Total Net Assets	\$ 33,681	\$ 39,355	\$ 73,036			

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2011

	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Capello	\$ 6,170	\$ 5,015	\$ 6,083	\$ 5,102
High School	12,193	31,660	31,655	12,198
Regional Day	2,695	4,056	2,003	4,748
Total	<u>\$ 21,058</u>	<u>\$ 40,731</u>	<u>\$ 39,741</u>	<u>\$ 22,048</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2011

	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Assets				
Cash and Cash Equivalents	\$ 234,684	\$ 33,558,608	\$ 33,591,618	\$ 201,674
Total Assets	<u>\$ 234,684</u>	<u>\$ 33,558,608</u>	<u>\$ 33,591,618</u>	<u>\$ 201,674</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 234,684	\$ 14,633,469	\$ 14,666,479	\$ 201,674
Accrued Salaries and Wages		18,925,139	18,925,139	
Total Liabilities	<u>\$ 234,684</u>	<u>\$ 33,558,608</u>	<u>\$ 33,591,618</u>	<u>\$ 201,674</u>

Long-Term Debt

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year ended June 30, 2011

	Interest Rate	Amount of Original Issue	Balance July 1, 2010	Current Year Issued	Balance June 30, 2011
First Hope Bank - Bus	3.19%	\$ 34,696		\$ 34,696	34,696
			<u>\$ -</u>	<u>\$ 34,696</u>	<u>\$ 34,696</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.*

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 NET ASSETS BY COMPONENT
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

	Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Government Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 850,820	\$ 2,928,439	\$ 12,149,078	\$ 6,879,807	\$ 11,194,576	\$ 12,052,157	\$ 38,326,912	\$ 41,004,526	\$ 40,373,584	\$ 39,417,476
Restricted	951,221	714,194	591,693	6,567,558	737,150	658,289	1,726,193	2,356,854	499,821	750,824
Unrestricted	1,052,794	107,239	1,766,911	940,437	645,526	2,632,365	1,608,031	2,843,187	3,894,508	5,812,175
Total Government Activities Net Assets	\$ 2,854,835	\$ 3,749,872	\$ 14,507,682	\$ 14,387,802	\$ 12,577,252	\$ 15,342,811	\$ 41,661,136	\$ 46,204,567	\$ 44,767,913	\$ 45,980,475
Business-Type Activities:										
Invested in Capital Assets				\$ 20,977	\$ 241,127	\$ 297,513	\$ 1,159,833	\$ 107,121	\$ 285,595	\$ 372,482
Restricted				9,447	1,574,710	1,175	10,852	206,854		
Unrestricted	\$ 2,108,364	\$ 1,347,369	\$ 2,034,461	1,884,120	2,469,575	2,262,860	1,997,726	2,311,234	2,167,994	
Total Business-Type Activities Net Assets	\$ 2,108,364	\$ 1,347,369	\$ 2,034,461	\$ 1,914,544	\$ 1,815,837	\$ 2,768,263	\$ 3,433,545	\$ 2,311,701	\$ 2,596,829	\$ 2,540,476
Government-Wide:										
Invested in Capital Assets, Net of Related Debt	\$ 850,820	\$ 2,928,439	\$ 12,149,078	\$ 6,900,784	\$ 11,435,703	\$ 12,349,670	\$ 39,486,745	\$ 41,111,647	\$ 40,659,179	\$ 39,789,958
Restricted	951,221	714,194	591,693	6,577,005	2,311,860	659,464	1,737,045	2,563,708	499,821	750,824
Unrestricted	3,161,158	1,454,608	3,801,372	2,824,557	645,526	5,101,940	3,870,891	4,840,913	6,205,742	7,980,169
Total District Net Assets	\$ 4,963,199	\$ 5,097,241	\$ 16,542,143	\$ 16,302,346	\$ 14,393,089	\$ 18,111,074	\$ 45,094,681	\$ 48,516,268	\$ 47,364,742	\$ 48,520,951

Source: CAFR Schedule A-1 and District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:										
Governmental Activities:										
Instruction:										
Special Education	\$ 10,687,873	\$ 11,577,168	\$ 12,585,281	\$ 15,113,913	\$ 16,629,722	17,905,103	\$ 18,998,691	\$ 19,014,032	\$ 24,841,406	\$ 23,108,085
Other Special Education	949,530	1,048,439	947,071	878,575	774,505	908,497	923,038	142,124		50,107
Support Services:										
Student and Instruction Related Services	6,557,151	7,094,768	7,121,425	7,349,525	7,826,729	7,644,536	7,735,774	8,000,395	11,074,334	10,695,312
General Administration				449,233	594,214	421,672	339,293	401,045	497,896	449,249
School Administrative Services	1,191,040	1,074,546	1,269,621	1,051,697	1,249,443	944,566	1,168,139	1,281,183	1,631,985	1,417,875
Other Administrative Services	2,121,216	2,237,573	2,370,540							
Central Administrative Services				2,130,387	1,531,086	1,701,401	623,804	660,076	1,058,708	883,952
Administrative Information Technology				528,119	481,806	505,978	512,777	484,963	455,442	429,035
Plant Operations and Maintenance	1,646,043	1,933,620	2,766,528	2,044,608	2,079,370	2,272,453	2,473,666	2,439,231	2,999,265	2,943,122
Pupil Transportation	66,623	54,708	55,724	38,323	30,437	28,580	37,751	25,706	29,498	68,936
Unallocated Benefits	4,562,390	4,734,412	6,652,113	7,651,880	8,704,196	11,285,762	11,160,252	11,964,492		
Disposal of Fixed Assets			128,275							
Interest on Lease Purchase Agreements					591,414	513,890	678,001			
Unallocated Compensation Expense	6,712	54,963	55,598							
Unallocated Depreciation	928,114	1,035,378	621,103	119,923	292,657	311,551				
Total Governmental Activities Expenses	28,716,692	30,845,575	34,573,279	37,356,183	40,785,579	44,443,989	44,651,186	44,413,247	42,588,534	40,045,673
Business-Type Activities:										
Target Evaluation Team	73,299	29,197	104,509	145,687	14,879				45,289	
Project Adults	11,166	28,500	14,042	11,138	20,211	16,019	6,403	2,159	423,955	472,240
Food Service	310,238	364,492	382,727	356,757	402,624	398,237	403,871	423,811	8,410,047	6,577,813
Mercer County Cooperative Transportation System	9,159,860	9,456,936	9,759,321	9,900,971	9,083,414	9,422,281	8,832,061	8,518,210	2,242,112	2,237,440
NJ State Regional Day School at Hamilton	4,333,134	4,797,950	4,278,695	5,450,928	2,439,272	1,450,516	2,018,921	2,242,112	196,322	160,782
Integrated Preschool	984,032	1,085,011	1,248,768	1,290,559	1,102,840	480,392	498,762	217,889		
Integrated Preschool - Carryover						121,546				
Capital Academy	42,474			1					20,671	
Assisted Augmentative Technology	22,035	38,905	45,711	47,491	37,816	51,781	73,911	42,158	47,036	34,813
Respite									506	
Clinic Parent									22,296	37,904
Community Resources									372,160	274,074
Chuck's										82,129
Special Aides									1,912,584	1,737,379
Joint Council		22,460	13,380	19,568	7,585					
Social Skills					2,386	864			1,350	
Emergency Treatment Services					10,371	8,963			28,788	
Internal Service Fund			810,423							
Early Intervention Program			734,556							
Total Business-Type Activities Expenses	14,936,238	15,823,451	17,392,132	17,223,100	13,121,398	11,950,599	11,833,929	11,446,339	13,718,444	11,634,494
Total District Expenses	\$ 43,652,930	\$ 46,669,026	\$ 51,965,411	\$ 54,579,283	\$ 53,906,977	\$ 56,394,588	\$ 56,485,115	\$ 55,859,586	\$ 56,306,978	\$ 51,680,167

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Special Education				\$ 1,806,922	\$ 2,246,549	\$ 2,551,476	\$ 2,586,453	\$ 2,626,585		
Operating Grants and Contributions:										
Special Education	\$ 1,893,292	\$ 2,261,181	\$ 2,082,384	1,599,100	963,593	1,137,245	995,847	852,079	\$ 692,465	\$ 502,352
Student and Instruction Related Services	1,315,130	1,479,501	1,069,584	998,170	1,318,224	929,542	1,078,503	978,777	1,050,167	893,492
Unallocated Benefits				1,726,189	1,915,489	3,277,205	3,256,617	2,722,819		
Capital Grants and Contributions										38,274
Total Governmental Activities Program Revenues	3,208,422	3,740,682	3,151,968	6,130,381	6,443,855	7,895,468	7,917,420	7,180,260	1,742,632	1,434,118
Business-Type Activities:										
Charges for Services:										
Target Evaluation Team	123,780	151,483	152,193	133,805						
Project Adults	43,477	73,755	20,415	5,570	22,952	6,433	12,278		42,974	
Home Instruction					360					
Food Service	129,908	119,398	118,698	104,492	118,594	122,158	110,448	103,951	88,637	97,432
Mercer County Cooperative Transportation System	9,171,915	9,444,580	9,790,690	9,931,668	9,114,109	9,459,372	8,805,282	8,518,210	8,410,047	6,578,015
NJ State Regional Day School at Hamilton	3,971,451	3,676,043	4,687,359	5,163,329	2,209,152	2,510,607	2,106,183	2,215,156	2,143,476	2,113,580
Integrated Preschool	1,089,725	1,262,234	1,316,399	1,522,737	912,390	480,411	333,062	360,026	206,289	328,626
Capital Academy	51,434									
Assisted Augmentative Technology	37,400	58,153	53,779	81,023	63,281	65,657	24,649	36,233	36,752	24,354
Respite									506	
Clinic Parent									49,360	29,350
Community Resources									358,427	243,104
Chuck's Place										83,197
Special Aides									1,912,584	1,737,379
Joint Council		32,200	32,200		29,582					
Social Skills					4,400	200				
Emergency Treatment Services					13,122	35,000				
Internal Service Fund			819,142							
Early Intervention Program			734,556							
Operating Grants and Contributions:										
Food Service	264,873	253,796	277,079	261,027	267,728	281,898	275,440	303,823	294,311	342,975
Total Business-Type Activities Program Revenues	14,883,963	15,071,642	18,002,510	17,203,651	12,755,670	12,961,736	11,667,342	11,537,399	13,543,363	11,578,012
Total District Program Revenues	\$ 18,092,385	\$ 18,812,324	\$ 21,154,478	\$ 23,334,032	\$ 19,199,525	\$ 20,857,204	\$ 19,584,762	\$ 18,717,659	\$ 15,285,995	\$ 13,012,130
Net (Expense)/Revenue:										
Governmental Activities	\$ (25,508,270)	\$ (27,104,893)	\$ (31,421,311)	\$ (28,442,898)	\$ (34,341,724)	\$ (36,548,521)	\$ (36,733,766)	\$ (37,232,987)	\$ (40,845,902)	\$ (38,611,555)
Business-Type Activities	(52,275)	(751,809)	610,378	(19,449)	(365,728)	1,011,137	(166,587)	91,060	(175,081)	(56,482)
Total District-wide Net (Expense)/Revenue	\$ (25,560,545)	\$ (27,856,702)	\$ (30,810,933)	\$ (28,462,347)	\$ (34,707,452)	\$ (35,537,384)	\$ (36,900,353)	\$ (37,141,927)	\$ (41,020,983)	\$ (38,668,037)

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
County Appropriation	\$ 3,159,930	\$ 4,254,729	\$ 2,515,107	\$ 5,296,315	\$ 2,600,000	\$ 4,305,000	\$ 5,492,269	\$ 3,460,178	\$ 2,870,529	\$ 2,870,529
Tuition - LEAs	17,298,103	20,506,447	29,409,032	25,534,838	31,504,085	34,064,034	32,612,267	34,214,361	33,538,814	33,595,981
Nonresident Fees	101,903	129,921	77,679	134,895	259,570	567,943	573,370	183,847	175,880	170,013
Interest Earned on Investments	126,175	22,257	96,152	89,738	99,331	131,136	174,481	44,522	21,885	14,235
Miscellaneous Income	35,960	109,131	78,994	77,240	113,880	245,967	442,903	502,805	306,151	355,192
Federal and State Aid Not Restricted	1,856,385	2,977,445	10,002,157	27,402					2,955,850	2,818,167
Special Items:										
Capital Asset Inventory Adjustment					(2,191,671)					
Transfer Capital Lease Payment				15,685						
Loss on Retirement of Equipment				(127,005)						
Long-Term Debt Assumed by County of Mercer							25,000,000			
Cancellation of Net Assets								(34,481)		
Transfers					145,979			(41,207)		
Total Governmental Activities	22,578,456	27,999,930	42,179,121	31,049,108	32,531,174	39,314,080	64,295,290	38,330,025	39,869,109	39,824,117
Business-Type Activities:										
Interest Earned on Investments			2,271	3,099	3,151	3,002	2,567	292	348	127
Special Items:										
Capital Asset Inventory Adjustment					398,747					
Transfer Capital Lease Payment				(15,685)						
Cancellation of Prior Year Accounts Payable					41,800	125				
Refund of Prior Year Revenue				(31,068)	(30,697)	(61,838)		(10,314)		
Cancellation of Net Assets								(182,823)		
Transfers					(145,979)			41,207		
Total Business-Type Activities	-	-	2,271	(43,654)	267,022	(58,711)	2,567	(151,638)	348	127
Total District-wide	\$ 22,578,456	\$ 27,999,930	\$ 42,181,392	\$ 31,005,454	\$ 32,798,195	\$ 39,255,369	\$ 64,297,857	\$ 38,178,387	\$ 39,869,457	\$ 39,824,244
Changes in Net Assets:										
Governmental Activities	\$ (2,929,814)	\$ 895,037	\$ 10,757,810	\$ 2,606,210	\$ (1,810,550)	\$ 2,765,559	\$ 27,561,524	\$ 1,097,038	(976,793)	1,212,562
Business-Type Activities	(52,275)	(751,809)	612,649	(63,103)	(98,707)	952,426	(164,020)	(60,578)	(174,733)	(56,355)
Total District	\$ (2,982,089)	\$ 143,228	\$ 11,370,459	\$ 2,543,107	\$ (1,909,257)	\$ 3,717,985	\$ 27,397,504	\$ 1,036,460	\$ (1,151,526)	\$ 1,156,207

Source: CAFR Schedules A-2 and District records

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

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:										
Reserved	\$ 602,510	\$ 713,680	\$ 591,693	\$ 614,732	\$ 648,821	\$ 623,808	\$ 884,719	\$ 828,766	\$ 610,612	
Unreserved	1,362,161	448,352	3,074,454	1,500,420	1,073,585	3,032,465	4,111,789	6,282,263	6,008,461	
Restricted for Assigned to Unassigned										\$ 750,824
Total General Fund	\$ 1,964,671	\$ 1,162,032	\$ 3,666,147	\$ 2,115,152	\$ 1,722,406	\$ 3,656,273	\$ 4,996,508	\$ 7,111,029	\$ 6,619,073	\$ 8,670,653
All Other Governmental Funds:										
Reserved	\$ 348,711	\$ 514	\$ 24,368,464	\$ 5,952,826	\$ 83,329	\$ 34,481	\$ 34,481			
Unreserved, Reported In:										
Capital Projects Fund	91,087	439,284	(3,742,953)							
Total All Other Governmental Funds	\$ 439,798	\$ 439,798	\$ 20,625,511	\$ 5,952,826	\$ 83,329	\$ 34,481	\$ 34,481	\$ -	\$ -	\$ -

Source: CAFR Schedule B-1 and District records.

The change in the reserved fund balance is the result of capital project fund expenditures incurred for projects in which the funding was received in prior years.

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.M. in the basic financial statements). Prior years have not been restated above and are not required to be.

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

	Year Ended June 30.									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
County Appropriation	\$ 3,159,930	\$ 4,254,729	\$ 2,515,107	\$ 5,296,315	\$ 2,600,000	\$ 4,305,000	\$ 5,492,269	\$ 3,460,178	\$ 2,870,529	\$ 2,908,803
Tuition - LEA's	17,298,103	20,506,447	29,409,032	25,534,838	31,504,085	34,064,034	32,612,267	34,214,361	33,538,834	33,595,981
Nonresident Fees	101,903	129,921	77,679	134,895	259,570	567,943	573,370	183,848	175,860	170,013
Interest Earned on Investment	126,175	22,257	96,152	89,738	99,331	131,136	174,481	44,522	21,885	14,235
Miscellaneous	730,227	436,365	421,055	55,395	259,859	245,967	442,903	502,805	306,151	355,192
Other Local Sources				1,404,146	882,523	896,781				
State Sources	3,299,801	4,701,489	12,151,736	2,371,531	2,625,614	3,981,473	4,024,581	3,464,359	3,574,464	3,269,005
Federal Sources	1,088,846	1,689,404	660,328	597,030	689,168	465,737	402,035	265,853	487,560	434,942
Other Sources							904,351	823,463	636,458	510,064
Total Revenues	25,804,985	31,740,612	45,331,089	35,483,888	38,920,150	44,658,071	44,626,257	42,959,389	41,611,741	41,258,235
Expenditures:										
Current:										
Special Education Instruction	10,687,873	11,577,168	12,585,281	12,886,417	13,450,315	14,389,976	15,129,911	16,312,545	16,044,545	14,975,700
Other Special Instruction	949,530	1,048,439	947,071	878,575	774,505	908,497	914,056	66,691		36,001
Support Services and Undistributed Costs:										
Student and Instruction Related Services	6,557,151	7,094,768	7,121,425	7,349,525	7,826,729	7,644,536	7,646,203	7,944,634	7,886,748	7,592,858
General Administration				386,234	468,946	297,075	305,866	376,457	343,876	317,327
School Administration	1,191,040	1,074,546	1,269,621	1,248,051	1,169,940	958,174	1,090,139	1,221,402	1,162,056	1,006,393
Central Services				2,130,387	1,531,086	1,701,402	618,247	648,128	734,441	613,412
Administrative Information Technology				528,119	481,806	505,978	475,089	447,088	358,615	332,388
Other Administrative Services	2,121,216	2,237,573	2,370,540							
Plant Operations and Maintenance	1,646,043	1,933,620	2,097,426	2,013,109	2,016,736	2,210,155	2,309,094	2,318,292	2,478,416	2,460,992
Pupil Transportation	66,623	54,708	55,724	38,323	30,437	28,580	37,751	25,706	28,391	32,795
Unallocated Benefits	4,562,390	4,734,412	6,652,113	7,651,880	8,704,196	11,113,299	11,160,252	11,081,761	12,569,952	11,599,852
Debt Service:										
Interest on Lease Purchase Agreements					591,414	513,890	1,090,434			
Lease Purchase Agreements - Principal					1,976,787	1,965,000	2,320,000			
Capital Outlay	1,829,872	2,788,017	3,852,060	21,591,199	6,154,496	541,491	188,980	360,957	496,657	273,632
Total Expenditures	29,611,738	32,543,251	36,951,261	56,701,819	45,177,393	42,778,053	43,286,022	40,803,661	42,103,697	39,241,350
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	(3,806,753)	(802,639)	8,379,828	(21,217,931)	(6,257,243)	1,880,018	1,340,235	2,155,728	(491,956)	2,016,885
Other Financing Sources/(Uses):										
Transfers Out									(41,207)	
Cancelled Excess Fund Balance									(34,481)	
Capital Lease Proceeds			14,310,000	5,000,000						34,696
Total Other Financing Sources/(Uses)	-	-	14,310,000	5,000,000	-	-	-	(75,688)	-	34,696
Net Change in Fund Balances	\$ (3,806,753)	\$ (802,639)	\$ 22,689,828	\$ (16,217,931)	\$ (6,257,243)	\$ 1,880,018	\$ 1,340,235	\$ 2,080,040	\$ (491,956)	\$ 2,051,581

Source: District CAFR Records

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

	Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Tuition - LEA's	\$ 17,298,103	\$ 20,506,447	\$ 29,409,032	\$ 25,534,838	\$ 31,504,085	\$ 34,064,034	\$ 32,842,337	\$ 34,214,361	\$ 33,538,835	\$ 33,595,981
Nonresident Fees	101,903	129,921	77,679	134,895	259,570	567,943	573,371	183,848	175,860	170,013
Interest Earned on Investments	126,175	22,257	63,694	89,738	99,331	131,137	174,481	44,522	21,885	14,235
County and Local Grants	694,267	327,234	342,061	1,382,301	31,799	1,826,110	5,492,269	3,460,178	2,870,529	2,870,529
Rental					30,998	64,496	258,100			
Transfer From Enterprise Funds					145,979					
In-Service Fees					10,240	4,972	8,950			
Medical Reimbursement				6,400						
Workers Compensation Reimbursement				48,990		120,923				
Miscellaneous	35,960	109,131	78,994	6	72,642	55,575	175,853		306,151	355,192

Source: District records.

MERCER COUNTY SPECIAL SERVICES 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
2002	356,098	\$ 15,038,018,540	\$ 42,230	Not Available
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	Not Available	Not Available	Not Available	7.80%
2011	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 by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- ^d New Jersey Department of Labor and Workforce Development, labor Planning and Analysis

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 UNAUDITED

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction:										
Special Education	96.5	114.8	110.1	101.0	101.0	92.0	89.0	90.2	75.2	90.1
Other Instruction	22.5	22.5	23.6	21.4	20.4	23.0	26.2	18.8	24.6	19.7
Support Services:										
Student and Instruction Related Services	294.0	300.6	331.1	283.7	276.9	286.1	283.6	234.6	240.0	250.0
General Administration	3.0	3.0	3.0	3.0	5.0	4.0	2.0	3.0	3.0	4.0
School Administrative Services	15.0	15.0	13.0	12.0	14.0	12.0	15.0	12.0	16.0	15.9
Other Administrative Services	2.4	26.0	26.0	26.0	19.0	22.5	4.0	8.9	6.0	5.0
Central Services	23.0	25.0	35.6	35.6	23.0	20.0	12.0	48.0	32.0	35.6
Total	456.4	506.9	542.4	482.7	459.3	459.6	431.8	415.5	396.8	420.3

Source: District Personnel Records

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^d	Percentage Change in Average Daily Enrollment	Student Attendance Percentage
2002	930.70	\$ 27,781,866	\$ 29,851	12.10%	121	7.69	930.70	848.40	-0.74%	91.16%
2003	938.60	29,755,234	31,702	6.20%	126	7.45	938.60	843.00	0.85%	89.81%
2004	927.10	33,099,201	35,702	12.62%	122	7.60	927.10	839.50	-1.23%	90.55%
2005	826.90	35,110,620	42,461	18.93%	122	6.78	826.90	751.00	-10.81%	90.82%
2006	776.80	36,454,695	46,929	10.52%	101	7.69	776.80	705.50	-6.06%	90.82%
2007	797.70	39,758,671	49,842	6.21%	92	8.67	797.70	723.60	2.69%	90.71%
2008	766.50	38,846,385	50,680	1.68%	89	8.61	766.50	705.60	-3.91%	92.05%
2009	783.90	38,746,815	49,428	-2.47%	90	8.71	783.90	714.80	2.27%	91.19%
2010	747.60	39,878,829	53,342	7.92%	75	9.97	747.60	682.30	-4.63%	91.27%
2011	699.70	38,967,718	55,692	4.40%	75	9.33	699.70	652.00	-6.41%	93.18%

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).

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 UNAUDITED

District/Building	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Elementary:										
Joseph F. Cappello (1993)										
Square Feet	73,745	73,745	73,745	73,745	73,745	73,745	73,745	73,745	73,745	73,745
Capacity (Students)	369	375	350	257	262	262	262	262	262	262
Enrollment	348	358	329	240	241	234	170	193	161	141
Mercer Elementary (2005)										
Square Feet					88,421	88,421	88,421	88,421	88,421	88,421
Capacity (Students)					246	246	265	265	265	265
Enrollment					232	251	246	261	262	242
Alfred Reed (1970)										
Square Feet	39,750	39,750	39,750	39,750						
Capacity (Students)	155	162	160	162						
Enrollment	148	151	155	141						
White Horse (19xx)										
Square Feet	39,888	39,888	39,888	39,888						
Capacity (Students)	80	96	96	90						
Enrollment	75	85	91	86						
High School:										
Mercer JR/SR (1987)										
Square Feet	75,000	75,000	75,000	75,000	86,858	86,858	86,858	86,858	96,858	96,858
Capacity (Students)	322	319	316	322	318	318	318	318	318	318
Enrollment	292	305	282	287	293	286	292	273	273	271
Other:										
Regional Day School (1984)										
Square Feet	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411
Capacity (Students)	126	128	128	117	60	60	60	60	60	60
Enrollment	110	102	104	91	57	60	47	50	48	47

Number of Schools at June 30, 2011

- Elementary = 2
- Senior High School = 1
- Other = 1

Source: District records, ASSA

Note: Increases in square footage and capacity are the result of additions.

Enrollment is based on the annual October district count.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 SCHEDULE OF REQUIRED MAINTENANCE
 LAST TEN FISCAL YEARS
 UNAUDITED

	*School Facilities Project # (s)	JR/SR High School	Joseph C. Cappelo	Mercer Elementary	Alfred Reed	White Horse	Total
2002	N/A	\$ 64,296	\$ 67,680		\$ 37,224		\$ 169,200
2003	N/A	76,725	75,637		39,870	\$ 16,289	208,521
2004	N/A	86,673	87,009		52,101		225,783
2005	N/A	82,164	70,506		25,974	18,087	196,731
2006	N/A	31,685	29,987	\$ 6,707	13,228		81,607
2007	N/A	36,268	22,457	20,345	2,257		81,327
2008	N/A	23,970	18,657	13,846	11,367		67,840
2009	N/A	19,069	16,530	28,840	6,866		71,305
2010	N/A	28,770	24,667	31,867	8,182		93,486
2011		25,471	22,472	25,368	9,822		83,133
Total School Facilities		\$ 475,091	\$ 435,602	\$ 126,973	\$ 206,891	\$ 34,376	\$ 1,278,933

Source: District records.

Source: District records

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2011
 UNAUDITED

	Coverage	Deductible
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 150,000,000	\$ 500
Boiler and Machinery	125,000	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

Single Audit Section



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
Mercer County Special Services School District
Hamilton, New Jersey
County of Mercer

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mercer County Special Services School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and 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 a 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 of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 above.

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 Division of Administration and Finance, Department of Education, State of New Jersey.

However, we noted a certain matter of noncompliance that we have reported to the District in the separate *Auditors' Management Report on Administrative Findings* dated December 2, 2011.

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

December 2, 2011
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 OMB
Circular A-133 and New Jersey OMB Circular 04-04

Honorable President and
Members of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey
County of Mercer

Compliance

We have audited the compliance of the Mercer County Special Services School District, in the County of Mercer, New Jersey (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey OMB Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and 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 Division of Administration and Finance, Department of Education, State of New Jersey; OMB 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 Payments*. Those standards and requirements, OMB Circular A-133 and New Jersey OMB's 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 federal and state programs for the year ended June 30, 2011.

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 federal and 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 federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

December 2, 2011
Iselin, New Jersey

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance, June 30, 2010			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2011		
			From	To	Deferred Revenues	(Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due To Grantor
U.S. Department of Health - Passed - Through State Department of Treasury:													
General Fund:													
Medical Assistance Program - SEMI Program	93.778	\$ 276,432	07/01/10	06/30/11				\$ 276,432	\$ (276,432)				
Total General Fund							276,432	(276,432)					
U.S. Department of Education - Passed - Through State Department of Education:													
Special Revenue Fund:													
ARRA - Title I	84.389	56,107	09/01/09	08/31/11	\$ 1,513		2,003	(3,516)					
Title I	84.010A	131,092	09/01/08	08/31/10		\$ (15,078)	15,078						
Title I	84.010A	89,483	09/01/10	08/31/11			76,429	(89,483)		\$ (13,054)			
Carl D. Perkins Vocational and Applied Technology Act	84.048	20,927	09/01/10	08/31/11			18,613	(17,637)				\$ 976	
Carl D. Perkins Vocational and Applied Technology Act	84.048	24,174	09/01/09	08/31/10		(19,296)	19,296						
U.S. Department of Health - Passed - Through Department of Health and Senior Services:													
Workforce Investment Area - Out-of-School Youth	17.258	44,100	10/01/08	09/30/09		(4,900)	4,690				(210)		
Workforce Investment Area - Out-of-School Youth	17.258	50,400	10/01/09	09/30/10		(17,513)	26,026	(17,815)			(9,302)		
Workforce Investment Area - Out-of-School Youth	17.258	44,100	10/01/10	09/30/11			4,881	(16,015)			(11,134)		
Total Special Revenue Fund					1,513	(56,787)	167,016	(144,466)			(33,700)	976	
Enterprise Fund													
U.S. Department of Agriculture:													
Passed-Through State Department of Education:													
School Breakfast Program	10.553	102,523	07/01/10	06/30/11			83,032	(102,523)			(19,491)		
School Breakfast Program	10.553	97,733	07/01/09	06/30/10		(8,701)	8,701						
National School Lunch Program	10.555	206,778	07/01/10	06/30/11			167,964	(206,778)			(38,814)		
National School Lunch Program	10.555	182,940	07/01/09	06/30/10		(16,103)	16,103						
Food Donation Program (NC)	10.555	29,998	07/01/10	06/30/11			29,998	(28,708)			\$ 1,290		
Total Enterprise Fund						(24,804)	305,798	(338,009)			(58,305)	1,290	
Total Federal Awards					\$ 1,513	\$ (81,591)	\$ -	\$ 749,246	\$ (758,907)	\$ -	\$ (92,005)	\$ 1,290	\$ 976

NC - noncash expenditures

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

K-4
 Schedule B

Year ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2010			Cash Received	Budgetary Expenditures	Adjustments	Repayments of Prior Years' Balance	Balance, June 30, 2011			Memo	
			From	To	Deferred Revenues/	(Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due To Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education																
General Fund:																
Reimbursed TPAF Social Security Contributions	10-100-034-5095-002	\$ 1,433,689	07/01/09	06/30/10	\$ (87,470)		\$ 87,470									
Reimbursed TPAF Social Security Contributions	11-100-034-5095-002	1,239,358	07/01/10	06/30/11			1,177,625	\$ (1,239,358)			\$ (61,733)			\$ (1,239,358)		
Reimbursed TPAF Social Security Contributions Wage Freeze	11-100-034-5095-002	742	07/01/10	06/30/11			371	(742)			(371)			(742)		
Total General Fund					<u>(87,470)</u>		<u>1,265,466</u>	<u>(1,240,100)</u>			<u>(62,104)</u>			<u>(1,240,100)</u>		
Special Revenue Fund:																
State Department of Health																
Special Revenue Fund:																
Case Management - SCHS	4572-129-6140-2080	231,747	07/01/09	06/30/10	(10,100)		10,100							(231,747)		
Case Management - SCHS	4572-129-6140-2080	253,749	07/01/10	06/30/11			184,455	(253,749)			(69,294)			(253,749)		
State Department of Human Services																
Special Revenue Fund:																
Youth Corp - E Corp 2010	100-062-314-6140	316,680	07/01/09	06/30/11	(7,571)		58,584	(67,410)			(16,397)			(67,410)		
Youth Corp Program FY10	100-062-314-6140	470,076	07/01/09	06/30/10	(282)		282							(462,856)		
Youth Corp Program FY11	100-062-314-6140	430,787	07/01/10	06/30/11			332,688	(404,532)	\$ 93		(71,844)	\$ 93		(404,532)		
Total Special Revenue Fund					<u>(17,953)</u>		<u>586,109</u>	<u>(725,691)</u>	<u>93</u>		<u>(157,535)</u>	<u>93</u>		<u>(1,420,294)</u>		
State Department of Agriculture																
Enterprise Fund:																
School Breakfast Program	10-100-010-3350-021	5,872	07/01/09	06/30/10	(520)		520							(5,872)		
State School Lunch Program	11-100-010-3350-023	4,966	07/01/10	06/30/11			3,980	(4,966)			(986)			(4,966)		
State School Lunch Program	10-100-010-3350-023	7,767	07/01/09	06/30/10	(680)		680							(7,767)		
Total Enterprise Fund					<u>(1,200)</u>		<u>5,180</u>	<u>(4,966)</u>			<u>(986)</u>			<u>(19,605)</u>		
Total State Financial Assistance					\$ -	\$ (106,623)	\$ -	\$ 1,856,755	\$ (1,970,757)	\$ 93	\$ -	\$ (220,625)	\$ 93	\$ -	\$ (2,678,999)	

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

Mercer County Special Services School District

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

Year ended June 30, 2011

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 and state awards.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Enterprise Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the 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 audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis of accounting. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as

Mercer County Special Services School District

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

Year ended June 30, 2011

3. Relationship to Basic Financial Statements (continued)

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 \$15,311 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the special revenue fund. 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	\$ 276,432	\$2,541,735	\$ 2,818,167
Special Revenue Fund	158,510	727,270	885,780
Food Service Enterprise Fund	338,009	4,966	342,975
Total award revenues	<u>\$772,951</u>	<u>\$ 3,273,971</u>	<u>\$ 4,046,922</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.

Mercer County Special Services School District

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

June 30, 2011

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions respectively.

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, 2011.

The State of New Jersey also makes TPAF post retirement medical and pension contribution expenditures on behalf of the District, which amounted to \$1,301,635 for the year ended June 30, 2011. 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 State Awards, as directed by the funding agency.

6. Adjustments

The adjustments presented on schedules K-3 and K-4 relate to the cancellation of prior year encumbrances.

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I - Summary of Auditor's Results (continued)

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>		
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

Federal Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	_____ Yes	_____ X	_____ No
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
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 Circular A-133 (Section .510(a))?	_____ Yes	_____ X	_____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778 10.553/10.555	SEMI Medicaid Assistance Program Child Nutrition Cluster

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II - Financial Statement Findings

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

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III- Federal and State Awards Findings and Questioned Costs

No federal award or state financial assistance program compliance findings or questioned costs were noted that are required to be reported in accordance with OMB Circular A-133 or New Jersey OMB 04-04.

Mercer County Special Services School District

Summary Schedule of Prior Years Findings

Year ended June 30, 2011

2010-1 Maintenance and facilitation of SEMI Medicaid Assistance Program

Statement of Condition: There are no written policies or procedures related to the SEMI program. Based on discussions with management, a significant number of services were not submitted into the P.C.G. system for reimbursement. Documentation for submittals for reimbursement are not being maintained by the District for 7 years as is required. The certification of therapists and the expiration and renewal of those certificates are not being satisfactorily monitored. The training of staff is insufficient as it relates to SEMI issues.

Status: These conditions have been corrected and are not repeated in the current year.

2010-2 Maintenance of District's Accounting Records

Statement of Condition: The Districts' accounting records are deficient and do not facilitate the preparation of its financial statements.

Status: These conditions have been corrected and are not repeated in the current year.

2010-4 Maintenance of Capital Asset Records

Statement of Condition: Capital asset additions and deletions were incomplete and subsidiary ledgers did not agree with the Board Secretary's records.

Status: These conditions have been corrected and are not repeated in the current year.