

MERCER COUNTY
SPECIAL
SERVICES
SCHOOL DISTRICT

County of Mercer
Board of Education
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2013*

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, 2013

Prepared by
Business Office

Table of Contents (continued)

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	5
Roster of Officials	6
Independent Auditors and Advisors	7
Certificate of Excellence in Financial Reporting	8
FINANCIAL SECTION	
Independent Auditors' Report	9
Required Supplementary Information – Part I	
Management's Discussion and Analysis	12
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	22
A-2 Statement of Activities	23
Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	25
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Proprietary Funds:	
B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses and Changes in Net Position	28
B-6 Statement of Cash Flows	29
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31
Notes to the Basic Financial Statements	32

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund (Budgetary-Basis)	59
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – (Budgetary-Basis) - Not Applicable	N/A
C-1b Education Jobs Fund Program – Budget and Actual – (Budgetary-Basis) – Not Applicable	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Budgetary-Basis)	62
Note to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	63
Supplementary Information	
D School Based Budget Schedules – Not Applicable	N/A
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	64
E-2 Schedule of Preschool Education Program Aid Expenditures – Budgetary Basis - Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures, and Changes in Fund Balance	66
F-1a Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Budgetary Basis	67
F-2 Summary Schedule of Project Expenditures – Not Applicable	N/A
Enterprise Funds:	
G-1 Combining Statement of Net Position	68
G-2 Combining Statement of Revenues, Expenses, and Changes in Net Position	69
G-3 Combining Statement of Cash Flows	70

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Supplementary Information (continued)	
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	71
H-2 Combining Statement of Changes in Fiduciary Net Position – Not Applicable	N/A
H-3 Schedule of Cash Receipts and Cash Disbursements – Student Activity Agency Fund	72
H-4 Schedule of Cash Receipts and Cash Disbursements – Payroll Agency Fund	73
Long-Term Debt:	
I-1 Schedule of Serial Bonds Payable – Not Applicable	N/A
I-2 Schedule of Obligations Under Capital Leases	74
I-3 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund – Not Applicable	N/A
STATISTICAL SECTION (Unaudited) – Other Information	
Financial Trends:	
J-1 Net Position by Component	75
J-2 Changes in Net Position	76
J-3 Fund Balances-Governmental Funds	79
J-4 Changes in Fund Balances, Governmental Funds	80
J-5 General Fund - Other Local Revenue by Source	81
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers (Current Year and Nine Years Ago)	N/A
J-9 Property Tax Levies and Collections	N/A
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding	N/A
J-12 Ratios of Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A

Table of Contents (continued)

	Page
STATISTICAL SECTION (Unaudited) – Other Information (continued)	
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	82
J-15 Principal Employers	N/A
Operating Information:	
J-16 Full-time Equivalent District Employees by Function/Program	83
J-17 Operating Statistics	84
J-18 School Building Information	85
J-19 Schedule of Required Maintenance	86
J-20 Insurance Schedule	87
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	88
K-2 Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance	90
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	93
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	94
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	95
K-6 Schedule of Findings and Questioned Costs	98
K-7 Summary Schedule of Prior Year Audit Findings	102

Introductory Section



Kimberly J. Schneider, Ed. D.
Superintendent

Nancy R. Swirsky
Business Administrator/Board Secretary

December 2, 2013

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, 2013, 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, each major fund of the District and the remaining aggregate fund information. 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, a list of principal officials and the Certificate of Excellence in Financial Reporting. 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 auditors' report on the internal controls over compliance and compliance with applicable laws and regulations and any related findings and questioned costs 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 2013 fiscal year with an average daily enrollment of 667.5 students, which is 21.2 students less than the previous year’s average daily 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>
2012-2013	667.5	(3.08)%
2011-2012	688.7	(1.57)%
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)%

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

The enrollment has declined eight (8) years of the last ten (10) years after more than twenty years of growth. The District is experiencing this decrease in enrollment due to the Department of Education requirements for controlling out of District placements from sending districts, the on-going economic situation, and the 2% cap on the sending district’s tax levy increases. The District is experiencing an increase in the high school enrollment and believes that the decline in enrollment has leveled off.

The District continues to implement an innovative program called Cognitive Severe to better meet the changing needs of the sending schools. A major initiative for the entire District is the implementation of a new student information system to better track students Individualized Education Plans (IEP’s) and performance. The District is in process of implementing the Danielson Teacher Evaluation Model.

The District continues to pursue long range planning initiatives. For example, the District continues to engage in the analysis of program costs and enrollments necessary to properly forecast tuition costs and revenues. Additionally, the District has been aggressive in addressing facilities needs by continuing to engage in facilities planning. Numerous capital projects and facilities improvements have resulted from these budget and facilities planning activities.

3) ECONOMY AND ECONOMIC OUTLOOK:

Mercer County is home of a wide range of industries including education, health services, business services, leisure and hospitality. The highly skilled workforce includes those in the professional, scientific and technical services industries. The county’s unemployment rate is 7.4%, which is below the national rate of 8.6%. Recent job growth approximates 1.27%. Future job growth over the next ten (10)

years is predicted to be about 35%. The median household income for the county is \$70,126. Mercer County has experienced a rise in economic activity over the more recent past with the expansion of the local airport, development of local businesses and education facilities, the growth of sports and entertainment across the county and the recent opening of two (2) large scale hospitals. These and other projects continue to help the county to flourish in otherwise difficult economic times.

4) 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 state and federal awards, 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.

5) 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, 2013.

6) 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.

7) 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, 2013.

8) 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, other 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.

Awards – The District had applied to the Association of School Business Officials (ASBO) International for the "Certificate of Excellence in Financial Reporting" for its comprehensive annual financial report for the fiscal year ended June 30, 2012, and was granted the award. In order to be awarded this certificate, the District published an easily readable and efficiently organized comprehensive annual financial report and satisfied both generally accepted accounting principles and applicable legal requirements.

We believe that our current comprehensive annual financial report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2012-2013 award.

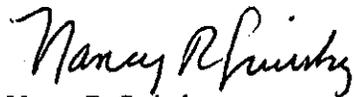
9) ACKNOWLEDGEMENTS:

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,



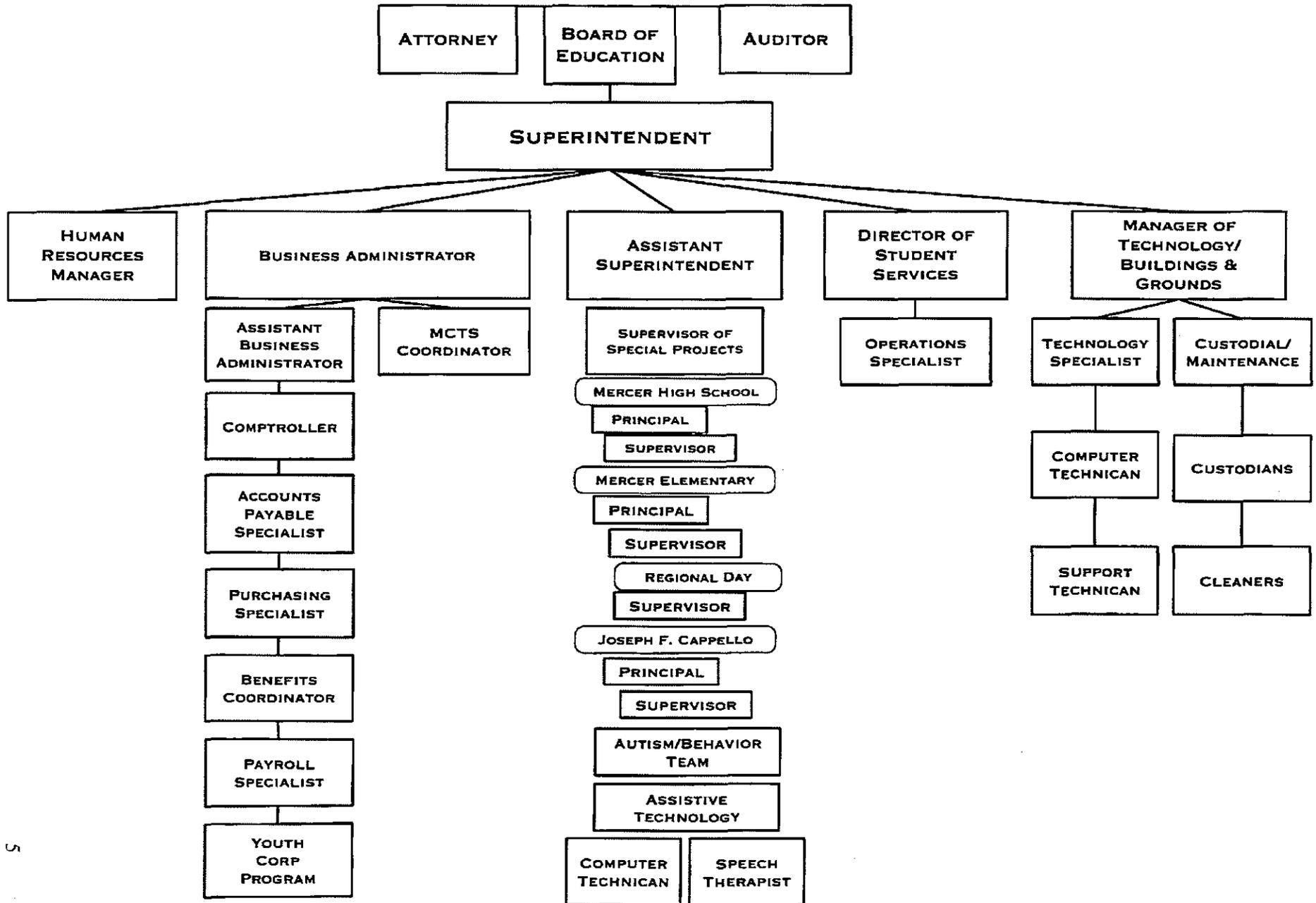
Dr. Kimberly J. Schneider
Superintendent



Nancy R. Swirsky
School Business Administrator/
Board Secretary

NS/kz

Mercer County Special Services School District



Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2013

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Camille Raineiro, President	2014
Samuel J. Floyd	2014
Lisa Vena	2013
Russell White, Vice-President	2015
Jan Lewis	2014
Sallie Gillespie	2016
Dr. Samuel Stewart, Executive County Superintendent of Schools	Ex-Officio

Other Officials

Dr. Kimberly J. Schneider, Superintendent of Schools
Nancy R. Swirsky, 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

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

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

Official Depositories

New Jersey Cash Management
PNC Bank

Association of School Business Officials International

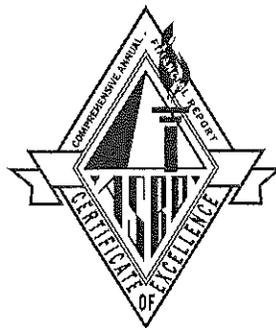


*The Certificate of Excellence in Financial Reporting Award
is presented to*

Mercer County Special Services School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



A handwritten signature in cursive script, reading 'Ron McCulley', written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in cursive script, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mercer County Special Services School District, County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously 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, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 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* in considering the District's internal control over financial reporting and compliance.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 2, 2013
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, 2013

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, 2013. 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 2012-2013 fiscal year include the following:

- District enrollment decreased 3% from 690 in 2012 to 670 in 2013.
- Revenues from tuition were reduced in 2013 as a result of adjusted 2010-2011 tuition rates; a total of \$1,355,844 was due back to districts during the 2012-2013 year.
- The District's on behalf TPAF Pension Contribution made by the State of New Jersey increased 47.3% to \$2,351,124.
- The District transferred \$400,000 of unrestricted funds during the year into a restricted capital reserve.

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 Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of 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 2012/13?" The *Statement of Net Position* 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 position and changes in that position. This change in net position 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 and other factors.

In the *Statement of Net Position* 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 business-type activities 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 2012-13 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 mainly 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 Position 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.

General Fund

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,419,207, while total fund balance was \$9,388,133. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.3% of the total general fund expenditures while total fund balance represents 24.5% of that same amount.

The fund balance of the District's general fund decreased by \$630,438 during the current fiscal year. Key factors in this decrease are as follows:

- Tuition from other districts decreased \$1,581,740 due to a 3% decrease in enrollment.
- Unallocated benefits increased \$434,744 primarily due to an increase in health benefits.

Special Revenue Fund

The special revenue fund is used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. The District expended \$600,775 in state financial assistance, \$58,739 in federal awards and \$224,351 from other sources.

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). During the current year, the District was awarded an additional \$397,500 from the County of Mercer for the Mercer High School and Joseph Cappello HVAC controls and Mercer High School drivit replacement. Current year expenditures against the total award amount of \$1,348,000 were \$296,667.

Enterprise Funds

The District maintains nine (9) 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 augmentative technology, clinic parent, community resources, special aides and Chuck's Place programs. All enterprise funds are considered to be major funds of the District. The basic enterprise fund financial statements are Schedules G-1, G-2 and G-3.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity in its 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 32 through 58 of this report.

The School District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve as an indicator of a government's financial position. However, as noted earlier, net position is not the primary basis for decision making for each budget cycle. The District's financial position is the product of several financial transactions including the net results of activities, the 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 position for 2013 and 2012.

Net Position
June 30, 2013 and 2012

	2013			2012		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 8,759,553	\$1,736,377	\$ 10,495,930	\$9,314,250	\$2,147,015	\$ 11,461,265
Restricted Assets	1,551,784		1,551,784	1,151,066		1,151,066
Capital assets, net	38,046,878	341,717	38,388,595	38,840,136	362,945	39,203,081
Total assets	48,358,215	2,078,094	50,436,309	49,305,452	2,509,960	51,815,412
Current liabilities	1,019,258	192,058	1,211,316	502,607	63,469	566,076
Long-term liabilities outstanding						
Total liabilities	2,226,575		2,226,575	2,179,872		2,179,872
Total liabilities	3,245,833	192,058	3,437,891	2,682,479	63,469	2,745,948
Net position:						
Net Investment in Capital Assets	38,046,878	341,717	38,388,595	38,822,787	362,945	39,185,732
Restricted	1,551,784		1,551,784	1,151,066		1,151,066
Unrestricted	5,513,720	1,544,319	7,058,039	6,649,120	2,083,546	8,732,666
Total net position	\$45,112,382	\$ 1,886,036	\$ 46,998,418	\$ 46,622,973	\$ 2,446,491	\$ 49,069,464

Current and other assets decreased \$965,335, of which \$400,000 is attributed to the transfer of funds to cash restricted for capital projects. The remaining decrease is due to the reduction in revenues; resulting from adjusted 2010-2011 tuition rates; a total of \$1,355,844 was due back to sending districts during the 2012-2013 year.

The decrease in Net Investment in Capital Assets is the result of current year depreciation expense exceeding current year capital asset additions.

The increase in current liabilities is attributed to the accrual in 2013 of retroactive salary due to employees as a result of the employee contract settlement for the 2012-2013 school year.

The net position, unrestricted balance decreased \$1,674,627. This decrease is related to the reduction in revenue; resulting from adjusted 2010-2011 tuition rates of \$1,355,844, which was due back to districts during the 2012-2013 year. Additionally, the District enterprise funds experienced an overall increase in expenses that exceeded revenue.

The following table provides a comparison analysis of government-wide changes in net position from fiscal years 2013 and 2012.

Changes in Net Position

Year ended June 30,

	2013			2012		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenues:						
Charges for services		\$ 10,133,789	\$ 10,133,789		\$ 10,461,207	\$ 10,461,207
Operating grants and contributions	\$ 891,412	384,041	1,275,453	\$ 904,718	345,345	1,250,063
Capital grants and contributions	296,667		296,667	252,101		252,101
General revenues:						
County appropriation	2,870,529		2,870,529	2,870,529		2,870,529
Tuition – LEA’s	30,503,693		30,503,693	32,065,344		32,065,344
Nonresident Fees	174,791		174,791	183,485		183,485
State and Federal Sources	3,747,835		3,747,835	3,052,318		3,052,318
Interest Earnings	13,924	21	13,945	7,821	51	7,872
Miscellaneous	323,430		323,430	287,643		287,643
Total revenues	38,822,281	10,517,851	49,340,132	39,623,959	10,806,603	50,430,562
Expenses:						
Instructional services	23,508,373	3,179,868	26,688,241	23,222,186	2,668,584	25,890,770
Support services	16,824,499	7,192,309	24,016,808	15,759,275	7,613,300	23,372,575
Operation of non-instructional services		706,129	706,129		618,703	618,703
Total expenses	40,332,872	11,078,306	51,411,178	38,981,461	10,900,587	49,882,048
Change in net position	(1,510,591)	(560,455)	(2,071,046)	642,498	(93,984)	548,514
Net position-beginning of year	46,622,973	2,446,491	49,069,464	45,980,475	2,540,475	48,520,950
Net position – end of year	\$ 45,112,382	\$ 1,886,036	\$ 46,998,418	\$ 46,622,973	\$ 2,446,491	\$ 49,069,464

GOVERNMENTAL-TYPE ACTIVITIES

At June 30, 2013, Governmental-Type Activities net position accounted for 96% of the District’s total net position.

The Governmental-Type Activities net position decreased \$1,510,591 from \$46,622,973 at June 30, 2012 to \$45,112,382 at June 30, 2013.

In FY 2013, Governmental-Type Activities revenues were \$38,822,281 or 79% of total revenues, of which the County Appropriation of \$2,870,529 made up 7%, and Tuition from LEA’s of \$30,503,693 made up 79%.

In FY 2013, the District’s Governmental-Type Activities expenses were \$40,332,872 compared to \$38,981,461 for FY 2012, an increase of \$1,351,411 or 3%.

BUSINESS-TYPE ACTIVITIES

At June 30, 2013, Business-Type Activities net position accounted for 4% of the District’s total net position.

Business-Type Activities net position decreased \$560,455 from \$2,446,491 at June 30, 2012 to \$1,886,036 at June 30, 2013.

In FY 2013, Business-Type Activities revenues were \$10,517,851.

Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$10,517,830 in FY 2013 compared to \$10,806,552 in FY 2012, a 3% decrease. The decrease was related to the reduction of Mercer Cooperative Transportation services and Integrated Preschool services during FY 2013; this decrease was partially offset by an increase in revenues from Special Aides.

Expenses for Business-Type Activities were \$11,078,306 in FY 2013 compared to \$10,900,587 in FY 2012, a 2% increase. The increase was related to an increase in expenses for NJ State Regional Day School and Special Aides; these increases were partially offset by a decrease in expenses for Mercer Cooperative Transportation services and Integrated Preschool services.

Financial Analysis of the District's Funds

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

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2013, and the amount and percentage of increases and (decreases) in relation to prior year revenues.

**Revenues
Year Ended June 30, 2013**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) Increase from 2012</u>	<u>Percent of (Decrease) Increase</u>
Local sources	\$ 34,118,265	88.6%	\$ (1,587,608)	(4.5)%
State sources	4,039,891	10.5	717,771	21.6
Federal sources	367,458	0.9	23,593	(6.9)
Total	\$ 38,525,614	100.0%	\$ (846,244)	(2.2)%

The decrease in local sources was mainly attributed to a reduction of tuition from other districts resulting from decreased enrollment as well as the adjusted 2010-2011 tuition rates. State sources increased as a result of an increase in the on-behalf TPAF Pension contribution made by

the State of New Jersey.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2013, and the amounts and percentage of increases and (decreases) in relation to prior year expenditures.

**Expenditures
Year Ended June 30, 2013**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2012</u>	<u>Percent of Increase (Decrease)</u>
Current:				
Instruction	\$ 15,202,817	38.8%	\$ 121,843	0.8%
Undistributed expenditures	23,881,170	61.0	1,123,733	4.9
Capital outlay	72,065	0.2	(113,464)	(61.2)
Total	\$ 39,156,052	100.0%	\$ 1,132,112	3.0%

The increase in undistributed expenditures was primarily related to an increase in the on behalf TPAF Pension contribution made by the State of New Jersey and an increase in unallocated benefits related to an overall increase in health benefits and worker's compensation costs.

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 2013 budget to meet the District's needs.

The final budgetary basis revenue estimate was \$34,128,974. The original budget estimate was \$35,343,308.

The District received \$3,439,116 in reimbursed TPAF Social Security Aid and TPAF 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 \$37,865,836 compared to the original estimate of \$37,924,326.

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 \$66,112 better than had been budgeted in terms of revenues and \$3,040,312 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$3,439,116 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF pension contributions.

Capital Assets

At the end of fiscal years 2013 and 2012, the District had \$38,046,878 and \$38,840,136 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 2013 and 2012 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2013</u>	<u>2012</u>
Construction in Progress	\$ 587,042	\$ 290,375
Site Improvements	106,836	118,819
Buildings and Building Improvements	36,929,333	37,966,333
Machinery and Equipment	<u>423,667</u>	<u>464,609</u>
Total	<u>\$ 38,046,878</u>	<u>\$ 38,840,136</u>

During the current fiscal year, \$359,698 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, 2013 and 2012 in the amount of \$341,717 and \$362,945, respectively.

For more detailed information, please refer to Note 4 in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budget

For the 2012-13 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 \$8,609,823 in Restricted and Unrestricted Net Position 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 \$8,609,823 remaining.

The 2012-13 budget was adopted March 29, 2012 based in part on a Board decision not to increase tuition rates and by 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 2013-14 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.messsd.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, 2013.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 5,522,719	\$ 1,099,340	\$ 6,622,059
Internal Balances	1,278,461	(1,278,461)	-
Accounts Receivable	1,958,373	1,870,292	3,828,665
Inventories		45,206	45,206
Restricted assets:			
Cash and Cash Equivalents	1,551,784		1,551,784
Capital Assets, Non-Depreciable	587,042		587,042
Capital Assets, Depreciable, Net	37,459,836	341,717	37,801,553
Total Assets	<u>48,358,215</u>	<u>2,078,094</u>	<u>50,436,309</u>
Liabilities			
Accounts Payable	41,260	190,485	231,745
Accrued Liabilities	881,944		881,944
Unearned Revenue		1,573	1,573
Noncurrent Liabilities:			
Due Within One Year	96,054		96,054
Due Beyond One Year	2,226,575		2,226,575
Total Liabilities	<u>3,245,833</u>	<u>192,058</u>	<u>3,437,891</u>
Net Position			
Net Investment in Capital Assets	38,046,878	341,717	38,388,595
Restricted For:			
Other Purposes	1,551,784		1,551,784
Unrestricted	5,513,720	1,544,319	7,058,039
Total Net Position	<u>\$ 45,112,382</u>	<u>\$ 1,886,036</u>	<u>\$ 46,998,418</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Special Education	\$ 23,457,196		\$ 218,546		\$ (23,238,650)	\$ (23,238,650)
School Sponsored/Other Instructional	51,177				(51,177)	(51,177)
Support Services:						
Student and Instruction Related Services	10,565,290		672,866		(9,892,424)	(9,892,424)
General Administrative Services	344,767				(344,767)	(344,767)
School Administrative Services	1,724,486				(1,724,486)	(1,724,486)
Central Administrative Services	1,044,154				(1,044,154)	(1,044,154)
Administrative Information Technology	467,688				(467,688)	(467,688)
Plant Operations and Maintenance	2,661,520			\$ 296,667	(2,364,853)	(2,364,853)
Pupil Transportation	16,594				(16,594)	(16,594)
Total Governmental Activities	<u>40,332,872</u>		<u>891,412</u>	<u>296,667</u>	<u>(39,144,793)</u>	<u>(39,144,793)</u>
Business-type Activities:						
Food Service	492,515	\$ 76,413	384,041		\$ (32,061)	(32,061)
Mercoer Cooperative Transportation System	5,674,532	5,674,330			(202)	(202)
NJ State Regional Day School	2,521,195	2,087,454			(433,741)	(433,741)
Community Resources	148,491	117,655			(30,836)	(30,836)
Special Aides	2,085,488	2,086,195			707	707
Other Enterprise Funds	156,085	91,742			(64,343)	(64,343)
Total Business-type Activities	<u>11,078,306</u>	<u>10,133,789</u>	<u>384,041</u>		<u>(560,476)</u>	<u>(560,476)</u>
Total Primary Government	<u>\$ 51,411,178</u>	<u>\$ 10,133,789</u>	<u>\$ 1,275,453</u>	<u>\$ 296,667</u>	<u>(39,144,793)</u>	<u>(39,705,269)</u>
General Revenues:						
County appropriation/taxes				2,870,529		2,870,529
Tuition - LEA's				30,503,693		30,503,693
Nonresident Fees				174,791		174,791
State and Federal Sources				3,747,835		3,747,835
Interest Earnings				13,924	21	13,945
Miscellaneous				323,430		323,430
Total General Revenues				<u>37,634,202</u>	<u>21</u>	<u>37,634,223</u>
Change in Net Position				<u>(1,510,591)</u>	<u>(560,455)</u>	<u>(2,071,046)</u>
Net Position - Beginning				<u>46,622,973</u>	<u>2,446,491</u>	<u>49,069,464</u>
Net Position - Ending				<u>\$ 45,112,382</u>	<u>\$ 1,886,036</u>	<u>\$ 46,998,418</u>

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 5,522,719			\$ 5,522,719
Interfund Receivable	1,515,341			1,515,341
Accounts Receivable:				
State	55,837	\$ 27,833		83,670
Federal		23,601		23,601
Other	1,653,843	55,919	\$ 141,340	1,851,102
Restricted Cash and Cash Equivalents	1,551,784			1,551,784
Total Assets	\$ 10,299,524	\$ 107,353	\$ 141,340	\$ 10,548,217
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable	\$ 3,812	\$ 95,540	\$ 141,340	\$ 240,692
Accounts Payable	37,349	99		37,448
Accrued Liabilities	870,230	11,714		881,944
Total Liabilities	911,391	107,353	141,340	1,160,084
Fund Balances:				
Restricted for:				
Capital Reserve	1,551,784			1,551,784
Assigned to:				
Designated for Subsequent Years' Expenditures	5,416,837			5,416,837
Other Purposes	305			305
Unassigned	2,419,207			2,419,207
Total Fund Balances	9,388,133			9,388,133
Total Liabilities and Fund Balances	\$ 10,299,524	\$ 107,353	\$ 141,340	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$54,902,563 and the accumulated depreciation is \$16,855,685 (See Note 4).	38,046,878
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 5).	(2,322,629)
Net Position of Governmental Activities	\$ 45,112,382

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 2,870,529		\$ 296,667	\$ 3,167,196
Tuition from Other Districts	27,139,591			27,139,591
Other Tuition	3,364,102			3,364,102
Non-Resident Fees	174,791			174,791
Interest	13,924			13,924
Miscellaneous	323,430	\$ 231,898		555,328
Total - Local Sources	33,886,367	231,898	296,667	34,414,932
State Sources	3,439,116	600,775		4,039,891
Federal Sources	308,719	58,739		367,458
Total Revenues	37,634,202	891,412	296,667	38,822,281
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	14,946,363	218,546		15,164,909
School Sponsored	37,908			37,908
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,420,560	670,771		7,091,331
General Administration	292,161			292,161
School Administration	1,130,417			1,130,417
Central Services	685,844			685,844
Administrative Information Technology	338,370			338,370
Plant Operations and Maintenance	2,155,718			2,155,718
Pupil Transportation	32,548			32,548
Unallocated Benefits	8,715,665			8,715,665
On-behalf TPAF FICA and Pension	3,439,116			3,439,116
Capital Outlay	69,970	2,095	296,667	368,732
Total Expenditures	38,264,640	891,412	296,667	39,452,719
Net change in fund balances	(630,438)	-	-	(630,438)
Fund Balance, July 1	10,018,571	-	-	10,018,571
Fund Balance, June 30	\$ 9,388,133	\$ -	\$ -	\$ 9,388,133

The reconciliation of the fund balances of the governmental funds to the net position 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, 2013

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ (630,438)
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital additions and disposals in the current fiscal year.</p>		
Depreciation Expense	\$ (1,133,401)	
Capital Additions	<u>359,698</u>	(773,703)
Loss on disposal of assets		(19,555)
<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>		
		(104,244)
<p>Repayment of capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		17,349
Change in Net Position of Governmental Activities		<u>\$ (1,510,591)</u>

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUND

STATEMENT OF NET POSITION

June 30, 2013

	Major Enterprise Funds						Totals
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Community Resources	Special Aides	Other Enterprise Funds	
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 26,861		\$ 111,394	\$ 441,831		\$ 519,254	\$ 1,099,340
Accounts Receivable:							
State	1,289						1,289
Federal	67,111						67,111
Other		\$ 929,871	438,881	39,294	\$ 393,846		1,801,892
Inventories	42,079					3,127	45,206
Total Current Assets	137,340	929,871	550,275	481,125	393,846	522,381	3,014,838
Capital Assets							
Site Improvements			9,500				9,500
Equipment	200,360		30,944	46,754		10,399	288,457
Building and Building Improvements			291,975				291,975
Accumulated Depreciation	(167,548)		(59,035)	(19,379)		(2,253)	(248,215)
Total Capital Assets, Net	32,812		273,384	27,375		8,146	341,717
Total Assets	170,152	929,871	823,659	508,500	393,846	530,527	3,356,555
Liabilities							
Interfund Payable		929,871			348,590		1,278,461
Accounts Payable	83,581		59,771	2,095	44,549	489	190,485
Unearned Revenue	1,573						1,573
Total Liabilities	85,154	929,871	59,771	2,095	393,139	489	1,470,519
Net Position							
Net Investment in Capital Assets	32,812		273,384	27,375		8,146	341,717
Unrestricted	52,186		490,504	479,030	707	521,892	1,544,319
Total Net Position	\$ 84,998	\$ -	\$ 763,888	\$ 506,405	\$ 707	\$ 530,038	\$ 1,886,036

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

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2013

	Major Enterprise Funds						Totals
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Community Resources	Special Aides	Other Enterprise Funds	
Operating Revenues:							
Local Sources							
Daily Sales - Reimbursable Programs	\$ 60,524						\$ 60,524
Daily Sales - Non-Reimbursable Programs	15,889						15,889
Transportation Fees		\$ 5,674,330					5,674,330
Non-Resident Fees			\$ 28,760				28,760
Miscellaneous				\$ 117,655	\$ 2,086,195	\$ 91,742	2,295,592
Tuition			2,058,694				2,058,694
Total Operating Revenues	76,413	5,674,330	2,087,454	117,655	2,086,195	91,742	10,133,789
Operating Expenses:							
Salaries	156,767	204,715	1,807,208	76,250	1,327,058	64,159	3,636,157
Employee Benefits	49,434	56,013	500,163	7,557	758,430	9,287	1,380,884
Purchased Professional/Technical Services	257	4,000	10,866			2,466	17,589
Cleaning, Repair and Maintenance						2,363	2,363
Contracted Services	21,000	5,404,714					5,425,714
Other Purchased Services			31,163				31,163
Insurance	8,326		21,511				29,837
Miscellaneous Purchased Services	614			350		5,923	6,887
Supplies and Materials	21,170	1,032	45,112	50,198		64,267	181,779
Energy	1,038		66,282				67,320
Telephone/Communications/Postage	896	1,903	11,502	1,608			15,909
Textbooks			3,673				3,673
Transportation			1,500				1,500
Travel				501			501
Cost of Sales	187,369						187,369
Miscellaneous Expenditures	2,810	1,953				917	5,680
Admin & Supervision	24,265						24,265
Other	5,212	202	3,227	11,767			20,408
Depreciation Expense	13,357		18,988	260		6,703	39,308
Total Operating Expenses	492,515	5,674,532	2,521,195	148,491	2,085,488	156,085	11,078,306
Operating (Loss) Income	(416,102)	(202)	(433,741)	(30,836)	707	(64,343)	(944,517)
Nonoperating Revenues:							
Local Sources:							
Interest on Investments	21						21
State Sources:							
State School Lunch Program	5,445						5,445
Federal Sources:							
National School Lunch Program	232,906						232,906
National School Breakfast Program	114,685						114,685
Food Donation Program	31,005						31,005
Total Nonoperating Revenues	384,062						384,062
(Loss) Income Before Transfers	(32,040)	(202)	(433,741)	(30,836)	707	(64,343)	(560,455)
Transfers In				46,285			46,285
Transfers Out						(46,285)	(46,285)
Total Transfers				46,285		(46,285)	-
Change in Net Position	(32,040)	(202)	(433,741)	15,449	707	(110,628)	(560,455)
Total Net Position - Beginning	117,038	202	1,197,629	490,956		640,666	2,446,491
Total Net Position - Ending	\$ 84,998	\$ -	\$ 763,888	\$ 506,405	\$ 707	\$ 530,038	\$ 1,886,036

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, 2013

	Major Enterprise Funds						Total
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Community Resources	Special Aides	Other Enterprise Funds	
Cash Flows From Operating Activities:							
Receipts from Customers	\$ 76,413	\$ 5,216,976	\$ 2,083,966	\$ 108,410	\$ 1,964,535	\$ 155,971	\$ 9,606,271
Payments to Employees	(156,767)	(204,715)	(1,807,208)	(76,250)	(1,282,509)	(64,159)	(3,591,608)
Payments for Employee Benefits	(49,434)	(56,013)	(500,163)	(7,557)	(758,430)	(9,287)	(1,380,884)
Payments to Suppliers	(198,938)	(5,413,804)	(170,776)	(62,737)		(76,527)	(5,922,782)
Net Cash (Used In) / Provided By Operating Activities	(328,726)	(457,556)	(394,181)	(38,134)	(76,404)	5,998	(1,289,003)
Cash Flows From Noncapital Financing Activities:							
Cash Received From State and Federal Reimbursements	334,406						334,406
Cash transfer from realignment of enterprise funds				34,230		(34,230)	
Advances from other funds		457,556			76,404		533,960
Net Cash Provided By Noncapital Financing Activities	334,406	457,556		34,230	76,404	(34,230)	868,366
Cash Flows From Capital and Related Financing Activities:							
Purchase of Capital Assets - Equipment			(2,500)	(15,580)			(18,080)
Net Cash (Used In) Capital and Related Financing Activities			(2,500)	(15,580)			(18,080)
Cash Flows From Investing Activities:							
Interest Income	21						21
Net Cash Provided By Investing Activities	21						21
Net Increase (Decrease) in Cash and Cash Equivalents	5,701		(396,681)	(19,484)		(28,232)	(438,696)
Cash and Cash Equivalents, Beginning of Year	21,160		508,075	461,315		547,486	1,538,036
Cash and Cash Equivalents, End of Year	\$ 26,861	\$ -	\$ 111,394	\$ 441,831	\$ -	\$ 519,254	\$ 1,099,340
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:							
Operating (Loss) Income	\$ (416,102)	\$ (202)	\$ (433,741)	\$ (30,836)	707	\$ (64,343)	\$ (944,517)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:							
Depreciation	13,357		18,988	260		6,703	39,308
Changes in Assets and Liabilities:							
Decrease (Increase) in Accounts Receivable	22,032	(457,354)	(3,488)	(9,245)	\$ (121,660)	64,229	(505,486)
(Increase) in Inventory	(5,987)					(135)	(6,122)
Increase (Decrease) in Accounts Payable	57,974		24,060	1,687	44,549	(456)	127,814
Net Cash (Used In) Provided By Operating Activities	\$ (328,726)	\$ (457,556)	\$ (394,181)	\$ (38,134)	\$ (76,404)	\$ 5,998	\$ (1,289,003)

Noncash Noncapital Financing Activities

The District received \$31,780 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2013.

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

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund	Agency Funds
Assets				
Cash and Cash Equivalents	\$ 20,952	\$ 33	\$ 146,226	\$ 248,457
Interfund Receivable				3,812
Total Assets	<u>20,952</u>	<u>33</u>	<u>146,226</u>	<u>\$ 252,269</u>
Liabilities				
Payroll Deductions and Withholdings Payable To Student Groups				\$ 236,086
Total Liabilities				<u>16,183</u> <u>\$ 252,269</u>
Net Position				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 20,952</u>	<u>\$ 33</u>	<u>\$ 146,226</u>	
Held in Trust for Scholarships				

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2013

	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund
Additions			
Interest Income			\$ 50
Employee Contributions		\$ 15,098	42,589
Board Contributions			55,706
Other Contributions	\$ 6,126		
Total Additions	<u>6,126</u>	<u>15,098</u>	<u>98,345</u>
Deductions			
Scholarship Payments	24,677		
Medical Reimbursements		15,065	
Unemployment Benefit Payments			15,122
Total Deductions	<u>24,677</u>	<u>15,065</u>	<u>15,122</u>
Change in Net Position	(18,551)	33	83,223
Net Position - Beginning of Year	39,503	-	63,003
Net Position - End of Year	<u>\$ 20,952</u>	<u>\$ 33</u>	<u>\$ 146,226</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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 pre-K through 12. Focusing on students' capabilities, the District provides specialized academic instructional recreational activities combined with the specialized therapeutic interventions needed to assure that each child reaches their 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, 2013 of 670.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

on a regulatory-basis of accounting which does not recognize or report component units.

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

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and 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. County 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, 2013

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 are recorded only when payment is due.

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

The District has reported the following major governmental funds:

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

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, 2013

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 varied integrated preschool services in the community.

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, 2013

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.

As a general rule the effect of inter-fund 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, 2013

1. Summary of Significant Accounting Policies (continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services 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, tuition and reimbursements for services provided to other entities. Operating expenses for the enterprise fund include the cost of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal or state assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position 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 for approval and are approved by the Board of School Estimate. Budgets are prepared using the modified accrual basis of accounting, except the Special Revenue Fund. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

All budget amendments / transfers must be approved by Board resolution. All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally-authorized revisions of the annual budgets during the year). The over-expenditures in the general fund are due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent over-expenditures.

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

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

E. Cash and Cash Equivalents

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

F. Tuition Receivable/Payable

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined. These adjustments are recorded upon certification by the State Department of Education, which is two years following the contract year. The cumulative adjustments through June 30, 2013 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, 2013

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. The District uses the consumption method to account for inventories. At June 30, 2013, the unused Food Donation Program Commodities of \$1,573 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, 2013

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, 2013, a liability existed for compensated absences in the government-wide financial statements in the amount of \$2,322,629 and no liability existed for compensated absences in the proprietary fund types.

K. Unearned Revenue

Unearned 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, 2013.

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 position.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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 outstanding debt service.

M. Fund Balances

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

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Of the \$9,388,133 of fund balance in the General Fund, \$305 of encumbrances is assigned to other purposes, \$1,551,784 has been restricted in the capital reserve account, \$5,416,837 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$2,419,207 is classified as unassigned.

N. Net Position

Implementation of GASB No. 63

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Implementation of GASB No. 65

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred and inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District has not completed the process of evaluating the impact that will result from adopting GASB No. 65.

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. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2013 through December 2, 2013, 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the funds. This difference represents adjustments to increase fund balance-total governmental funds to arrive at net position – governmental activities of \$2,322,629.

3. Deposits and Investments

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

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

Deposits

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

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

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

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

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

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2013, the District's carrying amount of deposits was \$5,661,580 and the bank balance was \$6,609,733. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2013 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the remaining bank balance of \$6,359,733.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

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 and New Jersey Asset and Rebate Management Fund.

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as an 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, 2013, the District's balance was \$2,927,931 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

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

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2013, the District's investments were invested in the NJCMF.

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

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 290,375	\$ 296,667		\$ 587,042
Total capital assets, not being depreciated:	290,375	296,667		587,042
Capital assets, being depreciated:				
Site improvements	\$ 462,249			462,249
Buildings & building improvements	52,996,544	23,596		53,020,140
Machinery and equipment	852,159	39,435	\$ (58,462)	833,132
Total capital assets, being depreciated	54,310,952	63,031	(58,462)	54,315,521
Less accumulated depreciation for:				
Site improvements	(343,430)	(11,983)		(355,413)
Buildings & building improvements	(15,030,211)	(1,060,596)		(16,090,807)
Machinery and equipment	(387,550)	(60,822)	38,907	(409,465)
Total accumulated depreciation	(15,761,191)	(1,133,401)	38,907	(16,855,685)
Total capital assets, being depreciated, net	38,549,761	(1,070,370)	(19,555)	37,459,836
Governmental activities capital assets, net	\$ 38,840,136	\$ (773,703)	\$ (19,555)	\$ 38,046,878

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

4. Capital Assets (continued)

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

Special education instruction	\$	638,263
School sponsored instruction		1,595
Student and instruction related services		298,461
School administrative services		47,577
General administrative services		12,297
Central services		28,866
Administrative information technology		14,241
Plant operations and maintenance		90,730
Pupil transportation		1,371
	<u>\$</u>	<u>1,133,401</u>

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2013:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
<i>Capital assets being depreciated:</i>			
Site Improvements	\$ 9,500		\$ 9,500
Equipment	270,377	\$ 18,080	288,457
Building and Building Improvements	291,975		291,975
Less accumulated depreciation	<u>(208,907)</u>	<u>(39,308)</u>	<u>(248,215)</u>
Total business-type activities			
Capital assets, net	<u>\$ 362,945</u>	<u>\$ (21,228)</u>	<u>\$ 341,717</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental activities:					
Compensated absences payable	\$ 2,218,385	\$ 218,343	\$ 114,099	\$ 2,322,629	\$ 96,054
Capital lease	17,349	-	17,349	-	-
Governmental activities long-term liabilities	<u>\$ 2,235,734</u>	<u>\$ 218,343</u>	<u>\$ 131,448</u>	<u>\$ 2,322,629</u>	<u>\$ 96,054</u>

The District expects to liquidate the compensated absences payable with payments made from the District's general fund.

Bonds Payable and Bonds Authorized but Not Issued

As of June 30, 2013, the District had no bonds payable and no authorized but not issued bonds.

Operating Leases

The District has commitments to lease copy machines and a laminator under operating leases that expire in fiscal year 2016. Total operating lease payments made during the year ended June 30, 2013 were \$56,244. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2014	\$ 31,523
2015	19,868
2016	<u>6,126</u>
Total minimum lease payments	<u>\$ 57,517</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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 District and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

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

Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

Public Employee's Retirement System

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

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

Funding Policy

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

During the year ended June 30, 2013, the State of New Jersey contributed \$2,351,124 to the TPAF for on-behalf 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 \$1,087,992 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions for the normal costs of PERS for each of the years ended June 30, 2013, 2012 and 2011 were \$250,625, \$302,222, and \$363,215, respectively.

7. Post-Retirement Benefits

Plan Description

The District contributes to the New Jersey School Employees Health Benefits Program ("SEHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SEHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The School Employees 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 SEHBP. 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, 2013

7. Post-Retirement Benefits (continued)

Funding Policy

P.L. 1987, Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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, 2012, there were 97,661 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

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 SEHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2013, 2012 and 2011 were \$1,247,697, \$1,065,980, and \$1,243,108, respectively, which equaled the required contributions for each year. The State's contributions to the SEHBP 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, 2013

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 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:

<u>Fiscal Year</u>	<u>Board and RDS Contributions</u>	<u>Employee Contributions</u>	<u>Interest on Investments</u>	<u>Amount Paid or Accrued</u>	<u>Ending Balance</u>
2012-13	\$ 55,706	\$ 42,589	\$ 50	\$ 15,122	\$ 146,226
2011-12	113,035	40,732	18	130,137	63,003
2010-11	215,000	60,820	83	319,476	39,355

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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.

The plan members' contributions to the deferred compensation plans for the years ended June 30, 2013, 2012 and 2011 were \$1,074,306, \$1,129,485, and \$1,065,148, respectively. The District does not contribute to these plans on behalf of plan members.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District are as follows at June 30, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,515,341	\$ 3,812
Special Revenue Fund		95,540
Capital Projects Fund		141,340
Special Aides Enterprise Fund		348,590
Cooperative Transportation Enterprise Fund		929,871
Payroll Agency Fund	3,812	
	<u>\$ 1,519,153</u>	<u>\$ 1,519,153</u>

The interfund receivable of \$1,515,341 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$95,540, the Capital Projects Fund for \$141,340, the Special Aides Enterprise Fund for \$348,590 and the Cooperative Transportation Enterprise Fund for \$929,871, which represents funds advanced to these funds to cover temporary cash flow shortages. The interfund receivable in the Payroll Agency Fund is offset with an interfund payable amount in the General Fund for \$3,812, which represents funds held on-behalf of others for payroll related liabilities that were not transferred to the Payroll Agency Fund prior to year end. All interfunds are expected to be repaid within one year.

11. Economic Dependency

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

12. Contingent Liabilities

The District is also involved in 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.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

13. Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$ 1,151,066
Increased by:	
Interest earnings	718
Deposit approved in June 2013 Board Resolution	400,000
Ending balance, June 30, 2013	<u>\$ 1,551,784</u>

At June 30, 2013, 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, 2013 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$305.

The District also has \$26,428 of encumbrances outstanding at June 30, 2013 for various construction contracts recorded in the capital projects fund. The encumbrances were offset against an undesignated deficit.

15. Restricted Assets

The District has \$1,551,784 of capital reserve funds that are classified as restricted assets on the statement of net position 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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, 2013

	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	28,615,587	\$ (1,353,747)	27,261,840	27,139,591	\$ (122,249)
Other Tuition	3,052,142	136,413	3,188,555	3,364,102	175,547
Non-Resident Fees	163,800		163,800	174,791	10,991
Interest Earned			22,000	13,206	(8,794)
Interest Earned on Capital Reserve Funds	1,000		1,000	718	(282)
Unrestricted Miscellaneous Revenues	400,250		381,250	323,430	(57,820)
Total Local Sources	35,103,308	(1,217,334)	33,888,974	33,886,367	(2,607)
State Sources:					
On-Behalf TPAF Pension Contributions				2,351,124	2,351,124
Reimbursed TPAF Social Security				1,087,992	1,087,992
Total State Sources				3,439,116	3,439,116
Federal Sources:					
Medicaid Reimbursement	240,000		240,000	308,719	68,719
Total Federal Sources	240,000		240,000	308,719	68,719
Total Revenues	35,343,308	(1,217,334)	34,128,974	37,634,202	3,505,228
EXPENDITURES:					
Current Expense:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	754,324	(45,054)	709,270	570,106	139,164
Other Salaries for Instruction	233,207		233,207	168,054	65,153
General Supplies	9,000		9,000	8,743	257
Textbooks	2,500		2,500	649	1,851
Other Objects	2,500		2,500	1,809	691
Total Behavioral Disabilities	1,001,531	(45,054)	956,477	749,361	207,116
Multiple Disabilities:					
Salaries of Teachers	3,708,906	32,764	3,741,670	3,741,666	4
Other Salaries for Instruction	1,665,902	(21,148)	1,644,754	1,626,226	18,528
Other Purchased Services	1,500		1,500	53	1,447
General Supplies	123,707	(17,471)	106,236	95,983	10,253
Textbooks	14,300		14,300	2,947	11,353
Other Objects	3,700		3,700	3,063	637
Total Multiple Disabilities	5,518,015	(5,855)	5,512,160	5,469,938	42,222
Autism:					
Salaries of Teachers	2,457,346	(101,389)	2,355,957	2,266,017	89,940
Other Salaries for Instruction	1,528,439	84,644	1,613,083	1,584,649	28,434
General Supplies	26,550	1,150	27,700	21,822	5,878
Textbooks	3,200	(1,150)	2,050	746	1,304
Other Objects	3,400		3,400	550	2,850
Total Autism	4,018,935	(16,745)	4,002,190	3,873,784	128,406
Preschool Disabilities - Full-Time:					
Salaries of Teachers	547,521	79,429	626,950	623,923	3,027
Other Salaries for Instruction	440,204	(25,854)	414,350	414,350	
General Supplies	15,000	4,032	19,032	19,032	
Other Objects	200	(200)			
Total Preschool Disabilities - Full-Time	1,002,925	57,407	1,060,332	1,057,305	3,027
Extended School Year:					
Salaries of Teachers	1,442,954	(37,400)	1,405,554	1,405,554	
Salaries of Supervisors of Instruction	228,210	(120,361)	107,849	107,849	
Other Salaries for Instruction	807,571	(18,950)	788,621	788,621	
Other Purchased Services	86,784	50,024	136,808	136,808	
Total Extended School Year	2,565,519	(126,687)	2,438,832	2,438,832	
Cognitive - Severe:					
Salaries	749,628	(4,029)	745,599	745,599	
Other Salaries for Instruction	576,224	19,371	595,595	595,595	
General Supplies	17,700	(1,751)	15,949	15,949	
Textbooks	1,000	(1,000)			
Other Objects	1,700	(1,700)			
Total Cognitive - Severe	1,346,252	10,891	1,357,143	1,357,143	
Total Special Education - Instruction	15,453,177	(126,043)	15,327,134	14,946,363	380,771
School-Sponsored Co Curriculum Instruction:					
Salaries	25,897	(745)	25,154	22,332	2,822
Supplies and Materials	15,000	743	15,743	15,576	167
Total School-Sponsored Co/Extra-Curr. Activities - Instruction	40,897	-	40,897	37,908	2,989
Total Instruction	15,494,074	(126,043)	15,368,031	14,984,271	383,760

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (CONTINUED):					
Undistributed Expenditures					
Health Services:					
Salaries	\$ 485,836	\$ 16,223	\$ 502,059	\$ 502,059	
Purchased Professional and Technical Services	46,500	(1,978)	44,522	44,522	
Other Purchased Services	2,630	(1,137)	1,493	1,493	
Supplies and Materials	18,000	(2,021)	15,979	15,979	
Total Health Services	552,966	11,087	564,053	564,053	
Other Support Serv. - Students - Related Services:					
Salaries	4,125,549	(149,549)	3,976,000	3,968,702	\$ 7,298
Purchased Professional - Educational Services	60,000	149,801	209,801	201,890	7,911
Supplies and Materials	22,675	(5,771)	16,904	16,744	160
Total Other Support Serv. - Students - Related Services	4,208,224	(5,519)	4,202,705	4,187,336	15,369
Child Study Team:					
Salaries of Other Professional Staff	1,111,461	(9,238)	1,102,223	989,687	112,536
Purchased Professional - Educational Services	250		250	250	
Supplies and Materials	1,950	3,238	5,188	4,314	874
Total Child Study Team	1,113,661	(6,000)	1,107,661	994,001	113,660
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	144,974		144,974	131,105	13,869
Salaries of Other Professional Staff	124,747		124,747	110,798	13,949
Salaries of Secretarial and Clerical Assistants	177,902		177,902	164,467	13,435
Other Salaries	97,535		97,535	89,567	7,968
Other Purchased Services	33,000	(3,124)	29,876	21,204	8,672
Supplies and Materials	3,100	2,623	5,723	4,931	792
Other Objects	4,500	(1,999)	2,501	1,916	585
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	585,758	(2,500)	583,258	523,988	59,270
Educational Media Services/School Library:					
Salaries	134,140		134,140	122,383	11,757
Supplies and Materials	10,950		10,950	7,774	3,176
Total Educational Media Services/School Library	145,090		145,090	130,157	14,933
Instructional Staff Training Services:					
Other Salaries	1,500		1,500	400	1,100
Other Purchased Professional and Technical Services	16,500	5,000	21,500	18,461	3,039
Other Purchased Services	8,800	(2,800)	6,000	1,759	4,241
Supplies and Materials	250	300	550	405	145
Total Instructional Staff Training Services	27,050	2,500	29,550	21,025	8,525
Support Services - General Administration:					
Salaries	77,276		77,276	76,886	390
Legal Services	77,189		77,189	63,521	13,668
Architectural/Engineering Services	10,000		10,000		10,000
Other Purchased Professional Services	50,000	(7,600)	42,400	42,400	
Purchased Technical Services	16,200	(9,730)	6,470	3,990	2,480
Communications/Telephone	94,858	(15,166)	79,692	33,756	45,936
BOE Other Purchased Services	10,000		10,000	3,866	6,134
Other Purchased Services	31,250		31,250	29,348	1,902
General Supplies	2,500		2,500	2,229	271
Judgments Against School District	1,000	32,496	33,496	28,055	5,441
Miscellaneous Expenditures	3,700		3,700	1,922	1,778
BOE Membership Dues and Fees	7,500		7,500	6,188	1,312
Total Support Services - General Administration	381,473		381,473	292,161	89,312
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	405,588		405,588	376,813	28,775
Salaries of Other Professional Staff	410,023		410,023	352,707	57,316
Salaries of Secretarial and Clerical Assistants	343,693		343,693	316,808	26,885
Other Purchased Services	50,505	(2,525)	47,980	42,723	5,257
Supplies and Materials	34,305	5,132	39,437	36,004	3,433
Other Objects	10,050	(2,607)	7,443	5,362	2,081
Total Support Services - School Administration	1,254,164		1,254,164	1,130,417	123,747
Support Services - Central Services:					
Salaries	754,950	(1,000)	753,950	630,756	123,194
Purchased Technical Services	25,305		25,305	23,469	1,836
Miscellaneous Purchased Services	16,460	7,000	23,460	17,307	6,153
Supplies and Materials	12,200	(4,000)	8,200	7,862	338
Miscellaneous Expenditures	11,500	(2,000)	9,500	6,450	3,050
Total Support Services - Central Services	820,415		820,415	685,844	134,571
Support Services - Admin. Info. Tech. Services:					
Salaries	239,513		239,513	220,190	19,323
Purchased Professional Services	14,846	(6,500)	8,346	6,675	1,671
Other Purchased Services	1,000	(1,000)			
Supplies and Materials	61,536	1,814	63,350	52,674	10,676
Other Objects	63,600	(4,695)	58,905	58,831	74
Total Support Services - Admin. Info. Tech. Services	380,495	(10,381)	370,114	338,370	31,744
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	81,042		81,042	81,042	
Required Maintenance for School Facilities	81,042		81,042	81,042	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (CONTINUED):					
Other Oper. & Maint. of Plant:					
Salaries	\$ 970,746		\$ 970,746	\$ 792,903	\$ 177,843
Purchased Professional and Technical Services	49,190	\$ 6,000	55,190	54,880	310
Cleaning, Repair and Maintenance Services	238,704	(6,650)	232,054	180,314	51,740
Other Purchased Property Services	73,300	(2,890)	70,410	48,699	21,711
Insurance	142,780	7,427	150,207	150,207	
Miscellaneous Purchased Services	700	1,000	1,700	845	855
General Supplies	135,000	(5,000)	130,000	115,366	14,634
Energy (Natural Gas)	234,000		234,000	154,781	79,219
Energy (Electricity)	932,000		932,000	576,406	355,594
Other Objects	350		350	275	75
Total Other Oper. & Maint. of Plant:	2,776,770	(113)	2,776,657	2,074,676	701,981
Student Transportation Services:					
Cleaning, Repair and Maintenance Services	4,000	2,249	6,249	5,233	1,016
Contracted Services (Other Than Bet. Home & School) - Vendors	13,289		13,289	11,944	1,345
Miscellaneous Purchased Services - Transportation	18,370	(2,249)	16,121	15,371	750
Total Student Transportation Services	35,659	-	35,659	32,548	3,111
Special Programs - Instruction - Employee Benefits:					
Social Security Benefits	189,623	(189,623)			
Health Benefits	297,000	(297,000)			
Total Special Programs - Instruction - Employee Benefits	486,623	(486,623)			
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	561,125	189,142	750,267	719,957	30,310
TPAF Contribution - ERIP	47,532		47,532	46,653	879
Other Retirement Contributions - PERS	1,093,403		1,093,403	855,890	237,513
Unemployment Compensation	145,000	(89,294)	55,706	55,706	
Workmen's Compensation	825,590	81,867	907,457	871,221	36,236
Health Benefits	6,149,568	498,469	6,648,037	5,877,763	770,274
Tuition Reimbursement	51,500		51,500	23,528	27,972
Other Employee Benefits	270,144	62,142	332,286	264,947	67,339
Total Unallocated Benefits - Employee Benefits	9,143,862	742,326	9,886,188	8,715,665	1,170,523
On-behalf payments:					
On-Behalf TPAF Pension Contributions				2,351,124	(2,351,124)
Reimbursed TPAF Social Security				1,087,992	(1,087,992)
Total On-Behalf Contributions				3,439,116	(3,439,116)
Total Undistributed Expenditures	21,993,252	244,777	22,238,029	23,210,399	(972,370)
Total Expenditures - Current Expense	37,487,326	118,734	37,606,060	38,194,670	(588,610)
CAPITAL OUTLAY					
Increase in Capital Reserve	200,000	(200,000)			
Interest Deposit To Capital Reserve	1,000	(1,000)			
Total Increase in Capital Reserve	201,000	(201,000)			
Equipment:					
Multiple Disabilities	9,000	(9,000)			
Undist. Expend. - Admin. Info. Technology Services	4,000	10,381	14,381	14,381	
Undist. Expend. - Operation & Maint. of Plant Services	5,000	22,395	27,395	25,240	2,155
Special Schools All Programs - Student Transportation	18,000		18,000	17,880	120
Total Equipment	36,000	23,776	59,776	57,501	2,275
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	15,000		15,000		
Construction Services	185,000		185,000	12,469	172,531
Total Facilities Acquisition and Construction Services	200,000		200,000	12,469	187,531
Total Expenditures - Capital Outlay	437,000	(177,224)	259,776	69,970	189,806
Total Expenditures	37,924,326	(58,490)	37,865,836	38,264,640	(398,804)
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	(2,581,018)	(1,158,844)	(3,739,862)	(630,438)	3,106,424
Fund Balances, July 1	10,018,571		10,018,571	10,018,571	
Fund Balances, June 30	\$ 7,437,553	\$ (1,158,844)	\$ 6,281,709	\$ 9,388,133	\$ 3,106,424
Recapitulation of (Deficiency) excess of revenues (under) over expenditures and other financing (uses)					
Budgeted Fund Balance	\$ (2,367,279)	\$ (1,355,844)	\$ (3,723,123)	(1,017,417)	\$ 2,705,706
Increase in Capital Reserve	(200,000)	200,000		400,718	400,718
Adjustment for prior year encumbrances	(13,739)		(13,739)	(13,739)	
Total	\$ (2,581,018)	\$ (1,155,844)	\$ (3,736,862)	\$ (630,438)	\$ 3,106,424
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 1,551,784	
Assigned to:					
Designated for Subsequent Years Expenditures				5,416,837	
Encumbrances				305	
Unassigned Fund Balance				2,419,207	
Fund Balance per Governmental Funds (GAAP and budgetary basis)				\$ 9,388,133	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
State Sources	\$ 357,369	\$ 287,519	\$ 644,888	\$ 600,775	\$ (44,113)
Federal Sources	90,918	1,715	92,633	58,739	(33,894)
Other Sources	172,311	52,040	224,351	224,351	
Total Revenues	620,598	341,274	961,872	883,865	(78,007)
Expenditures:					
Instruction:					
Salaries of Teachers	50,000		50,000	46,539	3,461
Other Salaries	322,267	(117,737)	204,530	167,882	36,648
Purchased Professional/Technical Services		4,125	4,125	4,125	
Total Instruction	372,267	(113,612)	258,655	218,546	40,109
Support Services:					
Salaries	248,331	189,810	438,141	416,784	21,357
Personal Services - Employee Benefits		152,206	152,206	143,862	8,344
Purchased Property Services		26,755	26,755	22,509	4,246
Miscellaneous Purchased Services		8,404	8,404	8,223	181
Travel		2,837	2,837	2,503	334
Supplies & Materials		21,874	21,874	18,739	3,135
Miscellaneous Expenditures		50,905	50,905	50,604	301
Total Support Services	248,331	452,791	701,122	663,224	37,898
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Instructional Equipment		2,095	2,095	2,095	
Total Capital Outlay	-	2,095	2,095	2,095	-
Total Expenditures	620,598	341,274	961,872	883,865	78,007
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, 2013

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

	Special Revenue Fund
	<u> </u>
SOURCES/INFLOWS OF RESOURCES	
Actual amounts (budgetary) "revenues" from the Budgetary Comparison Schedules (C-2)	\$ 883,865
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Prior Year Encumbrances	<u>7,547</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 891,412</u>
USES/OUTFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-2)	\$ 883,865
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.	
Prior Year Encumbrances	<u>7,547</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 891,412</u>

Supplementary Information

Special Revenue Fund

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year ended June 30, 2013

	Projects Adult County	Case Management - Special Child Health Services		Clinic Project Program Child
	<u>County</u>	<u>State</u>	<u>County</u>	<u>Child</u>
Revenues:				
State Sources		\$ 252,197		
Federal Sources				
Other Sources	\$ 100,000		\$ 104,345	\$ 19,329
Total Revenues	<u>\$ 100,000</u>	<u>\$ 252,197</u>	<u>\$ 104,345</u>	<u>\$ 19,329</u>
Expenditures:				
Instruction:				
Salaries of Teachers				
Other Salaries				
Purchased Professional-Technical Services				
Total Instruction				
Support Services:				
Salaries	\$ 69,775	\$ 204,453	\$ 82,857	\$ 18,743
Personal Services - Employee Benefits	27,637	37,214	21,488	
Purchased Property Services				
Miscellaneous Purchased Services		4,319		
Travel	291	2,000		
Supplies & Materials	2,297	2,116		586
Miscellaneous Expenditures				
Total Support Services	<u>100,000</u>	<u>250,102</u>	<u>104,345</u>	<u>19,329</u>
Capital Outlay:				
Instructional Equipment		2,095		
Total Capital Outlay		<u>2,095</u>		
Total Expenditures	<u>\$ 100,000</u>	<u>\$ 252,197</u>	<u>\$ 104,345</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, 2013

	Youth Corp	WIA Out-of-School Youth	State Farm	FEMA	Totals
Revenues:					
State Sources	\$ 348,578				\$ 600,775
Federal Sources		\$ 46,218		\$ 12,521	58,739
Other Sources			\$ 677		224,351
Total Revenues	<u>\$ 348,578</u>	<u>\$ 46,218</u>	<u>\$ 677</u>	<u>\$ 12,521</u>	<u>\$ 883,865</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 46,539				\$ 46,539
Other Salaries	130,051	\$ 37,831			167,882
Purchased Professional-Technical Services	4,125				4,125
Total Instruction	<u>180,715</u>	<u>37,831</u>			<u>218,546</u>
Support Services:					
Salaries	39,842			\$ 1,114	416,784
Personal Services - Employee Benefits	52,887	4,636			143,862
Purchased Property Services	11,777			10,732	22,509
Miscellaneous Purchased Services	3,904				8,223
Travel	212				2,503
Supplies & Materials	9,412	3,653		675	18,739
Miscellaneous Expenditures	49,829	98	\$ 677		50,604
Total Support Services	<u>167,863</u>	<u>8,387</u>	<u>\$ 677</u>	<u>12,521</u>	<u>663,224</u>
Capital Outlay:					
Instructional Equipment					2,095
Total Capital Outlay					<u>2,095</u>
Total Expenditures	<u>\$ 348,578</u>	<u>\$ 46,218</u>	<u>\$ 677</u>	<u>\$ 12,521</u>	<u>\$ 883,865</u>

Capital Projects Fund

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, 2013

	<u>Current Year</u>
Revenues:	
County Sources	\$ 397,500
Total Revenues	<u>397,500</u>
Expenditures:	
Construction Services	<u>296,667</u>
Total Expenditures	<u>296,667</u>
Excess of Revenues Over Expenditures	100,833
Fund Balance, July 1	660,125
Fund Balance, June 30	<u>\$ 760,958</u>
 <u>Reconciliation to GAAP Financial statements</u>	
Fund Balance, June 30, 2013 - Budgetary - Basis	\$ 760,958
GAAP Basis Revenues Not Recognized	<u>(760,958)</u>
Fund Balance, June 30, 2013 - 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 Drivivt Replacement

Year ended June 30, 2013

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 950,500	\$ 397,500	\$ 1,348,000	\$ 1,348,000
Total Revenues	950,500	397,500	1,348,000	1,348,000
Expenditures and Other Financing Sources:				
Construction Services	290,375	296,667	587,042	1,348,000
Total Expenditures	290,375	296,667	587,042	1,348,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 660,125	\$ 100,833	\$ 760,958	\$ -

Additional Project Information:

Project Number	3103-055-02-0690
Grant Date/Letter of Notification	various
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 950,500
Additional Authorized Cost	397,500
Revised Authorized Cost	1,348,000
Percentage Increase over Original Authorized Cost	79%
Percentage Completion	43.55%
Original Target Completion Date	November 2011
Revised Target Completion Date	Not determinable

Enterprise Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2013

	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	
Assets										
Current Assets:										
Cash and Cash Equivalents	\$ 26,861		\$ 111,394	\$ 476,689		\$ 35,562	\$ 441,831		\$ 7,003	\$ 1,099,340
Accounts Receivable:										
State	1,289									1,289
Federal	67,111									67,111
Other		\$ 929,871	438,881				39,294	\$ 393,846		1,801,892
Inventories	42,079								3,127	45,206
Total Current Assets	<u>137,340</u>	<u>929,871</u>	<u>550,275</u>	<u>476,689</u>	<u>\$ -</u>	<u>35,562</u>	<u>481,125</u>	<u>393,846</u>	<u>10,130</u>	<u>3,014,838</u>
Capital Assets										
Site Improvements			9,500							9,500
Equipment	200,360		30,944	10,399			46,754			288,457
Building and Building Improvements			291,975							291,975
Accumulated Depreciation	(167,548)		(59,035)	(2,253)			(19,379)			(248,215)
Total Capital Assets, Net	<u>32,812</u>		<u>273,384</u>	<u>8,146</u>			<u>27,375</u>			<u>341,717</u>
Total Assets	<u>170,152</u>	<u>929,871</u>	<u>823,659</u>	<u>484,835</u>	<u>-</u>	<u>35,562</u>	<u>508,500</u>	<u>393,846</u>	<u>10,130</u>	<u>3,356,555</u>
Liabilities										
Interfund Payable		929,871						348,590		1,278,461
Accounts Payable	83,581		59,771	489			2,095	44,549		190,485
Unearned Revenue	1,573									1,573
Total Liabilities	<u>85,154</u>	<u>929,871</u>	<u>59,771</u>	<u>489</u>			<u>2,095</u>	<u>393,139</u>		<u>1,470,519</u>
Net Position										
Net Investment in Capital Assets	32,812		273,384	8,146			27,375			341,717
Unrestricted	52,186	-	490,504	476,200		35,562	479,030	707	10,130	1,544,319
Total Net Position	<u>\$ 84,998</u>	<u>\$ -</u>	<u>\$ 763,888</u>	<u>\$ 484,346</u>	<u>\$ -</u>	<u>\$ 35,562</u>	<u>\$ 506,405</u>	<u>\$ 707</u>	<u>\$ 10,130</u>	<u>\$ 1,886,036</u>

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

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2013

	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	\$ 60,524									\$ 60,524
Daily Sales - Non-Reimbursable Programs	15,889									15,889
Transportation Fees		\$ 5,674,330								5,674,330
Non-Resident Fees			\$ 28,760							28,760
Miscellaneous						\$ 18,775	\$ 117,655	\$ 2,086,195	\$ 72,967	2,295,592
Tuition			2,058,694							2,058,694
Total Operating Revenues	76,413	5,674,330	2,087,454	\$ -	\$ -	18,775	117,655	2,086,195	72,967	10,133,789
Operating Expenses:										
Salaries	156,767	204,715	1,807,208	42,542	14,800	6,817	76,250	1,327,058		3,636,157
Employee Benefits	49,434	56,013	500,163	9,287			7,557	758,430		1,380,884
Purchased Professional/Technical Services	257	4,000	10,866	2,466						17,589
Cleaning, Repair and Maintenance	21,000								2,363	23,363
Contracted Services		5,404,714								5,404,714
Other Purchased Services			31,163							31,163
Insurance	8,326		21,511							29,837
Miscellaneous Purchased Services	614			5,923			350			6,887
Supplies and Materials	21,170	1,032	45,112		1,513	911	50,198		61,843	181,779
Energy	1,038		66,282							67,320
Telephone/Communications/Postage	896	1,903	11,502				1,608			15,909
Textbooks			3,673							3,673
Transportation			1,500							1,500
Travel							501			501
Cost of Sales	187,369									187,369
Miscellaneous Expenditures	2,810	1,953							917	5,680
Admin & Supervision	24,265									24,265
Other	5,212	202	3,227				11,767			20,408
Depreciation Expense	13,357		18,988	2,080	4,623		260			39,308
Total Operating Expenses	492,515	5,674,532	2,521,195	62,298	20,936	7,728	148,491	2,085,488	65,123	11,078,306
Operating (Loss) Income	(416,102)	(202)	(433,741)	(62,298)	(20,936)	11,047	(30,836)	707	7,844	(944,517)
Nonoperating Revenues:										
Local Sources:										
Interest on Investments	21									21
State Sources:										
State School Lunch Program	5,445									5,445
Federal Sources:										
National School Lunch Program	232,906									232,906
National School Breakfast Program	114,685									114,685
Food Donation Program	31,005									31,005
Total Nonoperating Revenues	384,062									384,062
Income (Loss) Before Contributions and Transfers	(32,040)	(202)	(433,741)	(62,298)	(20,936)	11,047	(30,836)	707	7,844	(560,455)
Transfers In							46,285			46,285
Transfers Out							(46,285)			(46,285)
Change in Net Position	(32,040)	(202)	(433,741)	(62,298)	(67,221)	11,047	15,449	707	7,844	(560,455)
Total Net Position - Beginning	117,038	202	1,197,629	546,644	67,221	24,515	490,956	-	2,286	2,446,491
Total Net Position - Ending	\$ 84,998	\$ -	\$ 763,888	\$ 484,346	\$ -	\$ 35,562	\$ 506,405	\$ 707	\$ 10,130	\$ 1,886,036

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

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year ended June 30, 2013

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	\$ 76,413	\$ 5,216,976	\$ 2,083,956	\$ 59,829	\$ 4,400	\$ 18,775	\$ 108,410	\$ 1,964,535	\$ 72,967	\$ 9,606,271
Payments to Employees	(156,767)	(204,715)	(1,807,208)	(42,053)	(14,800)	(6,817)	(76,250)	(1,327,058)		(3,635,668)
Payments for Employee Benefits	(49,434)	(56,013)	(500,163)	(9,287)			(7,557)	(758,430)		(1,380,884)
Payments to Suppliers	(198,938)	(5,413,804)	(170,776)	(8,389)	(1,513)	(911)	(62,737)	44,549	(66,203)	(5,878,722)
Net Cash (Used In) / Provided By Operating Activities	(328,726)	(457,556)	(394,181)	100	(11,913)	11,047	(38,134)	(76,404)	6,764	(1,289,003)
Cash Flows From Noncapital Financing Activities:										
Cash Received From State and Federal Reimbursements	334,406									334,406
Cash transfer from realignment of enterprise funds					(34,230)		34,230			-
Advances from other funds		457,556						76,404		533,960
Net Cash Provided By Noncapital Financing Activities	334,406	457,556			(34,230)		34,230	76,404		868,366
Cash Flows From Capital and Related Financing Activities:										
Purchase of Capital Assets - Equipment			(2,500)				(15,580)			(18,080)
Net Cash (Used In) Capital and Related Financing Activities			(2,500)				(15,580)			(18,080)
Cash Flows From Investing Activities:										
Interest income	21									21
Net Cash Provided By Investing Activities	21									21
Net (Decrease) Increase in Cash and Cash Equivalents	5,701		(396,681)	100	(46,143)	11,047	(19,484)		6,764	(438,696)
Cash and Cash Equivalents, Beginning of Year	21,160		508,075	476,589	46,143	24,515	461,315		239	1,538,036
Cash and Cash Equivalents, End of Year	\$ 26,861	\$ -	\$ 111,394	\$ 476,689	\$ -	\$ 35,562	\$ 441,831	\$ -	\$ 7,003	\$ 1,099,340
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:										
Operating (Loss) Income	\$ (416,102)	\$ (202)	\$ (433,741)	\$ (62,298)	\$ (20,936)	\$ 11,047	\$ (30,836)	707	\$ 7,844	\$ (944,517)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:										
Depreciation	13,357		18,988	2,080	4,623		260			39,308
Changes in Assets and Liabilities:										
(Increase) Decrease in Accounts Receivable	22,032	(457,354)	(3,488)	59,829	4,400		(9,245)	(121,660)		(505,486)
(Increase) in Inventory	(5,987)								(135)	(6,122)
(Decrease) Increase in Accounts Payable	57,974		24,060	489			1,687	44,549	(945)	127,814
Net Cash (Used In) / Provided By Operating Activities	(328,726)	(457,556)	(394,181)	100	(11,913)	11,047	(38,134)	(76,404)	6,764	(1,289,003)

Noncash Noncapital Financing Activities

The District received \$31,780 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2013.

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Trust				Agency		
	Donation	AFLAC	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets:							
Cash and Cash Equivalents	\$ 20,952	\$ 33	\$ 146,226	\$ 167,211	\$ 16,183	\$ 232,274	\$ 248,457
Interfund Receivable						3,812	3,812
Total Assets	20,952	33	146,226	167,211	16,183	232,274	252,269
Liabilities:							
Payroll Deductions and Withholdings						\$ 236,086	\$ 236,086
Due to Student Groups					\$ 16,183		16,183
Total Liabilities					16,183	236,086	252,269
Net Position:							
Held in Trust for Unemployment			146,226	146,226			
Held in Trust for Scholarships and Other Purposes	20,952	33		20,985			
Total Net Position	\$ 20,952	\$ 33	\$ 146,226	\$ 167,211			

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Capello	\$ 3,832	\$ 1,459	\$ 3,139	\$ 2,152
High School	11,130	32,156	32,643	10,643
Regional Day	5,584	1,422	3,618	3,388
Total	<u>\$ 20,546</u>	<u>\$ 35,037</u>	<u>\$ 39,400</u>	<u>\$ 16,183</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

June 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Assets				
Cash and Cash Equivalents	\$ 220,482	\$ 30,355,740	\$ 30,343,948	\$ 232,274
Interfund Receivable		3,812		3,812
Total Assets	<u>\$ 220,482</u>	<u>\$ 30,359,552</u>	<u>\$ 30,343,948</u>	<u>\$ 236,086</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 220,482	\$ 30,359,552	\$ 30,343,948	\$ 236,086
Total Liabilities	<u>\$ 220,482</u>	<u>\$ 30,359,552</u>	<u>\$ 30,343,948</u>	<u>\$ 236,086</u>

Long-Term Debt

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year ended June 30, 2013

	Interest Rate	Amount of Original Issue	Balance July 1, 2012	Retired	Balance June 30, 2013
First Hope Bank - Bus	3.19%	\$ 69,342	\$ 17,349	\$ 17,349	\$ -
			<u>\$ 17,349</u>	<u>\$ 17,349</u>	<u>\$ -</u>

Statistical Section
(Unaudited)

Statistical Section
Unaudited

Contents

Financial Trends

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

Demographic and Economic Information

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

Operating Information

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

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future. These schedules are not applicable to Mercer County Special Services School District as the district does not hold any debt.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

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

	As of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Government Activities:										
Net Investment in Capital Assets	\$ 12,149,078	\$ 6,879,807	\$ 11,194,576	\$ 12,052,157	\$ 38,326,912	\$ 41,004,526	\$ 40,373,584	\$ 39,417,476	\$ 38,822,787	\$ 38,046,878
Restricted	591,693	6,567,558	737,150	658,289	1,726,193	2,556,854	499,821	750,824	1,151,066	1,551,784
Unrestricted	1,766,911	940,437	645,526	2,632,365	1,608,031	2,843,187	3,894,508	5,812,175	6,649,120	5,513,720
Total Government Activities Net Position	\$ 14,507,682	\$ 14,387,802	\$ 12,577,252	\$ 15,342,811	\$ 41,661,136	\$ 46,204,567	\$ 44,767,913	\$ 45,980,475	\$ 46,622,973	\$ 45,112,382
Business-Type Activities:										
Net Investment in Capital Assets		\$ 20,977	\$ 241,127	\$ 297,513	\$ 1,159,833	\$ 107,121	\$ 285,595	\$ 372,482	\$ 362,945	\$ 341,717
Restricted		9,447	1,574,710	1,175	10,852	206,854				
Unrestricted	\$ 2,034,461	1,884,120		2,469,575	2,262,860	1,997,726	2,311,234	2,167,994	2,083,546	1,544,319
Total Business-Type Activities Net Position	\$ 2,034,461	\$ 1,914,544	\$ 1,815,837	\$ 2,768,263	\$ 3,433,545	\$ 2,311,701	\$ 2,596,829	\$ 2,540,476	\$ 2,446,491	\$ 1,886,036
Government-Wide:										
Net Investment in Capital Assets	\$ 12,149,078	\$ 6,900,784	\$ 11,435,703	\$ 12,349,670	\$ 39,486,745	\$ 41,111,647	\$ 40,659,179	\$ 39,789,958	\$ 39,185,732	\$ 38,388,595
Restricted	591,693	6,577,005	2,311,860	659,464	1,737,045	2,563,708	499,821	750,824	1,151,066	1,551,784
Unrestricted	3,801,372	2,824,557	645,526	5,101,940	3,870,891	4,840,913	6,205,742	7,980,169	8,732,666	7,058,039
Total District Net Position	\$ 16,542,143	\$ 16,302,346	\$ 14,393,089	\$ 18,111,074	\$ 45,094,681	\$ 48,516,268	\$ 47,364,742	\$ 48,520,951	\$ 49,069,464	\$ 46,998,418

Source: CAFR Schedule A-1 and District records.

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

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

	Year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental Activities:										
Instruction:										
Special Education	\$ 12,585,281	\$ 15,113,913	\$ 16,629,722	\$ 17,905,103	\$ 18,998,691	\$ 19,014,032	\$ 24,841,406	\$ 23,108,085	\$ 23,177,728	\$ 23,457,196
Other Special Education	947,071	878,575	774,505	908,497	923,038	142,124		50,107	44,458	51,177
Support Services:										
Student and Instruction Related Services	7,121,425	7,349,525	7,826,729	7,644,536	7,735,774	8,000,395	11,074,334	10,695,312	9,831,565	10,565,290
General Administration		449,233	594,214	421,672	339,293	401,045	497,896	449,249	335,027	344,767
School Administrative Services	1,269,621	1,051,697	1,249,443	944,566	1,168,139	1,281,183	1,631,985	1,417,875	1,462,521	1,724,486
Other Administrative Services	2,370,540									
Central Administrative Services		2,130,387	1,531,086	1,701,401	623,804	660,076	1,058,708	883,952	842,546	1,044,154
Administrative Information Technology		528,119	481,806	505,978	512,777	484,963	455,442	429,035	438,483	467,688
Plant Operations and Maintenance	2,766,528	2,044,608	2,079,370	2,272,453	2,473,666	2,439,231	2,999,265	2,943,122	2,829,359	2,661,520
Pupil Transportation	55,724	38,323	30,437	28,580	37,751	25,706	29,498	68,936	19,774	16,594
Unallocated Benefits	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	55,598									
Unallocated Depreciation	621,103	119,923	292,657	311,551						
Total Governmental Activities Expenses	34,573,279	37,356,183	40,785,579	44,443,989	44,651,186	44,413,247	42,588,534	40,045,673	38,981,461	40,332,872
Business-Type Activities:										
Target Evaluation Team	104,509	145,687	14,879							
Project Adults	14,042	11,138	20,211	16,019	6,403	2,159	45,289			
Food Service	382,727	356,757	402,624	398,237	403,871	423,811	423,955	472,240	466,037	492,515
Mercer County Cooperative Transportation System	9,759,321	9,900,971	9,083,414	9,422,281	8,832,061	8,518,210	8,410,047	6,577,813	6,047,738	5,674,532
NJ State Regional Day School at Hamilton	4,278,695	5,450,928	2,439,272	1,450,516	2,018,921	2,242,112	2,237,440	2,257,360	2,207,361	2,521,195
Integrated Preschool	1,248,768	1,290,559	1,102,840	480,392	498,762	217,889	196,322	160,782	231,902	62,298
Integrated Preschool - Carryover				121,546						
Capital Academy		1					20,671			
Assisted Augmentative Technology	45,711	47,491	37,816	51,781	73,911	42,158	47,036	34,813	24,685	20,936
Respite							506			
Clinic Parent							22,296	37,904	26,566	7,728
Community Resources							372,160	274,074	80,279	148,491
Chuck's								82,129	72,387	65,123
Special Aides							1,912,584	1,737,379	1,743,632	2,085,488
Joint Council	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	17,392,132	17,223,100	13,121,398	11,950,599	11,833,929	11,446,339	13,718,444	11,634,494	10,900,587	11,078,306
Total District Expenses	\$ 51,965,411	\$ 54,579,283	\$ 53,906,977	\$ 56,394,588	\$ 56,485,115	\$ 55,859,586	\$ 56,306,978	\$ 51,680,167	\$ 49,882,048	\$ 51,411,178

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

	Year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 2,082,384	1,599,100	963,593	1,137,245	995,847	852,079	\$ 692,465	\$ 502,352	\$ 220,813	\$ 218,546
Student and Instruction Related Services	1,069,584	998,170	1,318,224	929,542	1,078,503	978,777	1,050,167	893,492	683,905	672,866
Unallocated Benefits		1,726,189	1,915,489	3,277,205	3,256,617	2,722,819				
Capital Grants and Contributions								38,274	252,101	296,667
Total Governmental Activities Program Revenues	3,151,968	6,130,381	6,443,855	7,895,468	7,917,420	7,180,260	1,742,632	1,434,118	1,156,819	1,188,079
Business-Type Activities:										
Charges for Services:										
Target Evaluation Team	152,193	133,805								
Project Adults	20,415	5,570	22,952	6,433	12,278		42,974			
Home Instruction			360							
Food Service	118,698	104,492	118,594	122,158	110,448	103,951	88,637	97,432	85,117	76,413
Mercer County Cooperative Transportation System	9,790,690	9,931,668	9,114,109	9,459,372	8,805,282	8,518,210	8,410,047	6,578,015	6,047,738	5,674,330
NJ State Regional Day School at Hamilton	4,687,359	5,163,329	2,209,152	2,510,607	2,106,183	2,215,156	2,143,476	2,113,580	2,093,495	2,087,454
Integrated Preschool	1,316,399	1,522,737	912,390	480,411	333,062	360,026	206,289	328,626	266,112	
Assisted Augmentative Technology	53,779	81,023	63,281	65,657	24,649	36,233	36,752	24,354	25,665	
Respite							506			
Clinic Parent							49,360	29,350	32,570	18,775
Community Resources							358,427	243,104	99,021	117,655
Chuck's Place								83,197	73,605	72,967
Special Aides							1,912,584	1,737,379	1,737,884	2,086,195
Joint Council	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	277,079	261,027	267,728	281,898	275,440	303,823	294,311	342,975	345,345	384,041
Total Business-Type Activities Program Revenues	18,002,510	17,203,651	12,755,670	12,961,736	11,667,342	11,537,399	13,543,363	11,578,012	10,806,552	10,517,830
Total District Program Revenues	\$ 21,154,478	\$ 23,334,032	\$ 19,199,525	\$ 20,857,204	\$ 19,584,762	\$ 18,717,659	\$ 15,285,995	\$ 13,012,130	\$ 11,963,371	\$ 11,705,909
Net (Expense)/Revenue:										
Governmental Activities	\$ (31,421,311)	\$ (28,442,898)	\$ (34,341,724)	\$ (36,548,521)	\$ (36,733,766)	\$ (37,232,987)	\$ (40,845,902)	\$ (38,611,555)	\$ (37,824,642)	\$ (39,144,793)
Business-Type Activities	610,378	(19,449)	(365,728)	1,011,137	(166,587)	91,060	(175,081)	(56,482)	(94,035)	(560,476)
Total District-wide Net (Expense)/Revenue	\$ (30,810,933)	\$ (28,462,347)	\$ (34,707,452)	\$ (35,537,384)	\$ (36,900,353)	\$ (37,141,927)	\$ (41,020,983)	\$ (38,668,037)	\$ (37,918,677)	\$ (39,705,269)

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

	Year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
County Appropriation	\$ 2,515,107	\$ 5,296,315	\$ 2,600,000	\$ 4,305,000	\$ 5,492,269	\$ 3,460,178	\$ 2,870,529	\$ 2,870,529	\$ 2,870,529	\$ 2,870,529
Tuition - LEAs	29,409,032	25,534,838	31,504,085	34,064,034	32,612,267	34,214,361	33,538,814	33,595,981	32,065,344	30,503,693
Nonresident Fees	77,679	134,895	259,570	567,943	573,370	183,847	175,880	170,013	183,485	174,791
Interest Earned on Investments	96,152	89,738	99,331	131,136	174,481	44,522	21,885	14,235	7,821	13,924
Miscellaneous Income	78,994	77,240	113,880	245,967	442,903	502,805	306,151	355,192	287,643	323,430
Federal and State Aid Not Restricted	10,002,157	27,402					2,955,850	2,818,167	3,052,318	3,747,835
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 Position						(34,481)				
Transfers			145,979			(41,207)				
Total Governmental Activities	42,179,121	31,049,108	32,531,174	39,314,080	64,295,290	38,330,025	39,869,109	39,824,117	38,467,140	37,634,202
Business-Type Activities:										
Interest Earned on Investments	2,271	3,099	3,151	3,002	2,567	292	348	127	51	21
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 Position						(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	51	21
Total District-wide	\$ 42,181,392	\$ 31,005,454	\$ 32,798,195	\$ 39,255,369	\$ 64,297,857	\$ 38,178,387	\$ 39,869,457	\$ 39,824,244	\$ 38,467,191	\$ 37,634,223
Changes in Net Position:										
Governmental Activities	\$ 10,757,810	\$ 2,606,210	\$ (1,810,550)	\$ 2,765,559	\$ 27,561,524	\$ 1,097,038	\$ (976,793)	\$ 1,212,562	\$ 642,498	\$ (1,510,591)
Business-Type Activities	612,649	(63,103)	(98,707)	952,426	(164,020)	(60,578)	(174,733)	(56,355)	(93,984)	(560,455)
Total District	\$ 11,370,459	\$ 2,543,107	\$ (1,909,257)	\$ 3,717,985	\$ 27,397,504	\$ 1,036,460	\$ (1,151,526)	\$ 1,156,207	\$ 548,514	\$ (2,071,046)

Source: CAFR Schedules A-2 and District records

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

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

	As of June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 591,693	\$ 614,732	\$ 648,821	\$ 623,808	\$ 884,719	\$ 828,766	\$ 610,612			
Unreserved	3,074,454	1,500,420	1,073,585	3,032,465	4,111,789	6,282,263	6,008,461			
Restricted								\$ 750,824	\$ 1,151,066	\$ 1,551,784
Assigned								1,359,823	3,736,862	5,417,142
Unassigned								6,560,006	5,130,643	2,419,207
Total General Fund	\$ 3,666,147	\$ 2,115,152	\$ 1,722,406	\$ 3,656,273	\$ 4,996,508	\$ 7,111,029	\$ 6,619,073	\$ 8,670,653	\$ 10,018,571	\$ 9,388,133
All Other Governmental Funds:										
Restricted	\$ 24,368,464	\$ 5,952,826	\$ 83,329	\$ 34,481	\$ 34,481					
Unassigned, Reported In:										
Capital Projects Fund (deficit)	(3,742,953)									
Total All Other Governmental Funds	\$ 20,625,511	\$ 5,952,826	\$ 83,329	\$ 34,481	\$ 34,481	\$ -	\$ -	\$ -	\$ -	\$ -

Source: CAFR Schedule B-1 and District records.

The change in the restricted 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 I.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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
County Appropriation	\$ 2,515,107	\$ 5,296,315	\$ 2,600,000	\$ 4,305,000	\$ 5,492,269	\$ 3,460,178	\$ 2,870,529	\$ 2,908,803	\$ 3,122,630	\$ 3,167,196
Tuition - LEA's	29,409,032	25,534,838	31,504,085	34,064,034	32,612,267	34,214,361	33,538,834	33,595,981	32,065,344	30,503,693
Nonresident Fees	77,679	134,895	259,570	567,943	573,370	183,848	175,860	170,013	183,485	174,791
Interest Earned on Investment	96,152	89,738	99,331	131,136	174,481	44,522	21,885	14,235	7,821	13,924
Miscellaneous	421,055	55,395	259,859	245,967	442,903	502,805	306,151	355,192	287,643	323,430
Other Local Sources		1,404,146	882,523	896,781						
State Sources	12,151,736	2,371,531	2,625,614	3,981,473	4,024,581	3,464,359	3,574,464	3,269,005	3,322,120	4,039,891
Federal Sources	660,328	597,030	689,168	465,737	402,035	265,853	487,560	434,942	343,865	367,458
Other Sources					904,351	823,463	636,458	510,064	291,051	231,898
Total Revenues	45,331,089	35,483,888	38,920,150	44,658,071	44,626,257	42,959,389	41,611,741	41,258,235	39,623,959	38,822,281
Expenditures:										
Current:										
Special Education Instruction	12,585,281	12,886,417	13,450,315	14,389,976	15,129,911	16,312,545	16,044,545	14,975,700	15,049,479	15,164,909
Other Special Instruction	947,071	878,575	774,505	908,497	914,056	66,691		36,001	31,495	37,908
Support Services and Undistributed Costs:										
Student and Instruction Related Services	7,121,425	7,349,525	7,826,729	7,644,536	7,646,203	7,944,634	7,886,748	7,592,858	7,028,694	7,091,331
General Administration		386,234	468,946	297,075	305,866	376,457	343,876	317,327	296,246	292,161
School Administration	1,269,621	1,248,051	1,169,940	958,174	1,090,139	1,221,402	1,162,056	1,006,393	990,978	1,130,417
Central Services		2,130,387	1,531,086	1,701,402	618,247	648,128	734,441	613,412	594,996	685,844
Administrative Information Technology		528,119	481,806	505,978	475,089	447,088	358,615	332,388	344,075	338,370
Other Administrative Services	2,370,540									
Plant Operations and Maintenance	2,097,426	2,013,109	2,016,736	2,210,155	2,309,094	2,318,292	2,478,416	2,460,992	2,401,436	2,155,718
Pupil Transportation	55,724	38,323	30,437	28,580	37,751	25,706	28,391	32,795	35,745	32,548
Unallocated Benefits	6,652,113	7,651,880	8,704,196	11,113,299	11,160,252	11,081,761	12,569,952	11,599,852	11,065,267	12,154,781
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	3,852,060	21,591,199	6,154,496	541,491	188,980	360,957	496,657	273,632	437,630	368,732
Total Expenditures	36,951,261	56,701,819	45,177,393	42,778,053	43,286,022	40,803,661	42,103,697	39,241,350	38,276,041	39,452,719
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	8,379,828	(21,217,931)	(6,257,243)	1,880,018	1,340,235	2,155,728	(491,956)	2,016,885	1,347,918	(630,438)
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	\$ 22,689,828	\$ (16,217,931)	\$ (6,257,243)	\$ 1,880,018	\$ 1,340,235	\$ 2,080,040	\$ (491,956)	\$ 2,051,581	\$ 1,347,918	\$ (630,438)

Source: District CAFR Records and Schedule B-2

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tuition - LEA's	\$ 29,409,032	\$ 25,534,838	\$ 31,504,085	\$ 34,064,034	\$ 32,842,337	\$ 34,214,361	\$ 33,538,835	\$ 33,595,981	\$ 32,065,344	\$ 30,503,693
Nonresident Fees	77,679	134,895	259,570	567,943	573,371	183,848	175,860	170,013	183,485	174,791
Interest Earned on Investments	63,694	89,738	99,331	131,137	174,481	44,522	21,885	14,235	7,821	13,924
County Appropriation	342,061	1,382,301	31,799	1,826,110	5,492,269	3,460,178	2,870,529	2,870,529	2,870,529	2,870,529
Rental			30,998	64,496	258,100			267,317	257,011	290,000
Transfer From Enterprise Funds			145,979							
In-Service Fees			10,240	4,972	8,950					
Workers Compensation Reimbursement		48,990		120,923						
Miscellaneous	78,994	6,406	72,642	55,575	175,853		306,151	87,875	30,632	33,430
Total	\$ 29,971,460	\$ 27,197,168	\$ 32,154,644	\$ 36,835,190	\$ 39,525,361	\$ 37,902,909	\$ 36,913,260	\$ 37,005,950	\$ 35,414,822	\$ 33,886,367

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
2003	358,669	\$ 15,458,633,900	\$ 43,100	Not Available
2004	361,225	16,070,539,025	44,489	Not Available
2005	361,882	16,621,602,142	45,931	3.80%
2006	362,813	18,311,534,923	50,471	4.20%
2007	363,402	19,316,996,712	53,156	3.80%
2008	364,571	19,672,615,731	53,961	4.90%
2009	366,222	19,024,134,234	51,947	7.80%
2010	366,511	19,240,361,456	52,496	7.80%
2011	367,306	Not Available	54,445	7.70%
2012	368,303	Not Available	Not Available	7.80%
2013	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 2010 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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Instruction:										
Special Education	110.1	101.0	101.0	92.0	89.0	90.2	75.2	90.1	91.1	250.8
Other Instruction	23.6	21.4	20.4	23.0	26.2	18.8	24.6	19.7	20.6	3.4
Support Services:										
Student and Instruction Related Services	331.1	283.7	276.9	286.1	283.6	234.6	240.0	250.0	250.4	76.5
General Administration	3.0	3.0	5.0	4.0	2.0	3.0	3.0	4.0	4.0	1.0
School Administrative Services	13.0	12.0	14.0	12.0	15.0	12.0	16.0	15.9	20.5	14.0
Other Administrative Services	26.0	26.0	19.0	22.5	4.0	8.9	6.0	5.0	5.0	4.0
Central Services	35.6	35.6	23.0	20.0	12.0	48.0	32.0	35.6	31.5	32.0
Total	542.4	482.7	459.3	459.6	431.8	415.5	396.8	420.3	423.1	381.7

Source: District Personnel Records

Note: For the 2013 fiscal year, the District was able to more accurately calculate the number of employees charged to each function/program. In addition, the District no longer included Regional Day School and Special Aides employees in the count as had been done in past years. Prior year employee counts have not been restated.

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) ^c	Percentage Change in Average Daily Enrollment	Student Attendance Percentage
2004	927.10	\$ 33,099,201	\$ 35,702	12.62%	110	8.43	927.10	839.50	-1.23%	90.55%
2005	826.90	35,110,620	42,461	18.93%	101	8.19	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%	90	7.77	699.70	652.00	-6.41%	93.18%
2012	688.70	37,838,411	54,942	-1.35%	91	7.56	688.70	635.10	-1.57%	92.22%
2013	667.50	39,083,987	58,553	6.57%	251	2.66	667.50	617.90	-3.08%	92.57%

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	73,745
Capacity (Students)	375	350	257	262	262	262	262	262	262	262	262
Enrollment	358	329	240	241	234	170	193	161	141	141	125
Mercer Elementary (2005)											
Square Feet				88,421	88,421	88,421	88,421	88,421	88,421	88,421	88,421
Capacity (Students)				246	246	265	265	265	265	265	265
Enrollment				232	251	246	261	262	242	208	205
Alfred Reed (1970)											
Square Feet	39,750	39,750	39,750								
Capacity (Students)	162	160	162								
Enrollment	151	155	141								
White Horse (19xx)											
Square Feet	39,888	39,888	39,888								
Capacity (Students)	96	96	90								
Enrollment	85	91	86								
High School:											
Mercer JR/SR (1987)											
Square Feet	75,000	75,000	75,000	86,858	86,858	86,858	86,858	96,858	96,858	96,858	96,858
Capacity (Students)	319	316	322	318	318	318	318	318	318	318	318
Enrollment	305	282	287	293	286	292	273	273	271	279	278
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	25,411
Capacity (Students)	128	128	117	60	60	60	60	60	60	60	60
Enrollment	102	104	91	57	60	47	50	48	47	42	46

Number of Schools at June 30, 2013

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
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	N/A	25,471	22,472	25,368	9,822		83,133
2012	N/A	26,841	21,091	25,288	9,822		83,042
2013	N/A	24,841	21,091	25,288	9,822		81,042
Total School Facilities		\$ 385,752	\$ 334,467	\$ 177,549	\$ 149,441	\$ 18,087	\$ 1,065,296

Source: District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 150,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	249,500	500
General and Automobile Liability	10,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	10,000,000	
Pollution Legal Liability	300,000	25,000

Source: District records

Single Audit Section

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mercer County Special Services School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

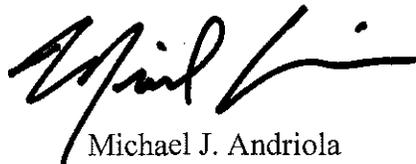
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

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



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 2, 2013
Iselin, New Jersey



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Mercer County Special Services School District, in the County of Mercer, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant 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, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on an audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the compliance 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, 2013.

Report on Internal Control Over Compliance

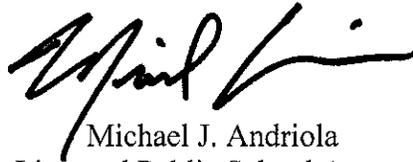
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 2, 2013
Iselin, New Jersey

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance, June 30, 2012			Cash Received	Budgetary Expenditures	Repayment of Prior Year's Balances	Balance, June 30, 2013				
			From	To	Unearned Revenue	(Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Unearned Revenue	Due To Grantor		
U.S. Department of Health and Human Services - Passed - Through State Department of Education:															
General Fund:															
Medicaid Assistance Program - SEMI Program	93.778	\$ 267,625	07/01/11	06/30/12	\$	(53,479)		\$ 53,479							
Medicaid Assistance Program - SEMI Program	93.778	308,719	07/01/12	06/30/13				308,719	\$	(308,719)					
Total General Fund						<u>(53,479)</u>		<u>362,198</u>		<u>(308,719)</u>					
U.S. Department of Health - Passed - Through Department of Health and Senior Services:															
Workforce Investment Area - Out-of-School Youth	17.258	44,100	10/01/11	09/30/12		(17,291)		28,539		(16,761)	\$	(5,513)			
Workforce Investment Area - Out-of-School Youth	17.258	47,775	10/01/12	09/30/13				13,830		(29,457)		(15,627)			
U.S. Department of Homeland Security - Passed - Through State Department of Education															
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	18,959	07/01/12	06/30/13				10,060		(12,521)		(2,461)			
Total Special Revenue Fund						<u>(17,291)</u>		<u>52,429</u>		<u>(58,739)</u>		<u>(23,601)</u>			
Enterprise Fund															
U.S. Department of Agriculture:															
Passed-Through State Department of Education:															
School Breakfast Program	10.553	106,145	07/01/11	06/30/12		(6,016)		6,016							
School Breakfast Program	10.553	114,685	07/01/12	06/30/13				92,672		(114,685)		(22,013)			
National School Lunch Program	10.555	210,266	07/01/11	06/30/12		(11,694)		11,694							
National School Lunch Program	10.555	232,906	07/01/12	06/30/13				187,808		(232,906)		(45,098)			
Food Donation Program (NC)	10.555	31,780	07/01/12	06/30/13	\$	798		31,780		(31,005)		\$ 1,573			
Total Enterprise Fund						<u>798</u>		<u>329,970</u>		<u>(378,596)</u>		<u>(67,111)</u>			
Total Federal Awards					\$	<u>798</u>	\$	<u>(88,480)</u>	\$	<u>-</u>	\$	<u>744,597</u>			
								\$	<u>(746,054)</u>	\$	<u>-</u>	\$	<u>(90,712)</u>		
												\$	<u>1,573</u>		
													\$	<u>-</u>	

NC - noncash expenditures

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

Year ended June 30, 2013

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance, June 30, 2012		Cash Received	Budgetary Expenditures	Reimbursements of Prior Years' Balance	Balance, June 30, 2013		Cumulative Total Expenditures	
				Unearned Revenue	(Accounts Receivable)				Unearned Revenue	(Accounts Receivable)		
State Department of Education												
General Fund:												
Reimbursed TPAF Social Security Contributions	12-100-034-5095-002	\$ 1,188,096	07/01/11	06/30/12	\$ (4,914)	\$ 4,914	\$ (1,087,992)		\$ (55,837)		\$ (1,087,992)	
Reimbursed TPAF Social Security Contributions	13-100-034-5095-002	1,087,992	07/01/12	06/30/13	(4,914)	1,092,155	(1,087,992)		(55,837)		(1,087,992)	
Total General Fund												
Special Revenue Fund:												
State Department of Health												
Special Revenue Fund - SC135	4572-129-6140-2080	250,797	07/01/11	06/30/12	\$ 12,464	242,197	(252,197)	(12,464)	(10,000)		(252,197)	
Case Management - SC135	4572-129-6140-2080	252,197	07/01/12	06/30/13								
Total												
State Department of Human Services												
Special Revenue Fund	100-063-314-6140	327,369	07/01/11	06/30/12	10,767	330,745	(348,578)	(10,767)	(17,833)		(348,578)	
Youth Care Programs FY12	100-063-314-6140	397,691	07/01/12	06/30/13	23,231	372,947	(600,715)	(23,231)	(27,833)		(600,715)	
Total												
State Department of Agriculture												
Enterprise Fund:												
State School Lunch Program	12-100-010-3350-003	5,303	07/01/11	06/30/12	(280)	280	(5,445)		(1,289)		(5,445)	
State School Lunch Program	13-100-010-3350-003	5,445	07/01/12	06/30/13	(280)	4,156	(5,445)		(1,289)		(5,445)	
Total Enterprise Fund												
Total State Financial Assistance												

Mercer County Special Services School District

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

Year ended June 30, 2013

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. All federal awards and state financial assistance received from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information presented 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 the schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

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

Mercer County Special Services School District

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

Year ended June 30, 2013

3. Relationship to Basic Financial Statements (continued)

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 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 \$7,547 for the special revenue fund. See Note to Required Supplementary Information for a reconciliation of the budgetary basis to GAAP basis of accounting for the special revenue fund (C-3).

Additionally, as discussed further in footnote 5, the State of New Jersey makes contributions on-behalf of the District for TPAF post-retirement medical and pension contributions. The total amount of these contributions during the 2013 fiscal year was \$2,351,124.

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	\$ 308,719	\$3,439,116	\$ 3,747,835
Special Revenue Fund	58,739	600,775	659,514
Food Service Enterprise Fund	378,596	5,445	384,041
Total award revenues	<u>\$ 746,054</u>	<u>\$ 4,045,336</u>	<u>\$ 4,791,390</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, 2013

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 for TPAF members for the year ended June 30, 2013.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on behalf of the District. 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 Financial Assistance, as directed by the funding agency.

Mercer County Special Services School District
Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Financial Statement Section

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> 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?	<u> X </u> Yes	<u> </u> No	
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>		
Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	<u> </u> Yes	<u> X </u> No	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Donation Program

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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, 2013

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, 2013

None