

MERCER COUNTY
SPECIAL
SERVICES
SCHOOL DISTRICT

County of Mercer
Board of Education
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2015*

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, 2015

Prepared by
Business Office

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Introductory Section



Kimberly J. Schneider, Ed. D.
Superintendent

Tanya Dawson
Business Administrator/Board Secretary

December 18, 2015

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, 2015, 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 auditors' 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 15-08, 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.

www.mcsssd.org

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; servicing students up to the age of 21 as per Individualized Education Plans (IEPs). The District completed the 2015 fiscal year with an average daily enrollment of 682.6 students, which is seven (7) students more 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</u> <u>Year Ending</u>	<u>Student</u> <u>Enrollment</u>	<u>Percent</u> <u>Change</u>
2014-2015	682.6	1.04%
2013-2014	675.6	1.21%
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)%

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

The District continues to implement an innovative program called Cognitive Severe to better meet the changing needs of the sending schools. The District is currently working to increase student access to CTE programs at the high school level, pursue Perkins funding and partnerships with the ARC to further expand offerings related to transition planning. The District upgraded its technology infrastructure to prepare for PARCC testing district wide.

The district also focused efforts on educating the community regarding the services available for learners with the creation of a video which outlines services available through the district. The video can be viewed on the district website.

The district is planning to implement a Video Production and Theater program for students at the high school level in order to increase its Career and Technical Education programs for learners.

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 5.7%, which is in line with the national

rate of 5.3%. During the period 2012-2022 it is projected that Mercer County will add 19,550 jobs. The county's employment is projected to grow by 8.0%, while the statewide rate is expected to be 7.5%.

The District experienced a slight increase in enrollment during the 2014-2015 school year. The District cannot accurately forecast future enrollment. While the district does not anticipate a significant change in enrollment for the 2015-2016 school year, the District is aware that requirements for controlling out of District placements from sending districts and the 2% cap on the sending district's tax levy increases have the potential to impact future enrollment.

For the 2014-15 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.

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, 2015.

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, 2015.

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 15-08. 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.

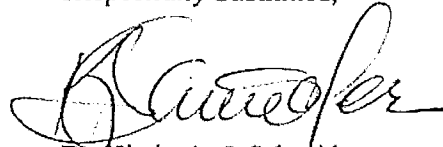
Awards – The District had applied to the Association of School Business Officials (ASBO) International for the "Certificate of Excellence in Financial Reporting" for its comprehensive annual financial report for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014 and was granted the 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 2014-2015 award.

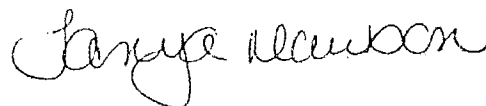
9) ACKNOWLEDGEMENTS:

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,

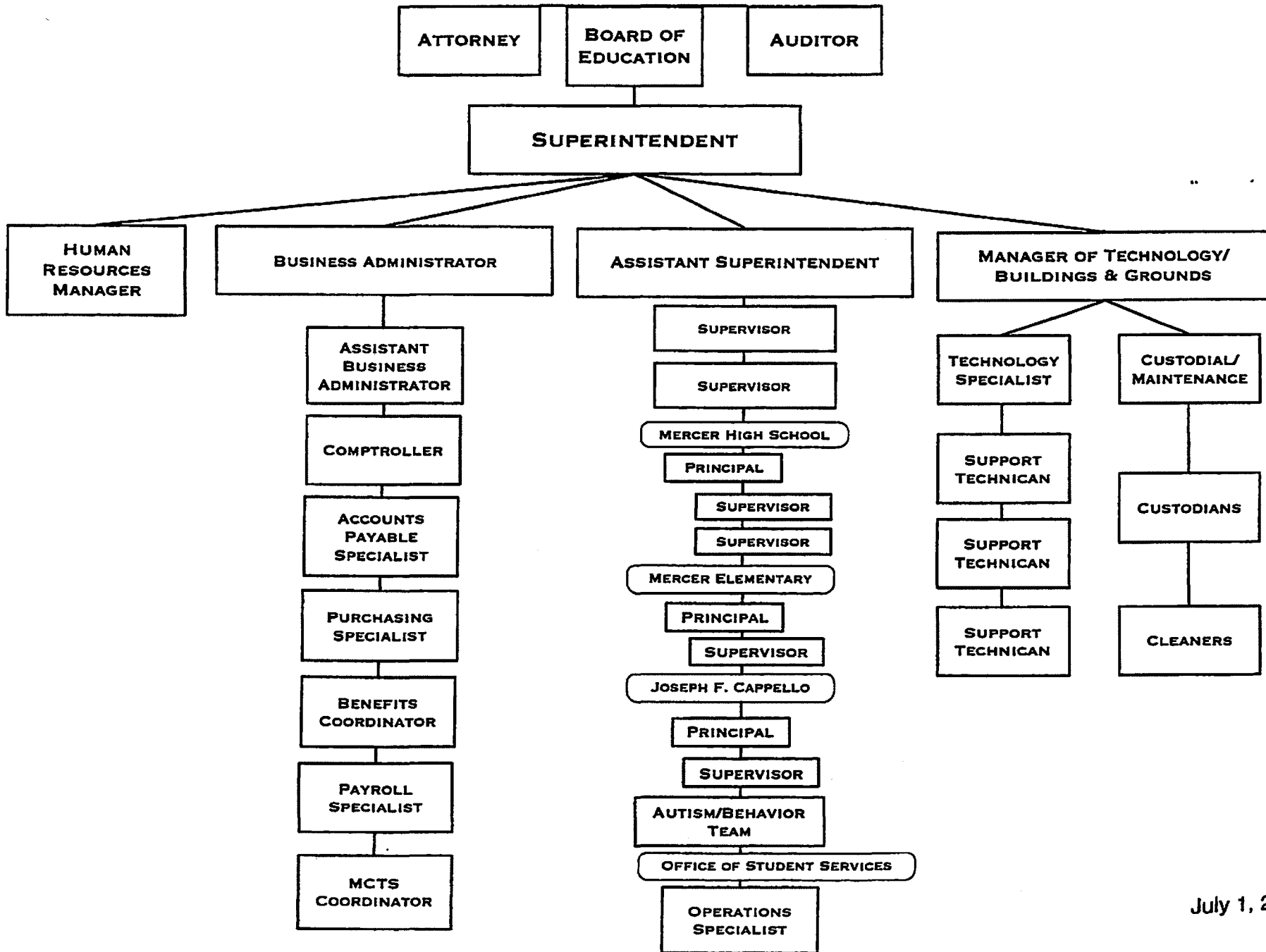


Dr. Kimberly J. Schneider
Superintendent



Tanya Dawson
School Business Administrator/
Board Secretary

Mercer County Special Services School District
2014-2015



July 1, 2014

Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2015

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Camille Raineiro, President	2017
Russell White, Vice-President	2015
Samuel J. Floyd	2017
Sallie Gillispie	2016
Jan Lewis	2017
Lisa Vena	2016
Dr. Laura Morana, Executive County Superintendent of Schools	Ex-Officio

Other Officials

Dr. Kimberly J. Schneider, Superintendent of Schools
Tanya Dawson, 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

Attorney

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

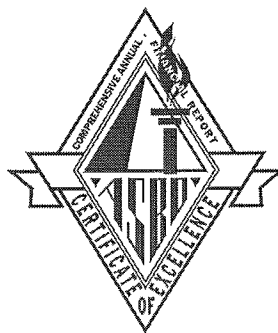


*The Certificate of Excellence in Financial Reporting Award
is presented to*

Mercer County Special Services School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

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



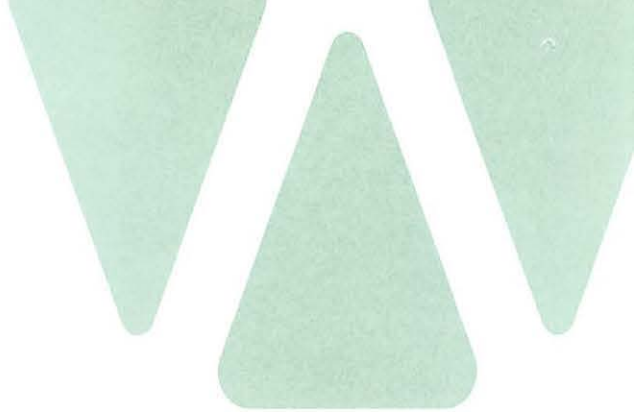
A handwritten signature in black ink, appearing to read 'M. Pepera', written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

A handwritten signature in black ink, appearing to read '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, 2015, 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.

wiss.com

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.R. to the financial statements, during the fiscal year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which represents a change in accounting principle. As discussed in Note 17, as of July 1, 2014 the District's net position was restated to reflect the impact of this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

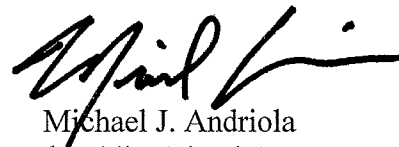
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules 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 15-08, *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 18, 2015 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
WISS & COMPANY, LLP

December 18, 2015
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, 2015

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, 2015. 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 2014-2015 fiscal year include the following:

- The District's average daily enrollment increased 1.0% from 676 in 2014 to 683 in 2015.
- Revenues from tuition from other districts increased in 2015 by \$5,000,876 or 17.8%, in part as a result of a slight increase in enrollment and adjusted tuition rates; a total of \$1,251,126 was due to MCSSSD during the 2014-2015 year.
- The District's on behalf TPAF Pension Contribution made by the State of New Jersey increased 19.7% to \$2,161,046.

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 2014/15?" 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 2014-15 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 \$8,692,433, while total fund balance was \$11,646,188. 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 21.8% of the total general fund expenditures while total fund balance represents 29.2% of that same amount.

The fund balance of the District's general fund increased by \$3,173,146 during the current fiscal year. Key factors in this increase are as follows:

- An increase in revenue from tuition from other districts of \$5,000,876.
- An increase in Medicaid reimbursement by \$525,100.

The above increases in revenue were partially offset by the following increases in expenditures:

- An increase of \$364,316 in employee benefits.
- An increase in transfer to Capital Projects Fund of \$1,114,530.

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 \$261,273 in state financial assistance, \$32,543 in federal awards and \$223,235 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 \$743,020 from the New Jersey Schools Development Authority; \$310,570 was awarded for the Mercer High School Boiler and Chiller and \$432,450 of which was awarded for the Joseph F. Cappello School Boiler and Chiller. Current year expenditures for all projects in the Capital Projects Fund were \$649,053.

Enterprise Funds

The District maintains eight (8) 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, clinic parent, community resources, special aides and Chuck's Place programs. The District considers all of its enterprise funds to be major funds. The basic enterprise fund financial statements are Schedules B-4, B-5 and B-6.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32 through 69 of this report.

The School District as a Whole (Statements A-1 and A-2)

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 2015 and 2014.

**Net Position
June 30, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 13,118,382	\$ 1,231,341	\$ 14,349,723	\$ 8,765,569	\$ 1,625,376	\$ 10,390,945
Capital assets, net	37,297,064	285,403	37,582,467	37,593,005	309,756	37,902,761
Total assets	50,415,446	1,516,744	51,932,190	46,358,574	1,935,132	48,293,706
Deferred outflow of resources	1,709,420		1,709,420			
Current liabilities	1,887,653	133,958	2,021,611	419,755	437,306	857,061
Net pension liability	22,089,103		22,089,103			
Long-term liabilities outstanding	1,938,209		1,938,209	1,960,878		1,960,878
Total liabilities	25,914,965	133,958	26,048,923	2,380,633	437,306	2,817,939
Deferred inflow of resources	1,431,514		1,431,514			
Net position:						
Net Investment in Capital Assets	37,242,158	285,403	37,527,561	37,556,142	309,756	37,865,898
Restricted	2,851,151		2,851,151	2,393,633		2,393,633
Unrestricted	(15,314,922)	1,097,383	(14,217,539)	4,028,166	1,188,070	5,216,236
Total net position	\$ 24,778,387	\$ 1,382,786	\$ 26,161,173	\$ 43,977,941	\$ 1,497,826	\$ 45,475,767

Current and other assets increased \$4,352,813, of which \$4,860,497 is attributed to an increase in cash and cash equivalents offset by a decrease of \$666,696 in accounts and interfund receivable. This increase is mostly a result of the positive operations and continued cost savings measures taken by the District, coupled with an increase in tuition from other districts.

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, as well as the deferred outflow, deferred inflow and net pension liability, are all a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

Unrestricted net position in the governmental activities decreased \$19,343,088 primarily due to a restatement to beginning net position in the amount of \$22,684,628 as a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. See note 17 to the financial statements for further information.

Unrestricted net position decreased in the business-type activities due to operating losses incurred in several of the District's enterprise funds.

The following table provides a comparison analysis of government-wide changes in net position from fiscal years 2015 and 2014.

Changes in Net Position

Years ended June 30, 2015 and 2014

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services		\$11,465,148	\$11,465,148		\$11,567,151	\$11,567,151
Operating grants and contributions	\$ 517,051	418,377	935,428	\$ 511,057	410,132	921,189
Capital grants and contributions	305,709		305,709	553,644		553,644
General revenues:						
County appropriation	2,874,529		2,874,529	2,874,529		2,874,529
Tuition – LEA’s	36,911,372		36,911,372	31,490,169		31,490,169
Nonresident Fees	178,474		178,474	156,155		156,155
State and Federal Sources	7,707,492		7,707,492	3,081,095		3,081,095
Interest Earnings	3,782		3,782	5,053		5,053
Miscellaneous	319,247		319,247	327,583		327,583
Total revenues	48,817,656	11,883,525	60,701,181	38,999,285	11,977,283	50,976,568
Expenses:						
Instructional services	26,226,591	2,980,861	29,207,452	23,132,437	3,347,429	26,479,866
Support services	19,105,991	8,288,712	27,394,703	17,001,289	8,246,243	25,247,532
Operation of non-instructional services		728,992	728,992		771,821	771,821
Total expenses	45,332,582	11,998,565	57,331,147	40,133,726	12,365,493	52,499,219
Change in net position	3,485,074	(115,040)	3,370,034	(1,134,441)	(388,210)	(1,522,651)
Net position-beginning of year	43,977,941	1,497,826	45,475,767	45,112,382	1,886,036	46,998,418
Restatement	(22,684,628)		(22,684,628)			
Net position-beginning of year (as restated)	21,293,313	1,497,826	22,791,139	45,112,382	1,886,036	46,998,418
Net position – end of year	\$ 24,778,387	\$1,382,786	\$ 26,161,173	\$ 43,977,941	\$1,497,826	\$ 45,475,767

Governmental-type Activities

At June 30, 2015, Governmental-Type Activities net position accounted for 94.7% of the District’s total net position.

The Governmental-Type Activities net position decreased \$19,219,554 from \$43,977,941 at June 30, 2014 to \$24,778,387 at June 30, 2015, mostly as a result of the restatement of beginning net position in the amount of \$22,684,628 due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

In FY 2015, Governmental-Type Activities revenues were \$48,817,656 or 80.4% of total revenues, of which the County Appropriation of \$2,874,529 made up 5.9%, and Tuition from LEA’s of \$36,911,372 made up 75.6%.

In FY 2015, the District’s Governmental-Type Activities expenses were \$45,332,582 compared to \$40,133,726 for FY 2014, an increase of \$5,198,856.

Business-type Activities

At June 30, 2015, Business-Type Activities net position accounted for 5.3% of the District's total net position.

Business-Type Activities net position decreased \$115,040 from \$1,497,826 at June 30, 2014 to \$1,382,786 at June 30, 2015.

In FY 2015, Business-Type Activities revenues were \$11,883,525.

Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$11,883,525 in FY 2015 compared to \$11,977,283 in FY 2014, a 0.8% decrease. The decrease was attributed to a decrease of NJ State Regional Day School revenue, offset by an increase in Special Aides revenue.

Expenses for Business-Type Activities were \$11,998,565 in FY 2015 compared to \$12,365,493 in FY 2014, a 3.0% decrease. The decrease was related to a decrease in expenses for NJ State Regional Day School, offset by an increase in expenses related to Special Aides.

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, 2015, and the amount and percentage of increases in relation to prior year revenues.

Revenues Year Ended June 30, 2015

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2014</u>	<u>Percent of Increase</u>
Local sources	\$ 40,510,639	90.6%	\$ 5,433,476	15.5%
State sources	3,511,105	7.9	289,493	9.0
Federal sources	674,461	1.5	527,595	359.2
Total	<u>\$ 44,696,205</u>	<u>100.0%</u>	<u>\$ 6,250,564</u>	<u>16.3%</u>

The increase in local sources is mainly attributed to an increase in tuition from LEA's. State sources increased as a result of an increase in the on-behalf TPAF Pension contribution made by the State of New Jersey. Federal sources increased due to an increase in Medicaid reimbursement.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2015, and the amounts and percentage of increases in relation to prior year expenditures.

**Expenditures
Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase From 2014</u>	<u>Percent Increase</u>
Current:				
Instruction	\$15,523,475	38.4%	\$372,562	2.5%
Undistributed expenditures	24,617,065	60.9	624,443	2.6
Capital outlay	302,078	0.7	84,881	39.1
Total	<u>\$40,442,618</u>	<u>100.0%</u>	<u>\$1,081,886</u>	<u>2.7%</u>

The increase in capital outlay is attributed to an increase in construction services. Instruction and undistributed expenditures did not have significant fluctuations from the prior year.

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 2015 budget to meet the District's needs.

The final budgetary basis revenue estimate was \$38,607,913, which was the same as the original budget estimate.

The District received \$3,249,832 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 \$40,457,038, which was the same as the original budget estimate.

A schedule showing the District's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedule. 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 \$2,321,409 better than had been budgeted in terms of revenues and \$2,666,773 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$3,249,832 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 2015 and 2014, the District had \$37,297,064 and \$37,593,005 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 2015 and 2014 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2015</u>	<u>2014</u>
Construction in Progress	\$1,789,739	\$1,140,686
Site Improvements	82,870	94,853
Buildings and Building Improvements	34,830,542	35,889,452
Machinery and Equipment	<u>593,513</u>	<u>468,014</u>
Total	<u>\$37,297,064</u>	<u>\$37,593,005</u>

During the current fiscal year, \$886,128 of capital assets were capitalized as additions, of which \$649,053 represented ongoing projects. 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, 2015 and 2014 in the amount of \$285,403 and \$309,756, 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 2014-15 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 2014-15 budget was adopted April 8, 2014 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.

The District anticipates a slight decrease in enrollment for the 2015-16 fiscal year. The District cannot accurately forecast future enrollment. If the District were to experience a significant increase in enrollment with no appreciable increase in the County Tax Levy for future budgets, the District will be faced with the following alternatives: (a) limiting programs and services; (b) increasing tuition rates for the sending districts; or (c) increasing other related fees.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Kimberly J. Schneider, Superintendent at the Board of Education Mercer County Special Services School District, 1020 Old Trenton Road, Hamilton, New Jersey 08690. Also, please visit our website to learn more about our District at www.mcsssd.org.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2015.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 7,187,054	\$ 825,642	\$ 8,012,696
Internal Balances	1,248,220	(1,248,220)	-
Accounts Receivable	2,603,143	1,626,856	4,229,999
Inventories		27,063	27,063
Restricted assets:			
Cash and Cash Equivalents	2,079,965		2,079,965
Capital Assets, Non-Depreciable	1,789,739		1,789,739
Capital Assets, Depreciable, Net	35,507,325	285,403	35,792,728
Total Assets	50,415,446	1,516,744	51,932,190
Deferred Outflows of Resources			
Pension deferrals	1,709,420		1,709,420
	<u>1,709,420</u>		<u>1,709,420</u>
Liabilities			
Accounts Payable	1,088,653	131,065	1,219,718
Accrued Liabilities	626,885		626,885
Unearned Revenue	290	2,893	3,183
Net Pension Liability	22,089,103		22,089,103
Noncurrent Liabilities:			
Due Within One Year	171,825		171,825
Due Beyond One Year	1,938,209		1,938,209
Total Liabilities	25,914,965	133,958	26,048,923
Deferred Inflows of Resources			
Pension deferrals	1,431,514		1,431,514
	<u>1,431,514</u>		<u>1,431,514</u>
Net Position			
Net Investment in Capital Assets	37,242,158	285,403	37,527,561
Restricted For:			
Capital projects	771,186		771,186
Capital reserve	2,079,965		2,079,965
Unrestricted	(15,314,922)	1,097,383	(14,217,539)
Total Net Position	\$ 24,778,387	\$ 1,382,786	\$ 26,161,173

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

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	\$ 26,157,918		\$ 23,102		\$ (26,134,816)	\$ (26,134,816)
School Sponsored/Other Instructional	68,673				(68,673)	(68,673)
Support Services:						
Student and Instruction Related Services	11,682,237		493,949		(11,188,288)	(11,188,288)
General Administrative Services	330,894				(330,894)	(330,894)
School Administrative Services	1,952,019				(1,952,019)	(1,952,019)
Central Administrative Services	1,268,737				(1,268,737)	(1,268,737)
Administrative Information Technology	538,884				(538,884)	(538,884)
Plant Operations and Maintenance	3,311,854			\$ 305,709	(3,006,145)	(3,006,145)
Pupil Transportation	21,366				(21,366)	(21,366)
Total Governmental Activities	<u>45,332,582</u>		<u>517,051</u>	<u>305,709</u>	<u>(44,509,822)</u>	<u>(44,509,822)</u>
Business-type Activities:						
Food Service	546,225	\$ 126,761	418,364		\$ (1,100)	(1,100)
Mercer Cooperative Transportation System	6,767,252	6,767,252			-	-
NJ State Regional Day School	1,476,116	1,418,563			(57,553)	(57,553)
Community Resources	51,703	42,238			(9,465)	(9,465)
Special Aides	3,026,205	3,026,205			-	-
Clinic Parent	2,811	9,300			6,489	6,489
Chuck's Place	68,271	74,829			6,558	6,558
Integrated Preschool	59,982	-			(59,982)	(59,982)
Total Business-type Activities	<u>11,998,565</u>	<u>11,465,148</u>	<u>418,364</u>		<u>(115,053)</u>	<u>(115,053)</u>
Total Primary Government	<u>\$ 57,331,147</u>	<u>\$ 11,465,148</u>	<u>\$ 935,415</u>	<u>\$ 305,709</u>	<u>(44,509,822)</u>	<u>(44,624,875)</u>

General Revenues:						
County appropriation/taxes					2,874,529	2,874,529
Tuition - LEA's					36,911,372	36,911,372
Nonresident Fees					178,474	178,474
State and Federal Sources					7,707,492	7,707,492
Interest Earnings					3,782	3,795
Miscellaneous					319,247	319,247
Total General Revenues					<u>47,994,896</u>	<u>47,994,909</u>
Change in Net Position					3,485,074	(115,040)
Net Position - Beginning (as restated)					21,293,313	1,497,826
Net Position - Ending					<u>\$ 24,778,387</u>	<u>\$ 1,382,786</u>

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 6,675,136		\$ 511,918	\$ 7,187,054
Interfund Receivable	1,365,635			1,365,635
Accounts Receivable:				
State	54,363	\$ 31,137	224,502	310,002
Federal		9,967		9,967
Other	2,188,614	55,479	39,081	2,283,174
Restricted Cash and Cash Equivalents	2,079,965			2,079,965
Total Assets	\$ 12,363,713	\$ 96,583	\$ 775,501	\$ 13,235,797
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable	\$ 34,437	\$ 82,978		\$ 117,415
Accounts Payable	67,306	2,212	\$ 4,315	73,833
Unearned Revenue	290			290
Accrued Liabilities	615,492	11,393		626,885
Total Liabilities	717,525	96,583	4,315	818,423
Fund Balances:				
Restricted for:				
Capital Reserve	2,079,965			2,079,965
Capital Projects			771,186	771,186
Assigned to:				
Designated for Subsequent Years' Expenditures	603,444			603,444
Designated for Subsequent Years' Expenditures - ARRA SEMI	154,579			154,579
Other Purposes	115,767			115,767
Unassigned	8,692,433			8,692,433
Total Fund Balances	11,646,188		771,186	12,417,374
Total Liabilities and Fund Balances	\$ 12,363,713	\$ 96,583	\$ 775,501	

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 \$56,435,960 and the accumulated depreciation is \$19,138,896 (See Note 4).	37,297,064
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	277,906
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(22,089,103)
Accrued pension contributions for the June 30, 2015 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(1,014,820)
Long-term liabilities, including compensated absences and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the Fund (See Note 5).	(2,110,034)
Net Position of Governmental Activities	\$ 24,778,387

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 2,874,529		\$ 81,207	\$ 2,955,736
Tuition from Other Districts	33,137,366			33,137,366
Other Tuition	3,774,006			3,774,006
Non-Resident Fees	178,474			178,474
Interest	3,782			3,782
Miscellaneous	319,247	\$ 223,235		542,482
Total - Local Sources	40,287,404	223,235	81,207	40,591,846
State Sources	3,249,832	261,273	224,502	3,735,607
Federal Sources	641,918	32,543		674,461
Total Revenues	44,179,154	517,051	305,709	45,001,914
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	15,454,770	23,102		15,477,872
School Sponsored	45,603			45,603
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,467,972	491,298		6,959,270
General Administration	261,845			261,845
School Administration	1,129,048			1,129,048
Central Services	747,070			747,070
Administrative Information Technology	363,751			363,751
Plant Operations and Maintenance	2,527,708			2,527,708
Pupil Transportation	35,873			35,873
Unallocated Benefits	9,342,668			9,342,668
On-behalf TPAF FICA and Pension	3,249,832			3,249,832
Capital Outlay	299,427	2,651	649,053	951,131
Total Expenditures	39,925,567	517,051	649,053	41,091,671
Excess (deficiency) of revenues over (under) expenditures	4,253,587	-	(343,344)	3,910,243
Other financing sources (uses):				
Capital Leases - Non- Budgeted	34,089			34,089
Transfer from Capital Reserve to Capital Projects Fund	(1,114,530)		1,114,530	-
Total other financing sources (uses)	(1,080,441)	-	1,114,530	34,089
Net change in fund balances	3,173,146	-	771,186	3,944,332
Fund Balance, July 1	8,473,042	-	-	8,473,042
Fund Balance, June 30	\$ 11,646,188	\$ -	\$ 771,186	\$ 12,417,374

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, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 3,944,332

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

Capital outlays are reported in governmental funds as expenditures.
However, 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 in the current
fiscal year.

Depreciation Expense	\$ (1,182,069)	
Capital Additions	<u>886,128</u>	(295,941)

The issuance of long - term debt (e.g. capital leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net position. (18,043)

Some expenses reported in the Statement of Activities do not require the use of current
financial resources and therefore are not reported as expenditures in governmental funds.
Pension expense (141,389)

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
reduction to the reconciliation. (3,885)

Change in Net Position of Governmental Activities \$ 3,485,074

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2015

Major Enterprise Funds

	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Clinic Parent	Community Resources	Special Aides	Chuck's Place	Totals
Assets									
Current Assets:									
Cash and Cash Equivalents	\$ 25,975			\$ 359,670	\$ 49,495	\$ 373,353		\$ 17,149	\$ 825,642
Accounts Receivable:									
State	1,220								1,220
Federal	75,791								75,791
Other	27,627	\$ 724,193	\$ 226,210			10,439	\$ 560,301	1,075	1,549,845
Interfund Receivable			34,437						34,437
Inventories	25,047							2,016	27,063
Total Current Assets	155,660	724,193	260,647	359,670	49,495	383,792	560,301	20,240	2,513,998
Capital Assets									
Site Improvements			13,100						13,100
Equipment	200,360		35,831	10,400		46,754		6,116	299,461
Building and Building Improvements			298,823						298,823
Accumulated Depreciation	(189,120)		(98,298)	(6,413)		(31,845)		(305)	(325,981)
Total Capital Assets, Net	11,240		249,456	3,987		14,909		5,811	285,403
Total Assets	166,900	724,193	510,103	363,657	49,495	398,701	560,301	26,051	2,799,401
Liabilities									
Interfund Payable		723,486	6,500				552,671		1,282,657
Accounts Payable	94,908	707	22,488			1,672	7,630	3,660	131,065
Unearned Revenue	2,893								2,893
Total Liabilities	97,801	724,193	28,988			1,672	560,301	3,660	1,416,615
Net Position									
Net Investment in Capital Assets	11,240		249,456	3,987		14,909		5,811	285,403
Unrestricted	57,859	-	231,659	359,670	49,495	382,120	-	16,580	1,097,383
Total Net Position	\$ 69,099	\$ -	\$ 481,115	\$ 363,657	\$ 49,495	\$ 397,029	\$ -	\$ 22,391	\$ 1,382,786

See 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, 2015

	Major Enterprise Funds								Totals
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Clinic Parent	Community Resources	Special Aides	Chuck's Place	
Operating Revenues:									
Local Sources									
Daily Sales - Reimbursable Programs	\$ 69,833								\$ 69,833
Daily Sales - Non-Reimbursable Programs	56,928								56,928
Transportation Fees		\$ 6,767,252							6,767,252
Non-Resident Fees			\$ 8,790						8,790
Miscellaneous			77		\$ 9,300	\$ 42,238	\$ 3,026,205	\$ 74,829	3,152,649
Tuition			1,409,696						1,409,696
Total Operating Revenues	126,761	6,767,252	1,418,563	\$ -	9,300	42,238	3,026,205	74,829	11,465,148
Operating Expenses:									
Salaries	169,237	215,564	1,002,480	45,026	2,811	42,198	1,891,157		3,368,473
Employee Benefits	45,896	69,593	275,281	12,876		420	1,135,048		1,539,114
Purchased Professional/Technical Services	257	4,000	773						5,030
Cleaning, Repair and Maintenance								193	193
Contracted Services	8,603	6,471,240							6,479,843
Other Purchased Services			30,565						30,565
Insurance	4,371		18,664						23,035
Miscellaneous Purchased Services	2,669								2,669
Supplies and Materials	24,188	4,705	48,193			3,772		66,657	147,515
Energy	1,568		76,645						78,213
Telephone/Communications/Postage	620	1,571	3,088			210			5,489
Textbooks			260						260
Transportation			795						795
Travel						375			375
Cost of Sales	248,029								248,029
Miscellaneous Expenditures	275	579						1,116	1,970
Admin & Supervision	21,000								21,000
Other	11,297		1,843						13,140
Depreciation Expense	8,215		17,529	2,080		4,728		305	32,857
Total Operating Expenses	546,225	6,767,252	1,476,116	59,982	2,811	51,703	3,026,205	68,271	11,998,565
Operating (Loss) Income	(419,464)	-	(57,553)	(59,982)	6,489	(9,465)	-	6,558	(533,417)
Nonoperating Revenues:									
Local Sources:									
Interest on Investments	13								13
State Sources:									
State School Lunch Program	5,620								5,620
Federal Sources:									
National School Lunch Program	257,440								257,440
National School Breakfast Program	128,103								128,103
Food Donation Program	27,201								27,201
Total Nonoperating Revenues	418,377								418,377
Change in Net Position	(1,087)	-	(57,553)	(59,982)	6,489	(9,465)	-	6,558	(115,040)
Total Net Position - Beginning	70,186	-	538,668	423,639	43,006	406,494	-	15,833	1,497,826
Total Net Position - Ending	\$ 69,099	\$ -	\$ 481,115	\$ 363,657	\$ 49,495	\$ 397,029	\$ -	\$ 22,391	\$ 1,382,786

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year ended June 30, 2015

Major Enterprise Funds

	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Clinic Parent	Community Resources	Special Aides	Chuck's Place	Total
Cash Flows From Operating Activities:									
Receipts from Customers	\$ 104,098	\$ 7,122,368	\$ 1,596,766		\$ 9,300	\$ 52,254	\$ 2,930,470	\$ 73,754	\$ 11,889,010
Payments to Employees	(169,237)	(215,564)	(1,020,552)	\$ (45,026)	(2,811)	(42,198)	(1,891,157)		(3,386,545)
Payments for Employee Benefits	(45,896)	(69,593)	(275,281)	(12,876)		(420)	(1,135,048)		(1,539,114)
Payments to Suppliers	(284,456)	(6,481,388)	(186,560)	(643)		(5,890)	(317,752)	(65,992)	(7,342,681)
Net Cash (Used In) / Provided By Operating Activities	(395,491)	355,823	114,373	(58,545)	6,489	3,746	(413,487)	7,762	(379,330)
Cash Flows From Noncapital Financing Activities:									
Cash Received From State and Federal Reimbursements	421,453								421,453
Advances (Repayments) from (to) other funds		(355,823)	(111,985)				413,487		(54,321)
Net Cash Provided By (Used In) Noncapital Financing Activities	421,453	(355,823)	(111,985)				413,487		367,132
Cash Flows From Capital and Related Financing Activities:									
Purchase of Capital Assets - Equipment				(2,388)				(6,116)	(8,504)
Net Cash (Used In) Capital and Related Financing Activities				(2,388)				(6,116)	(8,504)
Cash Flows From Investing Activities:									
Interest Income	13								13
Net Cash Provided By Investing Activities	13								13
Net Increase (Decrease) in Cash and Cash Equivalents	25,975	-	-	(58,545)	6,489	3,746	-	1,646	(20,689)
Cash and Cash Equivalents, Beginning of Year	-	-	-	418,215	43,006	369,607	-	15,503	846,331
Cash and Cash Equivalents, End of Year	\$ 25,975	\$ -	\$ -	\$ 359,670	\$ 49,495	\$ 373,353	\$ -	\$ 17,149	\$ 825,642
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:									
Operating (Loss) Income	\$ (419,464)	\$ -	\$ (57,553)	\$ (59,982)	\$ 6,489	\$ (9,465)	\$ -	\$ 6,558	\$ (533,417)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:									
Depreciation	8,215		17,529	2,080		4,728		305	32,857
Changes in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(22,663)	355,116	178,203			10,016	(95,735)	(1,075)	423,862
(Increase) Decrease in Inventory	1,548							1,410	2,958
(Decrease) Increase in Accrued Liabilities			(18,072)						(18,072)
(Decrease) Increase in Accounts Payable	36,873	707	(5,734)	(643)		(1,533)	(317,752)	564	(287,518)
Net Cash (Used In) / Provided By Operating Activities	(395,491)	355,823	114,373	(58,545)	6,489	3,746	(413,487)	7,762	(379,330)

Noncash Noncapital Financing Activities

The District received \$29,443 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2015.

See accompanying notes to the basic financial statements.

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund	Agency Funds
Assets				
Cash and Cash Equivalents	\$ 16,196	\$ 27	\$ 187,893	\$ 228,249
Total Assets	<u>16,196</u>	<u>27</u>	<u>187,893</u>	<u>\$ 228,249</u>
Liabilities				
Payroll Deductions and Withholdings				\$ 217,001
Payable To Student Groups				11,248
Total Liabilities				<u>\$ 228,249</u>
Net Position				
Held in Trust for Scholarships and Other Purposes	<u>\$ 16,196</u>	<u>\$ 27</u>		
Held in Trust for Unemployment Claims and Other Purposes			<u>\$ 187,893</u>	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2015

	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund
Additions			
Interest Income			\$ 30
Employee Contributions		\$ 12,632	49,003
Other Contributions	\$ 10,640		
Total Additions	10,640	12,632	49,033
Deductions			
Scholarship Payments	18,568		
Medical Reimbursements		12,630	
Unemployment Benefit Payments			40,858
Total Deductions	18,568	12,630	40,858
Change in Net Position	(7,928)	2	8,175
Net Position - Beginning of Year	24,124	25	179,718
Net Position - End of Year	\$ 16,196	\$ 27	\$ 187,893

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

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, 2015 of 683 students.

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, 2015

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, 2015

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 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, 2015

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.

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 parent 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, 2015

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, 2015

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, 2015

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, 2015 which have not been recorded, are not determinable.

G. Interfund Receivables/Payables

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

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, 2015, the unused Food Donation Program Commodities of \$ 2,893 are reported as unearned revenue.

I. Capital Assets

Capital assets, which include land, construction in progress, site improvements, 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, 2015

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 the District's 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, 2015, a liability existed for compensated absences in the government-wide financial statements in the amount of \$2,055,128 and no liability existed for compensated absences in the proprietary fund types.

K. Unearned Revenue

Unearned revenue in the general fund represents cash which has been received but not yet earned. Unearned revenue in the enterprise fund represents the unused portion of U.S.D.A. commodities on hand at June 30, 2015.

L. Deferred Outflows/Inflows of Resources

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

M. 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.

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 installments 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.

N. 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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 \$11,646,188 of fund balance in the General Fund, \$115,767 of encumbrances is assigned to other purposes, \$2,079,965 has been restricted in the capital reserve account, \$758,023 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$8,692,433 is classified as unassigned.

O. Net Position

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, 2015

1. Summary of Significant Accounting Policies (continued)

P. Management Estimates

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

Q. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$3,815,742 to adjust for the full accrual basis incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

R. GASB Pronouncements

GASBs Implemented in the 2015 Fiscal Year

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB No. 68”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (“GASB 71”). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning the transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Mercer County Special Services School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2015 through December 18, 2015, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 and capital leases 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 \$ 2,110,034.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

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

Deposits

New Jersey statutes 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2015, the District's carrying amount of deposits was \$10,525,026 and the bank balance was \$8,638,371. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2015 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$8,121,022. \$267,349 held in the District's agency accounts are not covered by GUDPA.

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

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

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

Custodial Credit Risk: The District does not have a policy for custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2015, the District had no investments, other than in the New Jersey Cash Management Fund.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The District did not have any funds held as investments during the year ended June 30, 2015, other than in the New Jersey Cash 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, 2015, the District's balance was \$2,616,779 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, 2015

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,140,686	\$ 649,053		\$ 1,789,739
Total capital assets, not being depreciated	1,140,686	649,053		1,789,739
Capital assets, being depreciated:				
Site improvements	462,249			462,249
Buildings & building improvements	53,046,035	8,370		53,054,405
Machinery and equipment	917,099	228,705	\$ (16,237)	1,129,567
Total capital assets, being depreciated	54,425,383	237,075	(16,237)	54,646,221
Less accumulated depreciation for:				
Site improvements	(367,396)	(11,893)		(379,379)
Buildings & building improvements	(17,156,583)	(1,067,280)		(18,223,863)
Machinery and equipment	(449,085)	(102,806)	16,237	(535,654)
Total accumulated depreciation	(17,973,064)	(1,182,069)	16,237	(19,138,896)
Total capital assets, being depreciated, net	36,452,319	(944,994)	-	35,507,325
Governmental activities capital assets, net	\$ 37,593,005	\$ (295,941)	\$ -	\$ 37,297,064

Mercer County Special Services School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

4. Capital Assets (continued)

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

Special education instruction	\$	664,146
School sponsored instruction		1,957
Student and instruction related services		298,618
School administrative services		11,236
General administrative services		48,447
Central services		32,056
Administrative information technology		15,608
Plant operations and maintenance		108,462
Pupil transportation		1,539
		<u>\$ 1,182,069</u>

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2015:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets being depreciated:			
Site Improvements	\$ 13,100		\$ 13,100
Equipment	290,957	\$ 8,504	299,461
Building and Building Improvements	298,823		298,823
Less accumulated depreciation	<u>(293,124)</u>	<u>(32,857)</u>	<u>(325,981)</u>
Total business-type activities			
Capital assets, net	<u>\$ 309,756</u>	<u>\$ (24,353)</u>	<u>\$ 285,403</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

5. Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Governmental activities:					
Compensated absences payable	\$ 2,051,243	\$ 151,241	\$ 147,356	\$ 2,055,128	\$ 156,207
Capital leases	36,863	34,089	16,046	54,906	15,618
Governmental activities long-term liabilities	<u>\$ 2,088,106</u>	<u>\$ 185,330</u>	<u>\$ 163,402</u>	<u>\$ 2,110,034</u>	<u>\$ 171,825</u>

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

Bonds Payable and Bonds Authorized but Not Issued

As of June 30, 2015, the District had no bonds payable and no authorized but not issued bonds.

Capital Leases

The District has commitments to lease various machinery and equipment under capital leases that expire in fiscal year 2019. These items are included in machinery and equipment in the District's capital assets. Total capital lease payments made during the year ended June 30, 2015 were \$16,874. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ 16,874
2017	16,874
2018	16,874
2019	<u>7,135</u>
Total minimum lease payments	57,757
Less amount representing interest	<u>2,851</u>
Present value of net minimum lease payments	<u>\$ 54,906</u>

Assets acquired under capital leases totaled \$80,452 as of June 30, 2015 and consist of equipment.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

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 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. 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, 2015, the State of New Jersey contributed \$2,161,046 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 \$1,088,786 during the year ended June 30, 2015 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, 2015, 2014 and 2013 were \$160,139, \$162,949, and \$250,625, respectively.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

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

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

Public Employee's Retirement System (PERS)

At June 30, 2015, the District reported a liability of \$22,089,103 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.1179801087 percent, which was a decrease of 0.0007130888 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized full accrual pension expense of \$1,114,000 in the government-wide financial statements. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	694,600	-
Net difference between projected and actual earnings on pension plan investments	-	1,316,391
Changes in proportion and differences between District contributions and proportionate share of contributions	-	115,123
District contributions subsequent to the measurement date	1,014,820	-
	<u>\$ 1,709,420</u>	<u>\$ 1,431,514</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

\$1,014,820 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (219,290)
2017	(219,290)
2018	(219,290)
2019	(219,289)
2020	109,808
Thereafter	30,437
	<u>\$ (736,914)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.01%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	At 1% Decrease (4.39%)	At Current Discount Rate (5.39%)	At 1% Increase (6.39%)
District's proportionate share of the net pension liability	\$ 27,788,844	\$ 22,089,103	\$ 17,302,771

Pension Plan Fiduciary Net Position

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

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$ 1,452,705,538
Collective deferred inflows of resources	\$ 2,146,719,012
Collective net pension liability - Local Group	\$ 18,722,735,003
District's Proportion	0.1179801087%

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2014 is \$968,532,408.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.44 years.

Teachers Pensions and Annuity Fund (TPAF)

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

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2014 was \$86,433,420. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2014, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1617187713 percent, which was a decrease of 0.0090494086 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$4,650,929 for contributions incurred by the State.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Actuarial assumptions

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

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Fund / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%
	100.00%	

Mercer County Special Services School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	At 1% Decrease (3.68%)	At Current Discount Rate (4.68%)	At 1% Increase (5.68%)
State's proportionate share of the net pension liability associated with the District	\$ 103,956,700	\$ 86,433,420	\$ 71,858,635

Pension plan fiduciary net position

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$	2,389,959,068
Collective deferred inflows of resources	\$	1,846,540,800
Collective net pension liability - Local Group	\$	53,813,067,539
State's proportionate share associated with the District		0.1617187713%

Collective pension expense for the plan for the measurement period ended June 30, 2014 is \$2,906,835,786.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 8.5 years.

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, 2015

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, 2014, there were 103,432 retirees eligible for post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. 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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

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, 2015, 2014 and 2013 were \$1,325,859, \$1,121,726, and \$1,247,697, 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, 2015

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. 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. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

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

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

Fiscal Year	Board and RDS Contributions	Employee Contributions	Interest on Investments	Amount Paid or Accrued	Ending Balance
2014-15		\$ 49,003	\$ 30	\$ 40,858	\$ 187,893
2013-14	\$ 60,000	56,689	76	83,273	179,718
2012-13	55,706	42,589	50	15,122	146,226

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

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
- Cyber Liability
- 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, 2015, 2014 and 2013 were \$1,243,748, \$1,197,684 and \$1,074,306, 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, 2015

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District are as follows at June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,365,635	\$ 34,437
Special Revenue Fund		82,978
NJ State Regional Day School at Hamilton	34,437	6,500
Special Aides Enterprise Fund		552,671
Cooperative Transportation Enterprise Fund		723,486
	<u>\$ 1,400,072</u>	<u>\$ 1,400,072</u>

The interfund receivable of \$1,365,635 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$82,978, the NJ State Regional Day School Enterprise Fund for \$6,500, the Special Aides Enterprise Fund for \$552,671 and the Cooperative Transportation Enterprise Fund for \$723,486, which represents funds advanced to these funds to cover temporary cash flow shortages. The interfund receivable of \$34,437 in the NJ State Regional Day School Enterprise Fund is offset with an interfund payable in the General Fund for the same amount as a result of a reclassification of expenditures between funds. 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

12. Contingent Liabilities (continued)

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with capital projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible costs requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

13. Capital Reserve Account

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfers by 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, 2014 to June 30, 2015 fiscal year is as follows:

Beginning balance, July 1, 2014	\$ 2,393,633
Decreased by:	
Approved withdrawals	1,114,530
Increased by:	
June resolution	800,000
Interest earnings	862
Ending balance, June 30, 2015	<u>\$ 2,079,965</u>

Mercer County Special Services School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

13. Capital Reserve Account (continued)

At June 30, 2015, 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, 2015 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$115,767.

The District also has \$1,009,720 of encumbrances outstanding at June 30, 2015 for various construction contracts recorded in the capital projects fund. However, these commitments are not shown as fund balance assigned to other purposes because that would result in an unassigned deficit in the capital projects fund balance, which is not permissible under GASB 54.

15. Restricted Assets

The District has \$2,079,965 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.

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.

17. Change in Accounting Principle / Restatement

Effective in the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

The implementation of the Statements required a restatement of prior year net position in the government-wide financial statements.

Mercer County Special Services School District
Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

17. Change in Accounting Principle / Restatement (continued)

	Governmental Activities
Beginning Net Position - June 30, 2014	<u>\$ 43,977,941</u>
Adjustments:	
Recognition of Net Pension Liability	(22,684,628)
Deferred outflow for PERS FY2015 Pension Payment	972,611
Accounts Payable for PERS FY2015 Pension Payment	<u>(972,611)</u>
Adjustment	<u>(22,684,628)</u>
Beginning Net Position - June 30, 2014 (as restated)	<u>\$ 21,293,313</u>

Required Supplementary Information
Part II

Mercer County Special Services School District
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Public Employee's Retirement System

Last Ten Fiscal Years*

	Year Ended June 30, 2015
District's proportion of the net pension liability (asset) - Local Group	0.1179801087%
District's proportionate share of the net pension liability (asset)	\$ 22,089,103
District's covered-employee payroll	\$ 7,926,175
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	278.69%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	52.08%

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

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

Notes to Required Supplementary Information:

Benefit Changes

None

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014.

Mercer County Special Services School District
 Schedule of District Contributions
 Public Employee's Retirement System

Last Ten Fiscal Years *

	Year Ended June 30, 2015
Contractually required contribution	\$ 1,014,820
Contributions in relation to the contractually required contribution	(1,014,820)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	\$ 7,926,175
 Contributions as a percentage of covered-employee payroll	12.80%

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

Mercer County Special Services School District
 Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
 Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30, 2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.1617187713%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 86,433,420
Total proportionate share of the net pension liability (asset) associated with the District	\$ 86,433,420
Plan fiduciary net position as a percentage of the total pension liability	33.64%

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

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

Notes to Required Supplementary Information:

Benefit Changes

None

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014.

Required Supplementary Information
Part III

Budgetary Comparison

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 2,874,529		\$ 2,874,529	\$ 2,874,529	
Tuition From LEA's	31,811,276		31,811,276	33,137,366	\$ 1,326,090
Other Tuition	3,367,225		3,367,225	3,774,006	406,781
Non-Resident Fees	137,383		137,383	178,474	41,091
Interest Earned	5,000		5,000	2,920	(2,080)
Interest Earned on Capital Reserve Funds	1,000		1,000	862	(138)
Unrestricted Miscellaneous Revenues	236,500		236,500	319,247	82,747
Total Local Sources	38,432,913		38,432,913	40,287,404	1,854,491
State Sources:					
On-Behalf TPAF Pension Contributions				2,161,046	2,161,046
Reimbursed TPAF Social Security				1,088,786	1,088,786
Total State Sources				3,249,832	3,249,832
Federal Sources:					
Medicaid Reimbursement	175,000		175,000	641,918	466,918
Total Federal Sources	175,000		175,000	641,918	466,918
Total Revenues	38,607,913		38,607,913	44,179,154	5,571,241
EXPENDITURES:					
Current Expense:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	635,355		635,355	626,280	9,075
Other Salaries for Instruction	201,641		201,641	171,581	30,060
General Supplies	9,000		9,000	8,866	134
Textbooks	2,500		2,500		2,500
Other Objects	2,500		2,500	2,482	18
Total Behavioral Disabilities	850,996		850,996	809,209	41,787
Multiple Disabilities:					
Salaries of Teachers	3,723,112	\$ (69,457)	3,653,655	3,653,650	5
Other Salaries for Instruction	1,611,959	(19,311)	1,592,648	1,592,436	212
Other Purchased Services	25,800	(6,004)	19,796	19,796	
General Supplies	137,000	(18,516)	118,484	118,389	95
Textbooks	11,300	(909)	10,391	8,232	2,159
Other Objects	5,500	3,215	8,715	8,715	
Total Multiple Disabilities	5,514,671	(110,982)	5,403,689	5,401,218	2,471
Autism:					
Salaries of Teachers	2,587,708	75,703	2,663,411	2,654,932	8,479
Other Salaries for Instruction	1,798,668	48,084	1,846,752	1,805,431	41,321
General Supplies	25,050	(3,298)	21,752	21,752	
Textbooks	3,200	(2,728)	472	472	
Other Objects	2,900	4,550	7,450	7,388	62
Total Autism	4,417,526	122,311	4,539,837	4,489,975	49,862
Preschool Disabilities - Full-Time:					
Salaries of Teachers	510,990	(10,235)	500,755	485,238	15,517
Other Salaries for Instruction	423,522	235	423,757	376,984	46,773
General Supplies	15,000		15,000	12,579	2,421
Other Objects	200		200		200
Total Preschool Disabilities - Full-Time	949,712	(10,000)	939,712	874,801	64,911
Extended School Year:					
Salaries of Teachers	1,521,225	(74,650)	1,446,575	1,446,575	
Salaries of Supervisors of Instruction	155,000	13,965	168,965	168,965	
Other Salaries for Instruction	760,000	31,066	791,066	791,066	
Other Purchased Services	145,000	17,780	162,780	162,780	
Total Extended School Year	2,581,225	(11,839)	2,569,386	2,569,386	
Cognitive - Severe:					
Salaries	744,870	934	745,804	741,625	4,179
Other Salaries for Instruction	627,289	(934)	626,355	553,293	73,062
General Supplies	16,300	400	16,700	14,493	2,207
Textbooks	1,050	(400)	650		650
Other Objects	1,700		1,700	770	930
Total Cognitive - Severe	1,391,209		1,391,209	1,310,181	81,028
Total Special Education - Instruction	15,705,339	(10,510)	15,694,829	15,454,770	240,059
School-Sponsored Co Curriculum Instruction:					
Salaries	33,630		33,630	28,702	4,928
Supplies and Materials	19,000		19,000	16,901	2,099
Total School-Sponsored Co/Extra-Curr. Activities - Instruction	52,630		52,630	45,603	7,027
Total Instruction	15,757,969	(10,510)	15,747,459	15,500,373	247,086

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (CONTINUED):					
Undistributed Expenditures					
Health Services:					
Salaries	\$ 524,262	\$ (17,100)	\$ 507,162	\$ 478,783	\$ 28,379
Purchased Professional and Technical Services	49,220		49,220	48,960	260
Other Purchased Services	1,692	17,100	18,792	18,638	154
Supplies and Materials	20,300		20,300	18,781	1,519
Total Health Services	595,474	-	595,474	565,162	30,312
Other Support Serv. - Students - Related Services:					
Salaries	4,126,134	(132,400)	3,993,734	3,987,339	6,395
Purchased Professional - Educational Services	128,344	132,400	260,744	212,011	48,733
Supplies and Materials	22,600		22,600	12,465	10,135
Total Other Support Serv. - Students - Related Services	4,277,078		4,277,078	4,211,815	65,263
Child Study Team:					
Salaries of Other Professional Staff	1,026,760		1,026,760	999,750	27,010
Purchased Professional - Educational Services	250		250		250
Supplies and Materials	1,850		1,850	1,769	81
Total Child Study Team	1,028,860		1,028,860	1,001,519	27,341
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Other Professional Staff	268,696		268,696	238,092	30,604
Salaries of Secretarial and Clerical Assistants	196,104	(1,400)	194,704	161,866	32,838
Other Purchased Services	92,900	(8,301)	84,599	71,816	12,783
Supplies and Materials	5,750	1,400	7,150	4,748	2,402
Other Objects	4,800	4,540	9,340	6,170	3,170
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	568,250	(3,761)	564,489	482,692	81,797
Educational Media Services/School Library:					
Salaries	139,739	7,018	146,757	146,757	
Supplies and Materials	9,950	(4,257)	5,693	5,693	
Total Educational Media Services/School Library	149,689	2,761	152,450	152,450	
Instructional Staff Training Services:					
Other Salaries	300	150	450	400	50
Other Purchased Professional and Technical Services	34,000	(14,630)	19,370	17,633	1,737
Other Purchased Services	9,300		9,300	5,667	3,633
Supplies and Materials	17,000	14,480	31,480	30,634	846
Total Instructional Staff Training Services	60,600	-	60,600	54,334	6,266
Support Services - General Administration:					
Salaries	86,328		86,328	78,571	7,757
Legal Services	76,000		76,000	42,877	33,123
Architectural/Engineering Services	14,408		14,408	1,500	12,908
Other Purchased Professional Services	51,000		51,000	51,000	
Purchased Technical Services	15,900		15,900	4,040	11,860
Communications/Telephone	62,725		62,725	40,108	22,617
BOE Other Purchased Services	4,000		4,000	2,516	1,484
Other Purchased Services	32,850	2,000	34,850	31,468	3,382
General Supplies	2,500		2,500	1,896	604
Judgments Against School District	1,000		1,000		1,000
Miscellaneous Expenditures	3,500	(1,000)	2,500	1,748	752
BOE Membership Dues and Fees	10,640	(1,000)	9,640	6,121	3,519
Total Support Services - General Administration	360,851		360,851	261,845	99,006
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	387,130		387,130	350,185	36,945
Salaries of Other Professional Staff	422,528	(25,337)	397,191	383,452	13,739
Salaries of Secretarial and Clerical Assistants	347,286	23,337	370,623	318,952	51,671
Other Purchased Services	55,775	40	55,815	42,496	13,319
Supplies and Materials	34,080		34,080	27,953	6,127
Other Objects	10,300		10,300	6,010	4,290
Total Support Services - School Administration	1,257,099	(1,960)	1,255,139	1,129,048	126,091
Support Services - Central Services:					
Salaries	786,538	(7,138)	779,400	665,282	114,118
Purchased Technical Services	32,305	7,763	40,068	35,565	4,503
Miscellaneous Purchased Services	19,370	(40)	19,330	16,144	3,186
Supplies and Materials	27,180	(1,625)	25,555	19,079	6,476
Miscellaneous Expenditures	10,000	1,000	11,000	11,000	
Total Support Services - Central Services	875,393	(40)	875,353	747,070	128,283
Support Services - Admin. Info. Tech. Services:					
Salaries	349,225	(18,261)	330,964	216,787	114,177
Purchased Professional Services	11,813	5,000	16,813	6,484	10,329
Other Purchased Services	1,000		1,000	277	723
Supplies and Materials	50,000	13,261	63,261	63,038	223
Other Objects	80,350		80,350	77,165	3,185
Total Support Services - Admin. Info. Tech. Services	492,388		492,388	363,751	128,637
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	82,946		82,946	74,797	8,149
Required Maintenance for School Facilities	82,946		82,946	74,797	8,149

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (CONTINUED):					
Other Oper. & Maint. of Plant:					
Salaries	\$ 1,085,064	\$ (1,329)	\$ 1,083,735	\$ 918,474	\$ 165,261
Purchased Professional and Technical Services	60,000		60,000	53,590	6,410
Cleaning, Repair and Maintenance Services	332,043		332,043	200,565	131,478
Other Purchased Property Services	72,500		72,500	47,475	25,025
Insurance	166,784	(3,700)	163,084	160,996	2,088
Miscellaneous Purchased Services	850		850	825	25
General Supplies	197,742		197,742	192,677	5,065
Energy (Natural Gas)	195,000	3,000	198,000	151,298	46,702
Energy (Electricity)	842,500		842,500	725,011	117,489
Other Objects	1,375	700	2,075	2,000	75
Total Other Oper. & Maint. of Plant	2,953,858	(1,329)	2,952,529	2,452,911	499,618
Student Transportation Services:					
Cleaning, Repair and Maintenance Services	4,400	500	4,900	4,017	883
Contracted Services (Other Than Bet. Home & School) - Vendors	13,800	1,834	15,634	15,319	315
Miscellaneous Purchased Services - Transportation	16,871	(334)	16,537	16,537	
Total Student Transportation Services	35,071	2,000	37,071	35,873	1,198
Special Programs - Instruction - Employee Benefits:					
Social Security Benefits	186,000	(1,895)	184,105	184,105	
Health Benefits	600,000	13,734	613,734	613,734	
Total Special Programs - Instruction - Employee Benefits	786,000	11,839	797,839	797,839	
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	594,792	15,953	610,745	580,079	30,666
TPAF Contribution - ERIP	47,653		47,653	46,545	1,108
Other Retirement Contributions - PERS	1,094,160	(3,635)	1,090,525	965,847	124,678
Unemployment Compensation	130,000	(16,318)	113,682		113,682
Workmen's Compensation	1,087,457	(1,568)	1,085,889	1,003,426	82,463
Health Benefits	6,390,664	(15,000)	6,375,664	5,637,001	738,663
Tuition Reimbursement	46,000	4,980	50,980	32,599	18,381
Other Employee Benefits	264,344	16,588	280,932	279,332	1,600
Total Unallocated Benefits - Employee Benefits	9,655,070	1,000	9,656,070	8,544,829	1,111,241
On-behalf payments:					
On-Behalf TPAF Pension Contributions				2,161,046	(2,161,046)
Reimbursed TPAF Social Security				1,088,786	(1,088,786)
Total On-Behalf Contributions				3,249,832	(3,249,832)
Total Undistributed Expenditures	23,178,627	10,510	23,189,137	24,125,767	(936,630)
Total Expenditures - Current Expense	38,936,596	-	38,936,596	39,626,140	(689,544)
CAPITAL OUTLAY					
Equipment:					
Multiple Disabilities	149,079	45	149,124	120,264	28,860
Undist. Expend. - General Administration	3,000	(3,000)			
Undist. Expend. - Admin. Info. Technology Services	31,063	(6,000)	25,063	24,986	77
Undist. Expend. - Operation & Maint. of Plant Services	19,750	11,105	30,855	30,855	
Total Equipment	202,892	2,150	205,042	176,105	28,937
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	23,000	4,350	27,350	11,213	16,137
Construction Services	180,020	(6,500)	173,520	78,020	95,500
Lease Purchase Agreements - Principal	1,114,530	(1,114,530)			
Total Facilities Acquisition and Construction Services	1,317,550	(1,116,680)	200,870	89,233	111,637
Assets Acquired Under Capital Leases (Non-Budgeted)				34,089	(34,089)
Total Expenditures - Capital Outlay	1,520,442	(1,114,530)	405,912	299,427	106,485
Total Expenditures	40,457,038	(1,114,530)	39,342,508	39,925,567	(583,059)
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	(1,849,125)	(1,114,530)	(2,963,655)	4,253,587	7,217,242
Other Financing Sources (Uses):					
Transfer from Capital Reserve to Capital Projects Fund		1,114,530	1,114,530	(1,114,530)	(1,114,530)
Capital Leases - Non-Budgeted				34,089	34,089
Total Other Financing Sources (Uses)		1,114,530	1,114,530	(1,080,441)	(1,080,441)
(Deficiency)/Excess of Revenues (Under)/Over Expenditures and Other Financing Sources (Uses)	(1,849,125)		(1,849,125)	3,173,146	6,136,801
Fund Balances, July 1	8,473,042	-	8,473,042	8,473,042	-
Fund Balances, June 30	\$ 6,623,917	\$ -	\$ 6,623,917	\$ 11,646,188	\$ 6,136,801

Recapitulation of Fund Balance:

Restricted Fund Balance:	
Capital Reserve	\$ 2,079,965
Assigned to:	
Designated for Subsequent Years Expenditures	603,444
Designated for subsequent years expenditures - ARRA SEMI	154,579
Encumbrances	115,767
Unassigned Fund Balance	8,692,433
Fund Balance per Governmental Funds (GAAP and budgetary basis)	\$ 11,646,188

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
State Sources	\$ 232,636	\$ 28,491	\$ 261,127	\$ 261,127	
Federal Sources	45,000	4,064	49,064	32,543	\$ (16,521)
Other Sources	223,329	345	223,674	223,674	
Total Revenues	500,965	32,900	533,865	517,344	(16,521)
Expenditures:					
Instruction:					
Other Salaries		38,018	38,018	23,102	14,916
Total Instruction	-	38,018	38,018	23,102	14,916
Support Services:					
Salaries	500,965	(127,428)	373,537	373,537	
Personal Services - Employee Benefits		103,521	103,521	102,196	1,325
Miscellaneous Purchased Services		2,541	2,541	2,541	
Travel		3,105	3,105	3,018	87
Supplies & Materials		10,417	10,417	10,234	183
Miscellaneous Expenditures		75	75	65	10
Total Support Services	500,965	(7,769)	493,196	491,591	1,605
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment		2,651	2,651	2,651	
Total Capital Outlay	-	2,651	2,651	2,651	-
Total Expenditures	500,965	32,900	533,865	517,344	16,521
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, 2015

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

	<u>Special Revenue Fund</u>
SOURCES/INFLOWS OF RESOURCES	
Actual amounts (budgetary) "revenues" from the Budgetary Comparison Schedules (C-2)	\$ 517,344
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Current Year Encumbrances	(439)
Prior Year Encumbrances	<u>146</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 517,051</u>
USES/OUTFLOWS OF RESOURCES	
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-2)	\$ 517,344
Difference - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Current Year Encumbrances	(439)
Prior Year Encumbrances	<u>146</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 517,051</u>

Supplementary Information

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year ended June 30, 2015

	Projects Adult County	Case Management - Special Child Health Services		Clinic Project Program Child	WIA Out-of-School Youth	Totals
	<u>County</u>	<u>State</u>	<u>County</u>	<u>Child</u>	<u>Youth</u>	<u>Totals</u>
Revenues:						
State Sources		\$ 261,127				\$ 261,127
Federal Sources					\$ 32,543	32,543
Other Sources	\$ 100,000		\$ 104,345	\$ 19,329		223,674
Total Revenues	<u>\$ 100,000</u>	<u>\$ 261,127</u>	<u>\$ 104,345</u>	<u>\$ 19,329</u>	<u>\$ 32,543</u>	<u>\$ 517,344</u>
Expenditures:						
Instruction:						
Other Salaries					\$ 23,102	\$ 23,102
Total Instruction					<u>23,102</u>	<u>23,102</u>
Support Services:						
Salaries	\$ 65,655	\$ 209,804	\$ 79,978	\$ 18,100		373,537
Personal Services - Employee Benefits	33,169	42,420	20,184		6,423	102,196
Miscellaneous Purchased Services		2,541				2,541
Travel	247	2,760			11	3,018
Supplies & Materials	929	3,602	4,183	1,229	291	10,234
Miscellaneous Expenditures					65	65
Total Support Services	<u>100,000</u>	<u>261,127</u>	<u>104,345</u>	<u>19,329</u>	<u>6,790</u>	<u>491,591</u>
Capital Outlay:						
Non-Instructional Equipment					2,651	2,651
Total Capital Outlay					<u>2,651</u>	<u>2,651</u>
Total Expenditures	<u>\$ 100,000</u>	<u>\$ 261,127</u>	<u>\$ 104,345</u>	<u>\$ 19,329</u>	<u>\$ 32,543</u>	<u>\$ 517,344</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, 2015

	Current Year
Revenues:	
State Sources	\$ 743,020
Total revenues	<u>743,020</u>
Expenditures:	
Construction Services	607,579
Land and Improvements	<u>41,474</u>
Total expenditures	<u>649,053</u>
Excess of revenues over expenditures	93,967
Other financing sources:	
Transfer in from capital reserve	<u>1,114,530</u>
Total other financing sources	1,114,530
Excess of revenues and other financing sources over expenditures	1,208,497
Fund Balance, July 1	<u>392,314</u>
Fund Balance, June 30	<u>\$ 1,600,811</u>
 <u>Reconciliation to GAAP Financial statements</u>	
Fund Balance, June 30, 2015 - Budgetary - Basis	\$ 1,600,811
GAAP Basis Revenues Not Recognized - SDA Awards	(518,518)
GAAP Basis Revenues Not Recognized - County/Local	<u>(311,107)</u>
Fund Balance, June 30, 2015 - GAAP basis	<u>\$ 771,186</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 Dryvit Replacement

Year ended June 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 1,533,000	\$ -	\$ 1,533,000	\$ 1,533,000
State Sources				
Transfer from Capital Reserve				
Total Revenues	<u>1,533,000</u>	<u>-</u>	<u>1,533,000</u>	<u>1,533,000</u>
Expenditures and Other Financing Sources:				
Construction Services	969,898	39,733	1,009,631	1,320,738
Land Improvements	<u>170,788</u>	<u>41,474</u>	<u>212,262</u>	<u>212,262</u>
Total Expenditures	<u>1,140,686</u>	<u>81,207</u>	<u>1,221,893</u>	<u>1,533,000</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 392,314</u>	<u>\$ (81,207)</u>	<u>\$ 311,107</u>	<u>\$ -</u>

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	582,500
Revised Authorized Cost	1,533,000

Percentage Increase over Original

Authorized Cost	79%
Percentage Completion	79.71%
Original Target Completion Date	November 2011
Revised Target Completion Date	Not determinable

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: Boiler and Chiller

Year ended June 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources				
State Sources		\$ 310,570	\$ 310,570	\$ 310,570
Transfer from Capital Reserve		465,855	465,855	465,855
Total Revenues		<u>776,425</u>	<u>776,425</u>	<u>776,425</u>
Expenditures and Other Financing Sources:				
Construction Services		207,393	207,393	
Land Improvements				
Total Expenditures	<u>-</u>	<u>207,393</u>	<u>207,393</u>	<u>-</u>
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ 569,032</u>	<u>\$ 569,032</u>	<u>\$ 776,425</u>

Additional Project Information:

Project Number	3103-055-14-1002
Grant Date/Letter of Notification	various
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 776,425
Additional Authorized Cost	-
Revised Authorized Cost	776,425

Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	73.29%
Original Target Completion Date	November 2015
Revised Target Completion Date	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Joseph F. Cappello School: Boiler and Chiller

Year ended June 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources				
State Sources		\$ 432,450	\$ 432,450	\$ 432,450
Transfer from Capital Reserve		648,675	648,675	648,675
Total Revenues		<u>1,081,125</u>	<u>1,081,125</u>	<u>1,081,125</u>
Expenditures and Other Financing Sources:				
Construction Services		360,453	360,453	1,081,125
Land Improvements				
Total Expenditures	<u>-</u>	<u>360,453</u>	<u>360,453</u>	<u>1,081,125</u>
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ 720,672</u>	<u>\$ 720,672</u>	<u>\$ -</u>

Additional Project Information:

Project Number	3103-050-14-1001
Grant Date/Letter of Notification	various
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,081,125
Additional Authorized Cost	-
Revised Authorized Cost	1,081,125

Percentage Increase over Original

Authorized Cost	N/A
Percentage Completion	33.34%
Original Target Completion Date	November 2015
Revised Target Completion Date	November 2015

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Trust				Agency		
	Private Purpose Scholarship	AFLAC	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets:							
Cash and Cash Equivalents	\$ 16,196	\$ 27	\$ 187,893	\$ 204,116	\$ 11,248	\$ 217,001	\$ 228,249
Total Assets	16,196	27	187,893	204,116	11,248	217,001	228,249
Liabilities:							
Payroll Deductions and Withholdings						\$ 217,001	\$ 217,001
Due to Student Groups					\$ 11,248		11,248
Total Liabilities					\$ 11,248	\$ 217,001	\$ 228,249
Net Position:							
Held in Trust for Unemployment Claims			187,893	187,893			
Held in Trust for Scholarships and Other Purposes	16,196	27		16,223			
Total Net Position	\$ 16,196	\$ 27	\$ 187,893	\$ 204,116			

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2015

	Balance July 1, 2014	Cash Receipts	Cash Disbursements	Balance June 30, 2015
Capello	\$ 1,102	\$ 1,642	\$ 1,284	\$ 1,460
High School	9,433	37,102	36,747	9,788
Regional Day	262		262	-
Total	<u>\$ 10,797</u>	<u>\$ 38,744</u>	<u>\$ 38,293</u>	<u>\$ 11,248</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2015

	Balance July 1, 2014	Cash Receipts	Cash Disbursements	Balance June 30, 2015
Assets				
Cash and Cash Equivalents	\$ 221,322	\$ 31,025,460	\$ 31,029,781	\$ 217,001
Total Assets	<u>\$ 221,322</u>	<u>\$ 31,025,460</u>	<u>\$ 31,029,781</u>	<u>\$ 217,001</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 221,322	\$ 31,025,460	\$ 31,029,781	\$ 217,001
Total Liabilities	<u>\$ 221,322</u>	<u>\$ 31,025,460</u>	<u>\$ 31,029,781</u>	<u>\$ 217,001</u>

Long-Term Debt

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year ended June 30, 2015

Description	Date of Lease	Term of Lease	Interest Rate	Amount of Original Issue	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
Tractor	12/3/2013	4 years	2.243%	\$ 46,363	\$ 36,863	\$ -	\$ 8,911	\$ 27,952
Ford Truck	1/15/2015	4 years	2.330%	34,089		34,089	7,135	26,954
					<u>\$ 36,863</u>	<u>\$ 34,089</u>	<u>\$ 16,046</u>	<u>\$ 54,906</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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Government Activities:										
Net Investment in Capital Assets	\$ 11,194,576	\$ 12,052,157	\$ 38,326,912	\$ 41,004,526	\$ 40,373,584	\$ 39,417,476	\$ 38,822,787	\$ 38,046,878	\$ 37,556,142	\$ 37,242,158
Restricted	737,150	658,289	1,726,193	2,356,854	499,821	750,824	1,151,066	1,551,784	2,393,633	2,851,151
Unrestricted	645,526	2,632,365	1,608,031	2,843,187	3,894,508	5,812,175	6,649,120	5,513,720	4,028,166	(15,314,922)
Total Government Activities Net Position	\$ 12,577,252	\$ 15,342,811	\$ 41,661,136	\$ 46,204,567	\$ 44,767,913	\$ 45,980,475	\$ 46,622,973	\$ 45,112,382	\$ 43,977,941	\$ 24,778,387
Business-Type Activities:										
Net Investment in Capital Assets	\$ 241,127	\$ 297,513	\$ 1,159,833	\$ 107,121	\$ 285,595	\$ 372,482	\$ 362,945	\$ 341,717	\$ 309,756	\$ 285,403
Restricted	1,574,710	1,175	10,852	206,854						
Unrestricted		2,469,575	2,262,860	1,997,726	2,311,234	2,167,994	2,083,546	1,544,319	1,188,070	1,097,383
Total Business-Type Activities Net Position	\$ 1,815,837	\$ 2,768,263	\$ 3,433,545	\$ 2,311,701	\$ 2,596,829	\$ 2,540,476	\$ 2,446,491	\$ 1,886,036	\$ 1,497,826	\$ 1,382,786
Government-Wide:										
Net Investment in Capital Assets	\$ 11,435,703	\$ 12,349,670	\$ 39,486,745	\$ 41,111,647	\$ 40,659,179	\$ 39,789,958	\$ 39,185,732	\$ 38,388,595	\$ 37,865,898	\$ 37,527,561
Restricted	2,311,860	659,464	1,737,045	2,563,708	499,821	750,824	1,151,066	1,551,784	2,393,633	2,851,151
Unrestricted	645,526	5,101,940	3,870,891	4,840,913	6,205,742	7,980,169	8,732,666	7,058,039	5,216,236	(14,217,539)
Total District Net Position	\$ 14,393,089	\$ 18,111,074	\$ 45,094,681	\$ 48,516,268	\$ 47,364,742	\$ 48,520,951	\$ 49,069,464	\$ 46,998,418	\$ 45,475,767	\$ 26,161,173

Source: CAFR Schedule A-1 and District records.

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

GASB 68 was implemented in the 2015 fiscal year, which required a restatement of beginning net position in the amount of \$22,684,628. This amount is not reflected in the June 30, 2014 net position above.

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

	Year ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
Instruction:										
Special Education	\$ 16,629,722	\$ 17,905,103	\$ 18,998,691	\$ 19,014,032	\$ 24,841,406	\$ 23,108,085	\$ 23,177,728	\$ 23,457,196	\$ 23,079,131	\$ 26,157,918
Other Special Education	774,505	908,497	923,038	142,124		50,107	44,458	51,177	53,306	68,673
Support Services:										
Student and Instruction Related Services	7,826,729	7,644,536	7,735,774	8,000,395	11,074,334	10,695,312	9,831,565	10,565,290	10,152,663	11,682,237
General Administration	594,214	421,672	339,293	401,045	497,896	449,249	335,027	344,767	345,575	330,894
School Administrative Services	1,249,443	944,566	1,168,139	1,281,183	1,631,985	1,417,875	1,462,521	1,724,486	1,735,911	1,952,019
Other Administrative Services										
Central Administrative Services	1,531,086	1,701,401	623,804	660,076	1,058,708	883,952	842,546	1,044,154	1,237,868	1,268,737
Administrative Information Technology	481,806	505,978	512,777	484,963	455,442	429,035	438,483	467,688	491,039	538,884
Plant Operations and Maintenance	2,079,370	2,272,453	2,473,666	2,439,231	2,999,265	2,943,122	2,829,359	2,661,520	2,966,316	3,311,854
Pupil Transportation	30,437	28,580	37,751	25,706	29,498	68,936	19,774	16,594	71,917	21,366
Unallocated Benefits	8,704,196	11,285,762	11,160,252	11,964,492						
Interest on Lease Purchase Agreements	591,414	513,890	678,001							
Unallocated Depreciation	292,657	311,551								
Total Governmental Activities Expenses	40,785,579	44,443,989	44,651,186	44,413,247	42,588,534	40,045,673	38,981,461	40,332,872	40,133,726	45,332,582
Business-Type Activities:										
Target Evaluation Team	14,879									
Project Adults	20,211	16,019	6,403	2,159	45,289					
Food Service	402,624	398,237	403,871	423,811	423,955	472,240	466,037	492,515	535,018	546,225
Mercer County Cooperative Transportation System	9,083,414	9,422,281	8,832,061	8,518,210	8,410,047	6,577,813	6,047,738	5,674,532	6,741,427	6,767,252
NJ State Regional Day School at Hamilton	2,439,272	1,450,516	2,018,921	2,242,112	2,237,440	2,257,360	2,207,361	2,521,195	2,411,332	1,476,116
Integrated Preschool	1,102,840	480,392	498,762	217,889	196,322	160,782	231,902	62,298	60,707	59,982
Integrated Preschool - Carryover		121,546								
Capital Academy					20,671					
Assisted Augmentative Technology	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	9,956	2,811
Community Resources					372,160	274,074	80,279	148,491	172,061	51,703
Chuck's						82,129	72,387	65,123	64,742	68,271
Special Aides					1,912,584	1,737,379	1,743,632	2,085,488	2,370,250	3,026,205
Joint Council	7,585									
Social Skills	2,386	864			1,350					
Emergency Treatment Services	10,371	8,963			28,788					
Total Business-Type Activities Expenses	13,121,398	11,950,599	11,833,929	11,446,339	13,718,444	11,634,494	10,900,587	11,078,306	12,365,493	11,998,565
Total District Expenses	\$ 53,906,977	\$ 56,394,588	\$ 56,485,115	\$ 55,859,586	\$ 56,306,978	\$ 51,680,167	\$ 49,882,048	\$ 51,411,178	\$ 52,499,219	\$ 57,331,147

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

	Year ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Special Education	\$ 2,246,549	\$ 2,551,476	\$ 2,586,453	\$ 2,626,585						
Operating Grants and Contributions:										
Special Education	963,593	1,137,245	995,847	852,079	\$ 692,465	\$ 502,352	\$ 220,813	\$ 218,546	\$ 25,382	\$ 23,102
Student and Instruction Related Services	1,318,224	929,542	1,078,503	978,777	1,050,167	893,492	683,905	672,866	485,675	493,949
Unallocated Benefits	1,915,489	3,277,205	3,256,617	2,722,819						
Capital Grants and Contributions						38,274	252,101	296,667	553,644	305,709
Total Governmental Activities Program Revenues	6,443,855	7,895,468	7,917,420	7,180,260	1,742,632	1,434,118	1,156,819	1,188,079	1,064,701	822,760
Business-Type Activities:										
Charges for Services:										
Target Evaluation Team					42,974					
Project Adults	22,952	6,433	12,278							
Home Instruction	360									
Food Service	118,594	122,158	110,448	103,951	88,637	97,432	85,117	76,413	110,074	126,761
Mercer County Cooperative Transportation System	9,114,109	9,459,372	8,805,282	8,518,210	8,410,047	6,578,015	6,047,738	5,674,330	6,741,427	6,767,252
NJ State Regional Day School at Hamilton	2,209,152	2,510,607	2,106,183	2,215,156	2,143,476	2,113,580	2,093,495	2,087,454	2,186,112	1,418,563
Integrated Preschool	912,390	480,411	333,062	360,026	206,289	328,626	266,112			
Assisted Augmentative Technology	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	17,400	9,300
Community Resources					358,427	243,104	99,021	117,655	72,150	42,238
Chuck's Place						83,197	73,605	72,967	70,445	74,829
Special Aides					1,912,584	1,737,379	1,737,884	2,086,195	2,369,543	3,026,205
Joint Council	29,582									
Social Skills	4,400	200								
Emergency Treatment Services	13,122	35,000								
Operating Grants and Contributions:										
Food Service	267,728	281,898	275,440	303,823	294,311	342,975	345,345	384,041	410,132	418,364
Total Business-Type Activities Program Revenues	12,755,670	12,961,736	11,667,342	11,537,399	13,543,363	11,578,012	10,806,552	10,517,830	11,977,283	11,883,512
Total District Program Revenues	\$ 19,199,525	\$ 20,857,204	\$ 19,584,762	\$ 18,717,659	\$ 15,285,995	\$ 13,012,130	\$ 11,963,371	\$ 11,705,909	\$ 13,041,984	\$ 12,706,272
Net (Expense)/Revenue:										
Governmental Activities	\$ (34,341,724)	\$ (36,548,521)	\$ (36,733,766)	\$ (37,232,987)	\$ (40,845,902)	\$ (38,611,555)	\$ (37,824,642)	\$ (39,144,793)	\$ (39,069,025)	\$ (44,509,822)
Business-Type Activities	(365,728)	1,011,137	(166,587)	91,060	(175,081)	(56,482)	(94,035)	(560,476)	(388,210)	(115,053)
Total District-wide Net (Expense)/Revenue	\$ (34,707,452)	\$ (35,537,384)	\$ (36,900,353)	\$ (37,141,927)	\$ (41,020,983)	\$ (38,668,037)	\$ (37,918,677)	\$ (39,705,269)	\$ (39,457,235)	\$ (44,624,875)

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

	Year ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
County Appropriation	\$ 2,600,000	\$ 4,305,000	\$ 5,492,269	\$ 3,460,178	\$ 2,870,529	\$ 2,870,529	\$ 2,870,529	\$ 2,870,529	\$ 2,874,529	\$ 2,874,529
Tuition - LEAs	31,504,085	34,064,034	32,612,267	34,214,361	33,538,814	33,595,981	32,065,344	30,503,693	31,490,169	36,911,372
Nonresident Fees	259,570	567,943	573,370	183,847	175,880	170,013	183,485	174,791	156,155	178,474
Interest Earned on Investments	99,331	131,136	174,481	44,522	21,885	14,235	7,821	13,924	5,053	3,782
Miscellaneous Income	113,880	245,967	442,903	502,805	306,151	355,192	287,643	323,430	327,583	319,247
Federal and State Aid Not Restricted					2,955,850	2,818,167	3,052,318	3,747,835	3,081,095	7,707,492
Special Items:										
Capital Asset Inventory Adjustment	(2,191,671)									
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	32,531,174	39,314,080	64,295,290	38,330,025	39,869,109	39,824,117	38,467,140	37,634,202	37,934,584	47,994,896
Business-Type Activities:										
Interest Earned on Investments	3,151	3,002	2,567	292	348	127	51	21	-	13
Special Items:										
Capital Asset Inventory Adjustment	398,747									
Cancellation of Prior Year Accounts Payable	41,800	125								
Refund of Prior Year Revenue	(30,697)	(61,838)		(10,314)						
Cancellation of Net Position				(182,823)						
Transfers	(145,979)			41,207						
Total Business-Type Activities	267,022	(58,711)	2,567	(151,638)	348	127	51	21	-	13
Total District-wide	\$ 32,798,195	\$ 39,255,369	\$ 64,297,857	\$ 38,178,387	\$ 39,869,457	\$ 39,824,244	\$ 38,467,191	\$ 37,634,223	\$ 37,934,584	\$ 47,994,909
Changes in Net Position:										
Governmental Activities	\$ (1,810,550)	\$ 2,765,559	\$ 27,561,524	\$ 1,097,038	\$ (976,793)	\$ 1,212,562	\$ 642,498	\$ (1,510,591)	\$ (1,134,441)	\$ 3,485,074
Business-Type Activities	(98,707)	952,426	(164,020)	(60,578)	(174,733)	(56,355)	(93,984)	(560,455)	(388,210)	(115,040)
Total District	\$ (1,909,257)	\$ 3,717,985	\$ 27,397,504	\$ 1,036,460	\$ (1,151,526)	\$ 1,156,207	\$ 548,514	\$ (2,071,046)	\$ (1,522,651)	\$ 3,370,034

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$ 648,821	\$ 623,808	\$ 884,719	\$ 828,766	\$ 610,612					
Unreserved	1,073,585	3,032,465	4,111,789	6,282,263	6,008,461					
Restricted						\$ 750,824	\$ 1,151,066	\$ 1,551,784	\$ 2,393,633	\$ 2,079,965
Assigned						1,359,823	3,736,862	5,417,142	735,595	873,790
Unassigned						6,560,006	5,130,643	2,419,207	5,343,814	8,692,433
Total General Fund	\$ 1,722,406	\$ 3,656,273	\$ 4,996,508	\$ 7,111,029	\$ 6,619,073	\$ 8,670,653	\$ 10,018,571	\$ 9,388,133	\$ 8,473,042	\$ 11,646,188
All Other Governmental Funds:										
Restricted	\$ 83,329	\$ 34,481	\$ 34,481							\$ 771,186
Total All Other Governmental Funds	\$ 83,329	\$ 34,481	\$ 34,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 771,186

Source: CAFR Schedule B-1 and District records.

GASB # 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See footnote 1.N. 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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
County Appropriation	\$ 2,600,000	\$ 4,305,000	\$ 5,492,269	\$ 3,460,178	\$ 2,870,529	\$ 2,908,803	\$ 3,122,630	\$ 3,167,196	\$ 3,428,173	\$ 2,955,736
Tuition - LEA's	31,504,085	34,064,034	32,612,267	34,214,361	33,538,834	33,595,981	32,065,344	30,503,693	31,490,169	36,911,372
Nonresident Fees	259,570	567,943	573,370	183,848	175,860	170,013	183,485	174,791	156,155	178,474
Interest Earned on Investment	99,331	131,136	174,481	44,522	21,885	14,235	7,821	13,924	5,053	3,782
Miscellaneous	259,859	245,967	442,903	502,805	306,151	355,192	287,643	323,430	327,583	319,247
Other Local Sources	882,523	896,781								
State Sources	2,625,614	3,981,473	4,024,581	3,464,359	3,574,464	3,269,005	3,322,120	4,039,891	3,221,612	3,735,607
Federal Sources	689,168	465,737	402,035	265,853	487,560	434,942	343,865	367,458	146,866	674,461
Other Sources	904,351		904,351	823,463	636,458	510,064	291,051	231,898	223,674	223,235
Total Revenues	38,920,150	44,658,071	44,626,257	42,959,389	41,611,741	41,258,235	39,623,959	38,822,281	38,999,285	45,001,914
Expenditures:										
Current:										
Special Education Instruction	13,450,315	14,389,976	15,129,911	16,312,545	16,044,545	14,975,700	15,049,479	15,164,909	15,111,117	15,477,872
Other Special Instruction	774,505	908,497	914,056	66,691		36,001	31,495	37,908	39,796	45,603
Support Services and Undistributed Costs:										
Student and Instruction Related Services	7,826,729	7,644,536	7,646,203	7,944,634	7,886,748	7,592,858	7,028,694	7,091,331	6,919,887	6,959,270
General Administration	468,946	297,075	305,866	376,457	343,876	317,327	296,246	292,161	294,708	261,845
School Administration	1,169,940	958,174	1,090,139	1,221,402	1,162,056	1,006,393	990,978	1,130,417	1,157,838	1,129,048
Central Services	1,531,086	1,701,402	618,247	648,128	734,441	613,412	594,996	685,844	829,811	747,070
Administrative Information Technology	481,806	505,978	475,089	447,088	358,615	332,388	344,075	338,370	362,991	363,751
Plant Operations and Maintenance	2,016,736	2,210,155	2,309,094	2,318,292	2,478,416	2,460,992	2,401,436	2,155,718	2,474,912	2,527,708
Pupil Transportation	30,437	28,580	37,751	25,706	28,391	32,795	35,745	32,548	33,637	35,873
Unallocated Benefits	8,704,196	11,113,299	11,160,252	11,081,761	12,569,952	11,599,852	11,065,267	12,154,781	11,918,838	12,592,500
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	6,154,496	541,491	188,980	360,957	496,657	273,632	437,630	368,732	770,841	951,131
Total Expenditures	45,177,393	42,778,053	43,286,022	40,803,661	42,103,697	39,241,350	38,276,041	39,452,719	39,914,376	41,091,671
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	(6,257,243)	1,880,018	1,340,235	2,155,728	(491,956)	2,016,885	1,347,918	(630,438)	(915,091)	3,910,243
Other Financing Sources/(Uses):										
Transfers In										1,114,530
Transfers Out				(41,207)						(1,114,530)
Cancelled Excess Fund Balance				(34,481)						
Capital Lease Proceeds						34,696				34,089
Total Other Financing Sources/(Uses)				(75,688)		34,696				34,089
Net Change in Fund Balances	\$ (6,257,243)	\$ 1,880,018	\$ 1,340,235	\$ 2,080,040	\$ (491,956)	\$ 2,051,581	\$ 1,347,918	\$ (630,438)	\$ (915,091)	\$ 3,944,332

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tuition - LEA's	\$ 31,504,085	\$ 34,064,034	\$ 32,842,337	\$ 34,214,361	\$ 33,538,835	\$ 33,595,981	\$ 32,065,344	\$ 30,503,693	\$ 31,490,169	\$ 36,911,372
Nonresident Fees	259,570	567,943	573,371	183,848	175,860	170,013	183,485	174,791	156,155	178,474
Interest Earned on Investments	99,331	131,137	174,481	44,522	21,885	14,235	7,821	13,924	5,053	3,782
County Appropriation	31,799	1,826,110	5,492,269	3,460,178	2,870,529	2,870,529	2,870,529	2,870,529	2,874,529	2,874,529
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		120,923								
Miscellaneous	72,642	55,575	175,853		306,151	87,875	30,632	33,430	327,583	319,247
Total	\$ 32,154,644	\$ 36,835,190	\$ 39,525,361	\$ 37,902,909	\$ 36,913,260	\$ 37,005,950	\$ 35,414,822	\$ 33,886,367	\$ 34,853,489	\$ 40,287,404

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
2006	89,331	\$ 4,484,326,869	\$ 50,199	4.20%
2007	89,803	4,668,588,561	51,987	3.80%
2008	90,279	4,741,543,359	52,521	4.90%
2009	90,605	4,620,039,555	50,991	7.80%
2010	88,577	4,579,962,362	51,706	7.80%
2011	88,522	4,694,941,314	53,037	7.70%
2012	88,786	4,966,067,338	55,933	7.80%
2013	89,063	5,068,219,078	56,906	6.70%
2014	89,136	Not Available	Not Available	Not Available
2015	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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instruction:										
Special Education	101.0	92.0	89.0	90.2	75.2	90.1	91.1	250.8	234.9	234.5
Other Instruction	20.4	23.0	26.2	18.8	24.6	19.7	20.6	3.4		
Support Services:										
Student and Instruction Related Services	276.9	286.1	283.6	234.6	240.0	250.0	250.4	76.5	73.4	76.8
General Administration	5.0	4.0	2.0	3.0	3.0	4.0	4.0	1.0	1.0	1.0
School Administrative Services	14.0	12.0	15.0	12.0	16.0	15.9	20.5	14.0	13.0	14.0
Other Administrative Services	19.0	22.5	4.0	8.9	6.0	5.0	5.0	4.0	3.5	3.5
Central Services	23.0	20.0	12.0	48.0	32.0	35.6	31.5	32.0	29.6	34.0
Total	<u>459.3</u>	<u>459.6</u>	<u>431.8</u>	<u>415.5</u>	<u>396.8</u>	<u>420.3</u>	<u>423.1</u>	<u>381.7</u>	<u>355.4</u>	<u>363.8</u>

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
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%
2014	675.60	39,143,535	57,939	-1.05%	235	2.88	675.60	606.90	1.21%	89.83%
2015	682.60	40,140,540	58,805	1.50%	235	2.91	682.60	616.70	1.04%	90.35%

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Elementary:										
Joseph F. Cappello (1993)										
Square Feet	73,745	73,745	73,745	73,745	73,745	73,745	73,745	73,745	73,745	73,745
Capacity (Students)	262	262	262	262	262	262	262	262	262	262
Enrollment	241	234	170	193	161	141	141	125	139	128
Mercer Elementary (2005)										
Square Feet	88,421	88,421	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	265	265
Enrollment	232	251	246	261	262	242	208	205	186	213
High School:										
Mercer JR/SR (1987)										
Square Feet	86,858	86,858	86,858	86,858	96,858	96,858	96,858	96,858	96,858	96,858
Capacity (Students)	318	318	318	318	318	318	318	318	318	318
Enrollment	293	286	292	273	273	271	279	278	265	279
Other:										
Regional Day School (1984)										
Square Feet	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411
Capacity (Students)	60	60	60	60	60	60	60	60	60	60
Enrollment	57	60	47	50	48	47	42	46	45	32

Number of Schools at June 30, 2015

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	Total
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
2014	N/A	24,841	21,091	25,288	7,918	79,138
2015	N/A	21,778	21,091	20,399	11,529	74,797
Total School Facilities		\$ 323,920	\$ 268,549	\$ 202,837	\$ 105,258	\$ 900,564

Source: District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2015
 UNAUDITED

	Coverage	Deductible
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 150,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	250,000	500
General and Automobile Liability	15,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	15,000,000	
Pollution Legal Liability	3,000,000	25,000
Cyber Liability	1,000,000	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, 2015, 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 18, 2015.

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.

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

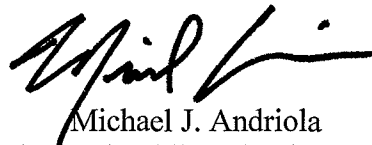
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 18, 2015
Iselin, New Jersey

Report on Compliance For Each Major Federal and State Program and
Report on Internal Control Over Compliance Required by
OMB A-133 and New Jersey OMB 15-08

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 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, 2015. 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 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

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Those standards, OMB Circular A-133 and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2015.

Report on Internal Control Over Compliance

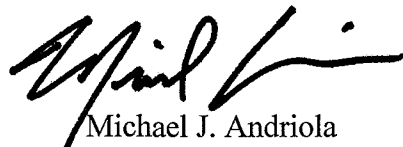
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 15-08. Accordingly, this report is not suitable for any other purposes.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 18, 2015
Iselin, New Jersey

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance, June 30, 2014			Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year's Balances	Balance, June 30, 2015		
			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	\$ 487,339	07/01/14	06/30/15			\$ 487,339	\$ (487,339)						
ARRA - Medicaid Assistance Program - SEMI Program	93.778	154,579	07/01/14	06/30/15			154,579	(154,579)						
Total General Fund							<u>641,918</u>	<u>(641,918)</u>						
U.S. Department of Health - Passed - Through Department of Health and Senior Services:														
Workforce Investment Area - Out-of-School Youth	17.258	33,000	10/01/13	09/30/14	\$ (5,879)		14,695	(8,816)						
Workforce Investment Area - Out-of-School Youth	17.258	33,000	10/01/14	09/30/15			13,760	(23,727)				\$ (9,967)		
Total Special Revenue Fund					<u>(5,879)</u>		<u>28,455</u>	<u>(32,543)</u>				<u>(9,967)</u>		
Enterprise Fund														
U.S. Department of Agriculture:														
Passed-Through State Department of Education:														
School Breakfast Program	10.553	128,103	07/01/14	06/30/15			103,090	(128,103)				(25,013)		
School Breakfast Program	10.553	125,488	07/01/13	06/30/14		(26,123)	26,123							
National School Lunch Program	10.555	257,440	07/01/14	06/30/15			206,662	(257,440)				(50,778)		
National School Lunch Program	10.555	248,822	07/01/13	06/30/14		(50,395)	50,395							
Food Donation Program (NC)	10.555	29,443	07/01/14	06/30/15			29,443	(26,550)					\$ 2,893	
Food Donation Program (NC)	10.555	29,320	07/01/13	06/30/15	\$ 651			(651)						
Total Enterprise Fund					<u>651</u>	<u>(76,518)</u>	<u>415,713</u>	<u>(412,744)</u>				<u>(75,791)</u>	<u>2,893</u>	
Total Federal Awards					<u>\$ 651</u>	<u>\$ (82,397)</u>	<u>\$ -</u>	<u>\$ 1,086,086</u>	<u>\$ (1,087,205)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(85,758)</u>	<u>\$ 2,893</u>	<u>\$ -</u>

NC - noncash expenditures

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2014			Cash Received	Budgetary Expenditures	Repayments of Prior Years' Balance	Balance, June 30, 2015			Memo	
			From	To	Unearned Revenue	(Accounts Receivable)	Due to Grantor				(Accounts Receivable)	Unearned Revenue	Due To Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
On Behalf TPAF Pension and Medical Contributions	495-034-5095-001/006/007	\$ 2,161,046	07/01/14	06/30/15				\$ 2,161,046	\$ (2,161,046)						\$ (2,161,046)
Reimbursed TPAF Social Security Contributions	495-034-5095-002	1,088,786	07/01/14	06/30/15				1,034,423	(1,088,786)		\$ (54,363)				(1,088,786)
Reimbursed TPAF Social Security Contributions	495-034-5095-002	1,158,414	07/01/13	06/30/14	\$ (54,609)			54,609							
Total General Fund					<u>\$ (54,609)</u>			<u>3,250,078</u>	<u>(3,249,832)</u>		<u>(54,363)</u>				<u>(3,249,832)</u>
Special Revenue Fund:															
State Department of Health															
Special Revenue Fund:															
Case Management - SCHS	4572-129-6140-2080	261,127	07/01/14	06/30/15				229,990	(261,127)		(31,137)				(261,127)
Case Management - SCHS	4572-129-6140-2080	257,481	07/01/13	06/30/14	(13,229)			13,229							
Total Special Revenue Fund					<u>(13,229)</u>			<u>243,219</u>	<u>(261,127)</u>		<u>(31,137)</u>				<u>(261,127)</u>
State Department of Agriculture															
Enterprise Fund:															
State School Lunch Program	100-010-3350-023	5,620	07/01/14	06/30/15				4,400	(5,620)		(1,220)				(5,620)
State School Lunch Program	100-010-3350-023	5,564	07/01/13	06/30/14	(1,340)			1,340							
Total Enterprise Fund					<u>(1,340)</u>			<u>5,740</u>	<u>(5,620)</u>		<u>(1,220)</u>				<u>(5,620)</u>
Capital Projects Fund:															
NJ Schools Development Authority	various	743,020		indefinite					(224,502)		(224,502)				(224,502)
Total Capital Projects Fund									<u>(224,502)</u>		<u>(224,502)</u>				<u>(224,502)</u>
Total State Financial Assistance					\$ -	\$ (69,178)	\$ -	\$ 3,499,037	\$ (3,741,081)	\$ -	\$ (311,222)	-	\$ -	\$ -	\$ (3,741,081)
State Financial Assistance Not Subject to Single Audit Determination:															
On-Behalf TPAF Pension and Medical Contributions	495-034-5095-001/006/007	2,161,046	07/01/14	06/30/15				2,161,046	(2,161,046)						(2,161,046)
Total State Financial Assistance Subject to Single Audit Determination					\$ -	\$ (69,178)	\$ -	\$ 1,337,991	\$ (1,580,035)	\$ -	\$ (311,222)	-	\$ -	\$ -	\$ (1,580,035)

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

Mercer County Special Services School District

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

Year ended June 30, 2015

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* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in 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, 2015

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 \$293 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 2015 fiscal year was \$2,161,046.

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	\$ 641,918	\$3,249,832	\$ 3,891,750
Special Revenue Fund	32,543	261,273	293,816
Capital Projects Fund		224,502	224,502
Food Service Enterprise Fund	412,744	5,620	418,364
Total award revenues	<u>\$1,087,205</u>	<u>\$ 3,741,227</u>	<u>\$ 4,828,432</u>

The adjustment to reconcile from budgetary basis accounts receivable to GAAP basis accounts receivable is \$293 for the special revenue fund. This is a result of recognizing encumbrances as expenditures on the budgetary basis but not the GAAP basis.

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, 2015

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, 2015.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on behalf of the District. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 15-08, as directed by the funding agency.

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

Year ended June 30, 2015

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>
93.778	ARRA - Medicaid Assistance Program – SEMI Program

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

Year ended June 30, 2015

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

State Awards Section

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

 \$300,000

Auditee qualified as low-risk auditee?

 X Yes No

Type of auditors' report issued on compliance for major programs:

 Unmodified

Internal control over major programs:
Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?

 Yes X No

Identification of major programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
495-034-5095-002	Reimbursed TPAF Social Security

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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, 2015

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 15-08.

Mercer County Special Services School District

Summary Schedule of Prior Years Findings

Year ended June 30, 2015

None