

MERCER COUNTY
SPECIAL
SERVICES
SCHOOL DISTRICT

County of Mercer
Board of Education
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2017*

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, 2017

Prepared by
Business Office

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Introductory Section



Kimberly J. Schneider, Ed. D.
Superintendent

Tanya Dawson
Business Administrator/Board Secretary

November 30, 2017

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, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the administration of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the governmental-type activities, the business-type activities, each major fund of the District and the remaining aggregate fund information. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a list of principal officials and the Certificate of Excellence in Financial Reporting. The Financial section includes Management's Discussion and Analysis (immediately following the independent auditors' report) and the basic financial statements, footnotes and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the independent auditors' reports on internal control and compliance with applicable laws and regulations and findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

Mercer County Special Services School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (“GASB”). 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 2017 fiscal year with an average daily enrollment of 576.1 students, which is fifty-one (51) students less than the previous year’s average daily enrollment. The following details the changes in the student enrollment of the District over the last ten (10) years.

Average Daily Enrollment

| <u>Fiscal Year Ending</u> | <u>Student Enrollment</u> | <u>Percent Change</u> |
|--------------------------------------|--------------------------------------|----------------------------------|
| 2016-2017 | 576.1 | (9.00)% |
| 2015-2016 | 627.0 | (8.14)% |
| 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)% |

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

The District has reviewed input from local sending districts and has expanded program options to include an Early Childhood Behavioral Disabilities (BD) Program at the Joseph F. Cappello School. The District is committed to providing specific professional development for the district's BD Program during the upcoming school year. Expanding of a partnership with a community advocacy group is another focus for the District that will increase student access to after-school programing. Through recommendations of the District Curriculum Committee, another District initiative was to purchase additional technology, increase staff professional development, and purchase materials for piloting the Unique Learning System for the Autism population. The District is also further expanding professional development at the Early Childhood Level, with additional staff being trained in the Tools of the Mind Curriculum in an effort to expand self-regulation for learners. Finally, the district is increasing its efforts on staff professional development related to coping with trauma and managing behaviors.

The District focused efforts on educating the community regarding the services available for learners with significant modifications through the district's website.

The District’s buildings range in age from 12 years to 33 years (built dates are detailed on the J-18 schedule). The District provides for the maintenance of the buildings in the annual budget. The District also continues to pursue long range planning initiatives. For example, the District engages in the analysis of program costs and enrollments necessary to properly forecast tuition costs and revenues. Numerous capital projects and facilities improvements have resulted from these budget and facilities planning activities.

The District continues to invest in network infrastructure upgrades at all schools, as well as, upgrading classroom HVAC units. Ongoing site improvements to the campus parking lots, playgrounds and sidewalks will continue.

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 4.4%, which is 1.2 percentage points better than the national average of 5.6%. 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 decrease in enrollment during the 2016-2017 school year. The District cannot accurately forecast future enrollment. While the district does not anticipate a significant change in enrollment for the 2017-2018 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 2016-17 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. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. Project-length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as a portion of fund balance at June 30, 2017.

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, 2017.

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 Federal Uniform Guidance and New Jersey OMB Circular 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, June 30, 2014, June 30, 2015 and June 30, 2016 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 2016-2017 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,



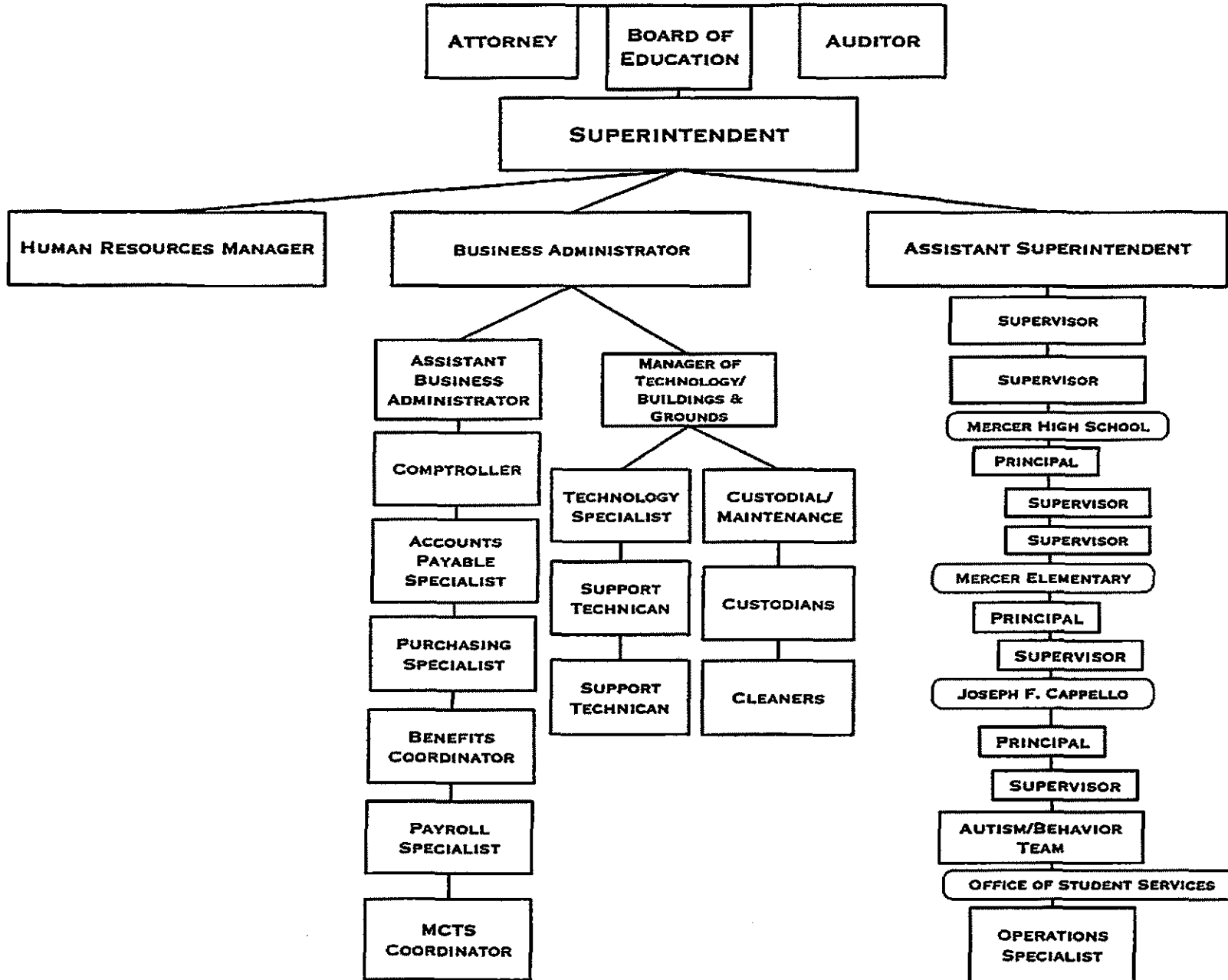
Dr. Kimberly J. Schneider
Superintendent



Tanya Dawson
School Business Administrator/
Board Secretary

TD/kz

Mercer County Special Services School District



Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2017

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|--|----------------------------|
| Camille Rainiero, President | 2020 |
| Russell White, Vice-President | 2018 |
| Samuel J. Floyd | 2020 |
| Lisa Vena | 2021 |
| Jan Lewis | 2020 |
| Sally Gillispie | 2019 |
| Yasmin Hernandez-Manno, Interim 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

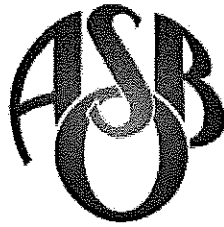
Mercer County Special Services School District
Mercer County, New Jersey

Independent Auditors and Advisors

Independent Auditors
Wiss and Company, LLP
354 Eisenhower Parkway
Livingston, New Jersey 07039

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
is presented to**

Mercer County Special Services School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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 'Anthony N. Dragona', written over a horizontal line.

**Anthony N. Dragona, Ed.D., RSBA
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions-PERS, 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.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB 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 section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

November 30, 2017
Livingston, 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, 2017

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, 2017. 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 2016-2017 fiscal year include the following:

- The District's average daily enrollment decreased 8.1% from 627 in 2016 to 576 in 2017.
- Revenues from tuition from other districts decreased in 2017 by \$6,877,060 or 19.1%, partially due to a decrease in enrollment.
- The District's government-wide fund balance decreased \$7,872,373 or 28.7% primarily due to an increase in the District's net pension liability.

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 2016/17?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets, deferred inflows and outflows of resources 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 2016-17 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 \$4,071,751, while total fund balance was \$9,826,876. 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 9.8% of the total general fund expenditures while total fund balance represents 23.7% of that same amount.

During the current fiscal year, the fund balance of the District's general fund balance decreased by \$4,269,591. The decline in fund balance is primarily related to adjusted certified tuition rates which resulted in a significant return of prior year's revenue to sending districts.

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 \$252,631 in state financial assistance, \$25,791 in federal awards and \$225,174 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 incurred budgetary basis expenditures of \$125,078 which was comprised primarily of expenditures for the Mercer High School and Joseph F. Cappello School's boiler and chiller projects.

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 private-purpose scholarship 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 65 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 2017 and 2016.

**Net Position
June 30, 2017 and 2016**

| | Governmental | | Business-type | | Total | |
|----------------------------------|---------------|---------------|---------------|--------------|---------------|---------------|
| | Activities | | Activities | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 10,032,551 | \$ 15,472,975 | \$982,976 | \$1,171,241 | \$11,015,527 | \$16,644,216 |
| Capital assets, net | 36,064,734 | 37,098,492 | 247,648 | 275,629 | 36,312,382 | 37,374,121 |
| Total assets | 46,097,285 | 52,571,467 | 1,230,624 | 1,446,870 | 47,327,909 | 54,018,337 |
| Deferred Outflow of Resources | 10,251,260 | 4,528,211 | | | 10,251,260 | 4,528,211 |
| Current liabilities and other | 1,131,113 | 2,207,036 | 44,771 | 97,510 | 1,175,884 | 2,304,546 |
| Net pension liability | 34,707,976 | 26,497,421 | | | 34,707,976 | 26,497,421 |
| Long-term liabilities | 1,938,171 | 1,806,449 | | | 1,938,171 | 1,806,449 |
| Total liabilities | 37,777,260 | 30,510,906 | 44,771 | 97,510 | 37,822,031 | 30,608,416 |
| Deferred Inflows of Resources | 211,366 | 519,987 | | | 211,366 | 519,987 |
| Net position: | | | | | | |
| Net investment in capital assets | 36,041,421 | 37,059,204 | 247,648 | 275,629 | 36,289,069 | 37,334,833 |
| Restricted | 3,811,962 | 3,094,454 | | | 3,811,962 | 3,094,454 |
| Unrestricted (deficit) | (21,493,464) | (14,084,873) | 938,205 | 1,073,731 | (20,555,259) | (13,011,142) |
| Total net position | \$ 18,359,919 | \$ 26,068,785 | \$ 1,185,853 | \$ 1,349,360 | \$ 19,545,772 | \$ 27,418,145 |

Current and other assets decreased \$5,628,689 of which \$4,049,416 is attributed to a decrease in cash and cash equivalents and \$1,566,930 is attributable to a decrease in accounts receivable. This decrease in cash and cash equivalents is mostly a result of a decrease in tuition from sending districts and the decrease in accounts receivable is attributed to more timely tuition payments by certain school 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 effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

Unrestricted net position in the governmental activities decreased \$7,408,591 primarily due to a decrease in tuition revenue, in addition to the impact 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 6 to the financial statements for further information.

The following table provides a comparison analysis of government-wide changes in net position from fiscal years 2017 and 2016.

Changes in Net Position

Years ended June 30, 2017 and 2016

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | | | \$10,293,230 | \$10,696,063 | \$10,293,230 | \$10,696,063 |
| Operating grants and contributions | \$ 503,596 | \$ 507,187 | 409,953 | 426,515 | 913,549 | 933,702 |
| Capital grants and contributions | 74,401 | 471,052 | | | 74,401 | 471,052 |
| General revenues: | | | | | | |
| County Appropriation | 2,932,020 | 2,874,529 | | | 2,932,020 | 2,874,529 |
| Tuition - LEA's | 29,034,534 | 35,911,594 | | | 29,034,534 | 35,911,594 |
| Nonresident Fees | 151,248 | 175,230 | | | 151,248 | 175,230 |
| State and Federal Sources | 11,912,493 | 8,809,936 | | | 11,912,493 | 8,809,936 |
| Interest Earnings | 22,126 | 10,481 | 16 | 19 | 22,142 | 10,500 |
| Miscellaneous | 326,528 | 421,701 | | | 326,528 | 421,701 |
| Total revenues | 44,956,946 | 49,181,710 | 10,703,199 | 11,122,597 | 55,660,145 | 60,304,307 |
| Expenses: | | | | | | |
| Instructional services | 30,915,809 | 28,627,147 | 2,174,408 | 2,039,883 | 33,090,217 | 30,667,030 |
| Support services | 21,750,003 | 19,264,165 | 7,926,073 | 8,339,223 | 29,676,076 | 27,603,388 |
| Operation of non-instructional services | | | 766,225 | 776,917 | 766,225 | 776,917 |
| Total expenses | 52,665,812 | 47,891,312 | 10,866,706 | 11,156,023 | 63,532,518 | 59,047,335 |
| Change in net position | (7,708,866) | 1,290,398 | (163,507) | (33,426) | (7,872,373) | 1,256,972 |
| Net position – beginning | 26,068,785 | 24,778,387 | 1,349,360 | 1,382,786 | 27,418,145 | 26,161,173 |
| Net position – ending | \$ 18,359,919 | \$ 26,068,785 | \$ 1,185,853 | \$ 1,349,360 | \$ 19,545,772 | \$ 27,418,145 |

Governmental-type Activities

At June 30, 2017, Governmental-Type Activities net position accounted for 93.9% of the District's total net position.

The Governmental-Type Activities net position decreased \$7,708,866 from \$26,068,785 at June 30, 2016 to \$18,359,919 at June 30, 2017, mostly as a result of the decline in tuition revenues, in addition to the impact 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 2017, Governmental-Type Activities revenues were \$44,956,946 or 80.8% of total revenues, of which the County Appropriation of \$2,932,020 made up 5.3%, and Tuition from LEA's of \$29,034,534 made up 52.2%.

In FY 2017, the District's Governmental-Type Activities expenses were \$52,665,812 compared to \$47,891,312 for FY 2016, an increase of \$4,774,500.

Business-type Activities

At June 30, 2017, Business-Type Activities net position accounted for 6.1% of the District's total net position.

Business-Type Activities net position decreased \$163,507 from \$1,349,360 at June 30, 2016 to \$1,185,853 at June 30, 2017.

In FY 2017, Business-Type Activities revenues were \$10,703,199.

Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$10,703,183 in FY 2017 compared to \$11,122,578 in FY 2016, a 3.8% decrease. The decrease was attributed to a decrease of NJ State Regional Day School revenue in addition to a decrease in Mercer Cooperative Transportation System revenue.

Expenses for Business-Type Activities were \$10,866,706 in FY 2017 compared to \$11,156,023 in FY 2016, a 2.6% decrease. The decrease was related to a decrease in expenses for Mercer Cooperative Transportation System, offset by an increase in expenses related to the NJ State Regional Day School.

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, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues
Year Ended June 30, 2017

| <u>Revenue</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase (Decrease) from 2016</u> | <u>Percent of (Decrease) Increase</u> |
|-----------------|----------------------|-------------------------|--------------------------------------|---------------------------------------|
| Local sources | \$ 32,691,630 | 86.7% | \$ (6,926,640) | (17.5%) |
| State sources | 4,425,921 | 11.8 | 512,305 | 13.1 |
| Federal sources | 567,326 | 1.5 | 146,206 | 34.7 |
| Total | \$ 37,684,877 | 100.0% | \$ (6,268,129) | (14.3%) |

The decrease in local sources is mainly attributed to a decrease in tuition from LEA's. State sources increased as a result of an increase in the on-behalf TPAF pension, medical and non-contributory insurance contributions 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, 2017, and the amounts and percentage of increases in relation to prior year expenditures.

Expenditures
Year Ended June 30, 2017

| <u>Expenditures</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase (Decrease) From 2016</u> | <u>Increase (Decrease) From 2016</u> |
|---------------------|----------------------|-------------------------|--------------------------------------|--------------------------------------|
| Current: | | | | |
| Instruction | \$ 15,413,572 | 36.7% | \$ (546,821) | (3.4%) |
| Support services | 26,425,995 | 63.0 | 988,493 | 3.9 |
| Capital outlay | 114,901 | 0.3 | 10,069 | 9.6 |
| Total | \$ 41,954,468 | 100.0% | \$ 451,741 | 1.1% |

Instruction, support services and capital outlay 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 2017 budget to meet the District's needs. The final budgetary basis revenue estimate was

\$34,322,529, which was \$73,485 less than the original budget estimate, attributed to a decrease in anticipated other tuition revenue offset by an increase in Medicaid reimbursement.

The District received \$4,173,290 in reimbursed TPAF Social Security Aid and TPAF Pension, Post-Retirement Medical and Non-contributory Insurance 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 appropriations totaled \$41,441,888, which was \$73,485 less than the original budget estimate, due to the \$73,485 reduction in appropriations related to tuition revenue reductions and Medicaid reimbursement increases cited above.

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 \$1,314,538 worse than what was budgeted in terms of revenues and \$4,164,306 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$4,173,290 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 2017 and 2016, the District had \$36,064,734 and \$37,098,492, 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 governmental activities capital assets at the end of 2017 and 2016 fiscal years.

Capital Assets (Net of Depreciation)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Construction in Progress | \$ 1,516,835 | \$ 1,465,734 |
| Site Improvements | 85,494 | 98,941 |
| Buildings and Building Improvements | 33,949,166 | 34,996,783 |
| Machinery and Equipment | <u>513,239</u> | <u>537,034</u> |
| Total | <u>\$ 36,064,734</u> | <u>\$ 37,098,492</u> |

During the current fiscal year, \$224,005 of capital assets were capitalized as additions, of which \$143,417 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, 2017 and 2016 in the amount of \$247,648 and \$275,629, respectively.

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

Debt Administration

At June 30, 2017, the District had \$36,646,147 of outstanding long-term liabilities. Of this amount, \$34,707,976 represents the District's net pension liability, \$1,914,858 is for compensated absences and \$23,313 is for capital leases. The District had no bonded indebtedness during the fiscal year. For more detailed information, refer to Note 5 of the basic financial statements.

Economic Factors and Next Year's Budget

For the 2016-17 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 2016-17 budget was adopted on April 5, 2016. The District anticipates a slight decrease in enrollment for the 2017-18 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.mcscssd.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, 2017.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 2,799,835 | \$ 787,829 | \$ 3,587,664 |
| Internal Balances | 2,565,505 | (2,565,505) | - |
| Accounts Receivable | 1,015,133 | 2,742,609 | 3,757,742 |
| Inventories | | 18,043 | 18,043 |
| Restricted assets: | | | |
| Cash and Cash Equivalents | 3,652,078 | | 3,652,078 |
| Capital Assets, Non-Depreciable | 1,516,835 | | 1,516,835 |
| Capital Assets, Depreciable, Net | 34,547,899 | 247,648 | 34,795,547 |
| Total Assets | <u>46,097,285</u> | <u>1,230,624</u> | <u>47,327,909</u> |
| Deferred Outflows of Resources | | | |
| Pension deferrals | 10,251,260 | | 10,251,260 |
| | <u>10,251,260</u> | | <u>10,251,260</u> |
| Liabilities | | | |
| Accounts Payable | 1,126,517 | 42,970 | 1,169,487 |
| Accrued Liabilities | 4,596 | 265 | 4,861 |
| Unearned Revenue | | 1,536 | 1,536 |
| Net Pension Liability | 34,707,976 | | 34,707,976 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 47,123 | | 47,123 |
| Due Beyond One Year | 1,891,048 | | 1,891,048 |
| Total Liabilities | <u>37,777,260</u> | <u>44,771</u> | <u>37,822,031</u> |
| Deferred Inflows of Resources | | | |
| Pension deferrals | 211,366 | | 211,366 |
| | <u>211,366</u> | | <u>211,366</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 36,041,421 | 247,648 | 36,289,069 |
| Restricted For: | | | |
| Capital projects | 159,884 | | 159,884 |
| Capital reserve | 3,652,078 | | 3,652,078 |
| Unrestricted (deficit) | (21,493,464) | 938,205 | (20,555,259) |
| Total Net Position | <u>\$ 18,359,919</u> | <u>\$ 1,185,853</u> | <u>\$ 19,545,772</u> |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction: | | | | | | | |
| Special Education | \$ 30,845,335 | | \$ 17,410 | | \$ (30,827,925) | | \$ (30,827,925) |
| School Sponsored/Other Instructional | 70,474 | | | | (70,474) | | (70,474) |
| Support Services: | | | | | | | |
| Student and Instruction Related Services | 13,442,373 | | 486,186 | | (12,956,187) | | (12,956,187) |
| General Administrative Services | 360,252 | | | | (360,252) | | (360,252) |
| School Administrative Services | 1,998,859 | | | | (1,998,859) | | (1,998,859) |
| Central Administrative Services | 1,577,339 | | | | (1,577,339) | | (1,577,339) |
| Administrative Information Technology | 674,279 | | | | (674,279) | | (674,279) |
| Plant Operations and Maintenance | 3,658,509 | | | \$ 74,401 | (3,584,108) | | (3,584,108) |
| Pupil Transportation | 38,392 | | | | (38,392) | | (38,392) |
| Total Governmental Activities | <u>52,665,812</u> | | <u>503,596</u> | <u>74,401</u> | <u>(52,087,815)</u> | | <u>(52,087,815)</u> |
| Business-type Activities: | | | | | | | |
| Food Service | 547,927 | \$ 125,741 | 409,953 | | \$ (12,233) | | (12,233) |
| Mercer Cooperative Transportation System | 6,559,252 | 6,559,252 | | | | | |
| NJ State Regional Day School | 514,635 | 411,558 | | | (103,077) | | (103,077) |
| Community Resources | 89,383 | 92,420 | | | 3,037 | | 3,037 |
| Special Aides | 3,026,594 | 3,026,594 | | | | | |
| Clinic Parent | 398 | 6,825 | | | 6,427 | | 6,427 |
| Chuk's Place | 67,394 | 70,840 | | | 3,446 | | 3,446 |
| Integrated Preschool | 61,123 | | | | (61,123) | | (61,123) |
| Total Business-type Activities | <u>10,866,706</u> | <u>10,293,230</u> | <u>409,953</u> | | <u>(163,523)</u> | | <u>(163,523)</u> |
| Total Primary Government | <u>\$ 63,532,518</u> | <u>\$ 10,293,230</u> | <u>\$ 913,549</u> | <u>\$ 74,401</u> | <u>(52,087,815)</u> | <u>(163,523)</u> | <u>(52,251,338)</u> |
| General Revenues: | | | | | | | |
| County appropriation/taxes | | | | | 2,932,020 | | 2,932,020 |
| Tuition | | | | | 29,034,534 | | 29,034,534 |
| Nonresident Fees | | | | | 151,248 | | 151,248 |
| State and Federal Sources | | | | | 11,912,493 | | 11,912,493 |
| Interest Earnings | | | | | 22,126 | 16 | 22,142 |
| Miscellaneous | | | | | 326,528 | | 326,528 |
| Total General Revenues | | | | | <u>44,378,949</u> | <u>16</u> | <u>44,378,965</u> |
| Change in Net Position | | | | | <u>(7,708,866)</u> | <u>(163,507)</u> | <u>(7,872,373)</u> |
| Net Position - Beginning | | | | | 26,068,785 | 1,349,360 | 27,418,145 |
| Net Position - Ending | | | | | <u>\$ 18,359,919</u> | <u>\$ 1,185,853</u> | <u>\$ 19,545,772</u> |

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2017

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|----------------------------|-----------------------------|--------------------------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 2,799,835 | | | \$ 2,799,835 |
| Interfund Receivable | 3,186,990 | | | 3,186,990 |
| Accounts Receivable: | | | | |
| State | 51,072 | \$ 54,122 | \$ 636,430 | 741,624 |
| Federal | | 12,602 | | 12,602 |
| Other | 168,310 | 55,919 | 36,678 | 260,907 |
| Restricted Cash and Cash Equivalents | 3,652,078 | | | 3,652,078 |
| Total Assets | \$ 9,858,285 | \$ 122,643 | \$ 673,108 | \$ 10,654,036 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Interfund Payable | | 108,261 | 513,224 | 621,485 |
| Accounts Payable | 26,813 | 14,382 | | 41,195 |
| Accrued Liabilities | 4,596 | | | 4,596 |
| Total Liabilities | 31,409 | 122,643 | 513,224 | 667,276 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Capital Reserve | 3,652,078 | | | 3,652,078 |
| Capital Projects | | | 159,884 | 159,884 |
| Assigned to: | | | | |
| Designated for Subsequent Years' Expenditures | 1,980,527 | | | 1,980,527 |
| Other Purposes | 122,520 | | | 122,520 |
| Unassigned | 4,071,751 | | | 4,071,751 |
| Total Fund Balances | 9,826,876 | | 159,884 | 9,986,760 |
| Total Liabilities and Fund Balances | \$ 9,858,285 | \$ 122,643 | \$ 673,108 | |

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 \$57,699,060 and the accumulated depreciation is \$21,634,326 (See Note 4). | 36,064,734 |
| Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds. | 10,039,894 |
| Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. | (34,707,976) |
| Accrued pension contributions for the June 30, 2017 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. | (1,085,322) |
| 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). | <u>(1,938,171)</u> |
| Net Position of Governmental Activities | \$ <u>18,359,919</u> |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2017

| | Major Funds | | | Total Governmental Funds |
|--|-----------------|----------------------------|-----------------------------|--------------------------------|
| | General Fund | Special Revenue Fund | Capital Projects Fund | |
| Revenues: | | | | |
| Local Sources: | | | | |
| County Appropriation/Tax Levy | \$ 2,932,020 | | | \$ 2,932,020 |
| Tuition from Other Districts | 25,647,128 | | | 25,647,128 |
| Other Tuition | 3,387,406 | | | 3,387,406 |
| Non-Resident Fees | 151,248 | | | 151,248 |
| Interest | 22,126 | | | 22,126 |
| Miscellaneous | 326,528 | \$ 225,174 | \$ 40,619 | 592,321 |
| Total - Local Sources | 32,466,456 | 225,174 | 40,619 | 32,732,249 |
| State Sources | 4,173,290 | 252,631 | 33,782 | 4,459,703 |
| Federal Sources | 541,535 | 25,791 | | 567,326 |
| Total Revenues | 37,181,281 | 503,596 | 74,401 | 37,759,278 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Special Education Instruction | 15,352,985 | 17,410 | | 15,370,395 |
| School Sponsored | 43,177 | | | 43,177 |
| Support Services: | | | | |
| Student and Instruction Related Services | 6,513,419 | 486,186 | | 6,999,605 |
| General Administration | 262,703 | | | 262,703 |
| School Administration | 1,018,627 | | | 1,018,627 |
| Central Services | 806,137 | | | 806,137 |
| Administrative Information Technology | 421,727 | | | 421,727 |
| Plant Operations and Maintenance | 2,533,285 | | | 2,533,285 |
| Pupil Transportation | 36,712 | | | 36,712 |
| Unallocated Benefits | 10,173,909 | | | 10,173,909 |
| On-behalf TPAF Benefits | 4,173,290 | | | 4,173,290 |
| Capital Outlay | 114,901 | | 125,078 | 239,979 |
| Total Expenditures | 41,450,872 | 503,596 | 125,078 | 42,079,546 |
| Net change in fund balances | (4,269,591) | - | (50,677) | (4,320,268) |
| Fund Balance, July 1 | 14,096,467 | - | 210,561 | 14,307,028 |
| Fund Balance, June 30 | \$ 9,826,876 | \$ - | \$ 159,884 | \$ 9,986,760 |

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, 2017

| | |
|--|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds (from B-2) | \$ (4,320,268) |
| Amounts reported for governmental activities in the Statement of Activities (A-2) are different because: | |
| <p>Capital outlays are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital additions in the current fiscal year.</p> | |
| Depreciation Expense | \$ (1,257,763) |
| Capital Additions | <u>224,005</u> |
| | (1,033,758) |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | |
| Pension expense | (2,223,118) |
| <p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an reduction to the reconciliation.</p> | |
| | (147,697) |
| <p>Repayment of capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p> | |
| | 15,975 |
| Change in Net Position of Governmental Activities | <u>\$ (7,708,866)</u> |

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2017

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 | \$ 8,901 | | \$ 66,488 | \$ 240,358 | \$ 64,505 | \$ 389,676 | | \$ 17,901 | \$ 787,829 |
| Accounts Receivable: | | | | | | | | | |
| State | 460 | | | | | | | | 460 |
| Federal | 35,548 | | | | | | | | 35,548 |
| Other | 12,082 | \$ 538,569 | 111,575 | | | 17,019 | \$ 2,027,356 | | 2,706,601 |
| Inventories | 16,688 | | | | | | | 1,355 | 18,043 |
| Total Current Assets | 73,679 | 538,569 | 178,063 | 240,358 | 64,505 | 406,695 | 2,027,356 | 19,256 | 3,548,481 |
| Capital Assets | | | | | | | | | |
| Site Improvements | | | 13,100 | | | | | | 13,100 |
| Equipment | 200,360 | | 50,666 | 10,400 | | 46,754 | | 9,699 | 317,879 |
| Building and Building Improvements | | | 298,823 | | | | | | 298,823 |
| Accumulated Depreciation | (194,742) | | (131,521) | (10,400) | | (41,302) | | (4,189) | (382,154) |
| Total Capital Assets, Net | 5,618 | | 231,068 | - | | 5,452 | | 5,510 | 247,648 |
| Total Assets | 79,297 | 538,569 | 409,131 | 240,358 | 64,505 | 412,147 | 2,027,356 | 24,766 | 3,796,129 |
| Liabilities | | | | | | | | | |
| Current: | | | | | | | | | |
| Interfund Payable | | 538,569 | | | | | 2,026,936 | | 2,565,505 |
| Accounts Payable | 35,209 | | | | | 7,341 | 420 | | 42,970 |
| Accrued Liability | | | 265 | | | | | | 265 |
| Unearned Revenue | 1,536 | | | | | | | | 1,536 |
| Total Current Liabilities | 36,745 | 538,569 | 265 | | | 7,341 | 2,027,356 | | 2,610,276 |
| Net Position | | | | | | | | | |
| Net Investment in Capital Assets | 5,618 | | 231,068 | | | 5,452 | | 5,510 | 247,648 |
| Unrestricted | 36,934 | | 177,798 | 240,358 | 64,505 | 399,354 | | 19,256 | 938,205 |
| Total Net Position | \$ 42,552 | \$ - | \$ 408,866 | \$ 240,358 | \$ 64,505 | \$ 404,806 | \$ - | \$ 24,766 | \$ 1,185,853 |

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, 2017

| | 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 | \$ 63,036 | | | | | | | | \$ 63,036 |
| Daily Sales - Non-Reimbursable Programs | 6,834 | | | | | | | | 6,834 |
| Special event income | 55,871 | | | | | | | | 55,871 |
| Transportation Fees | | \$ 6,559,252 | | | | | | | 6,559,252 |
| Non-Resident Fees | | | \$ 4,255 | | | | | | 4,255 |
| Miscellaneous | | | | | \$ 6,825 | \$ 92,420 | \$ 3,026,594 | \$ 70,840 | 3,196,679 |
| Tuition | | | 407,303 | | | | | | 407,303 |
| Total Operating Revenues | 125,741 | 6,559,252 | 411,558 | | 6,825 | 92,420 | 3,026,594 | 70,840 | 10,293,230 |
| Operating Expenses: | | | | | | | | | |
| Salaries | 162,491 | 227,352 | 254,817 | \$ 41,596 | | 80,174 | 1,919,591 | | 2,686,021 |
| Employee Benefits | 42,543 | 42,974 | 71,000 | 17,620 | | 283 | 1,106,028 | | 1,280,448 |
| Purchased Professional/Technical Services | 1,826 | 4,000 | | | | | | | 5,826 |
| Contracted Services | 24,360 | 6,277,213 | | | | | | | 6,301,573 |
| Other Purchased Services | | | 46,803 | | | | | | 46,803 |
| Insurance | 4,378 | | 6,150 | | | | | | 10,528 |
| Miscellaneous Purchased Services | 1,844 | | | | | | | | 1,844 |
| Supplies and Materials | 24,422 | 1,310 | 48,649 | | 398 | 2,877 | | 63,813 | 141,469 |
| Energy | 526 | | 61,530 | | | | | | 62,056 |
| Telephone/Communications/Postage | 812 | 5,718 | 9,252 | | | 95 | | | 15,877 |
| Travel | | | | | | 1,226 | | | 1,226 |
| Cost of Sales - Program | 246,383 | | | | | | | | 246,383 |
| Cost of Sales - Non-program | 2,038 | | | | | | | | 2,038 |
| Miscellaneous Expenditures | | 685 | | | | | 975 | 1,219 | 2,879 |
| Admin & Supervision | 21,315 | | | | | | | | 21,315 |
| Other | 12,438 | | | | | | | | 12,438 |
| Depreciation Expense | 2,551 | | 16,434 | 1,907 | | 4,728 | | 2,362 | 27,982 |
| Total Operating Expenses | 547,927 | 6,559,252 | 514,635 | 61,123 | 398 | 89,383 | 3,026,594 | 67,394 | 10,866,706 |
| Operating (Loss) Income | (422,186) | - | (103,077) | (61,123) | 6,427 | 3,037 | - | 3,446 | (573,476) |
| Nonoperating Revenues: | | | | | | | | | |
| Local Sources: | | | | | | | | | |
| Interest on Investments | 16 | | | | | | | | 16 |
| State Sources: | | | | | | | | | |
| State School Lunch Program | 4,982 | | | | | | | | 4,982 |
| Federal Sources: | | | | | | | | | |
| National School Lunch Program | 250,340 | | | | | | | | 250,340 |
| National School Breakfast Program | 118,731 | | | | | | | | 118,731 |
| Food Donation Program | 35,900 | | | | | | | | 35,900 |
| Total Nonoperating Revenues | 409,969 | | | | | | | | 409,969 |
| Change in Net Position | (12,217) | - | (103,077) | (61,123) | 6,427 | 3,037 | - | 3,446 | (163,507) |
| Total Net Position - Beginning | 54,769 | - | 511,943 | 301,481 | 58,078 | 401,769 | - | 21,320 | 1,349,360 |
| Total Net Position - Ending | \$ 42,552 | \$ - | \$ 408,866 | \$ 240,358 | \$ 64,505 | \$ 404,806 | \$ - | \$ 24,766 | \$ 1,185,853 |

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, 2017

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 | \$ 125,741 | \$ 6,549,546 | \$ 604,864 | | \$ 6,825 | \$ 106,354 | \$ 2,592,427 | \$ 72,187 | \$ 10,057,944 |
| Payments to Employees | (162,491) | (227,352) | (254,817) | (41,596) | | (75,870) | (1,922,806) | | (2,684,932) |
| Payments for Employee Benefits | (42,543) | (42,974) | (71,000) | (17,620) | | (283) | (1,106,028) | | (1,280,448) |
| Payments to Suppliers | (383,173) | (6,288,926) | (172,345) | | (398) | (4,198) | | (64,467) | (6,913,507) |
| Net Cash (Used In) / Provided By Operating Activities | (462,466) | (9,706) | 106,702 | (59,216) | 6,427 | 26,003 | (436,407) | 7,720 | (820,943) |
| Cash Flows From Noncapital Financing Activities: | | | | | | | | | |
| Cash Received From State and Federal Reimbursements | 446,431 | | | | | | | | 446,431 |
| (Repayments) Advances (to) from other funds | | 9,706 | (40,214) | | | | 436,407 | | 405,899 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | 446,431 | 9,706 | (40,214) | | | | 436,407 | | 852,330 |
| Cash Flows From Investing Activities: | | | | | | | | | |
| Interest Income | 16 | | | | | | | | 16 |
| Net Cash Provided By Investing Activities | 16 | | | | | | | | 16 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (16,019) | - | 66,488 | (59,216) | 6,427 | 26,003 | - | 7,720 | 31,403 |
| Cash and Cash Equivalents, Beginning of Year | 24,920 | - | - | 299,574 | 58,078 | 363,673 | - | 10,181 | 756,426 |
| Cash and Cash Equivalents, End of Year | \$ 8,901 | \$ - | \$ 66,488 | \$ 240,358 | \$ 64,505 | \$ 389,676 | \$ - | \$ 17,901 | \$ 787,829 |
| Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities: | | | | | | | | | |
| Operating (Loss) Income | \$ (422,186) | | \$ (103,077) | \$ (61,123) | \$ 6,427 | \$ 3,037 | | \$ 3,446 | \$ (573,476) |
| Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities: | | | | | | | | | |
| Depreciation | 2,551 | | 16,434 | 1,907 | | 4,728 | | 2,362 | 27,982 |
| Changes in Assets and Liabilities: | | | | | | | | | |
| Decrease (Increase) in Accounts Receivable | 612 | (9,706) | 193,306 | | | 13,934 | (434,167) | 1,347 | (234,674) |
| (Increase) Decrease in Inventory | 11,778 | | | | | | | 565 | 12,343 |
| (Decrease) Increase in Accounts Payable | (55,221) | | 39 | | | 4,304 | (2,240) | | (53,118) |
| Net Cash (Used In) / Provided By Operating Activities | \$ (462,466) | \$ (9,706) | \$ 106,702 | \$ (59,216) | \$ 6,427 | \$ 26,003 | \$ (436,407) | \$ 7,720 | \$ (820,943) |

Noncash Noncapital Financing Activities

The District received \$36,278 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2017.

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

| | Private - Purpose Scholarship Fund | AFLAC Trust Fund | Unemployment Compensation Trust Fund | Agency Funds |
|---|--|------------------------|--|-------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 14,514 | \$ 52 | \$ 174,893 | \$ 263,109 |
| Total Assets | <u>14,514</u> | <u>52</u> | <u>174,893</u> | <u>\$ 263,109</u> |
| Liabilities | | | | |
| Payroll Deductions and Withholdings | | | | \$ 224,221 |
| Payable To Student Groups | | | | 38,888 |
| Total Liabilities | | | | <u>\$ 263,109</u> |
| Net Position | | | | |
| Held in Trust for Scholarships and Other Purposes | <u>\$ 14,514</u> | <u>\$ 52</u> | | |
| Held in Trust for Unemployment Claims and Other Purposes | | | <u>\$ 174,893</u> | |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2017

| | Private-Purpose Scholarship Fund | AFLAC Trust Fund | Unemployment Compensation Trust Fund |
|----------------------------------|--|---------------------|--|
| Additions | | | |
| Interest Income | | | \$ 231 |
| Employee Contributions | | \$ 20,542 | 45,474 |
| Other Contributions | \$ 3,895 | | |
| Total Additions | <u>3,895</u> | <u>20,542</u> | <u>45,705</u> |
| Deductions | | | |
| Scholarship Payments | 4,974 | | |
| Medical Reimbursements | | 20,548 | |
| Unemployment Benefit Payments | | | 42,323 |
| Total Deductions | <u>4,974</u> | <u>20,548</u> | <u>42,323</u> |
| Change in Net Position | (1,079) | (6) | 3,382 |
| Net Position - Beginning of Year | 15,593 | 58 | 171,511 |
| Net Position - End of Year | <u>\$ 14,514</u> | <u>\$ 52</u> | <u>\$ 174,893</u> |

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

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, 2017 of 568 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

Year ended June 30, 2017

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.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the unemployment compensation, private-purpose scholarship 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, private-purpose scholarship 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 private-purpose scholarship 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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.

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.

Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal or state assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

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.

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, 2017 which have not been recorded, are not determinable.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

G. Interfund Receivables/Payables

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

H. Inventories

Enterprise fund inventories are valued at cost, which approximates market using the first-in, first-out (FIFO) method. The District uses the consumption method to account for inventories. At June 30, 2017, the unused U.S.D.A. Food Donation Program Commodities of \$1,536 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

Year ended June 30, 2017

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, 2017, a liability existed for compensated absences in the government-wide financial statements in the amount of \$1,914,858 and no liability existed for compensated absences in the proprietary fund types.

K. Unearned Revenue

Unearned revenue in the enterprise fund represents the unused portion of U.S.D.A. commodities on hand at June 30, 2017.

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

Year ended June 30, 2017

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

Year ended June 30, 2017

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 \$9,826,876 of fund balance in the General Fund, \$122,520 of encumbrances is assigned to other purposes, \$3,652,078 has been restricted in the capital reserve account, \$1,980,527 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$4,071,751 is classified as unassigned.

O. Net Position

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources 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

Year ended June 30, 2017

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 \$7,197,668 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. Recently Issued and Adopted Accounting Principles

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 31, 2015. As the District is not a taxing government, the Statement did not result in a change in the District's assets, revenues or fund balance. No additional disclosures are required for this school district since it is at the county level.

S. Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 30, 2017. Management has not yet determined the impact of the Statement on the financial statements.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

1. Summary of Significant Accounting Policies (continued)

T. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2017 through November 30, 2017, 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 a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including compensated absences and capital leases are not due and payable in the current period and therefore are not reported in the funds.

The details of this \$1,938,171 difference are as follows:

| | | |
|--|----|-------------------------|
| Compensated absences | \$ | 1,914,858 |
| Capital leases | | <u>23,313</u> |
| Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities | \$ | <u><u>1,938,171</u></u> |

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" and Statement No. 72 "Fair Value Measurement and Application." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

3. Deposits and Investments (continued)

("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Deposits

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

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

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

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

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

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2017, the District's carrying amount of deposits was \$4,017,555 and the bank balance was \$4,626,507. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2017 was

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

3. Deposits and Investments (continued)

secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$4,028,041. \$348,466 held in the District's agency accounts are not covered by GUDPA.

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

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.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

3. Deposits and Investments (continued)

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, 2017, 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, 2017, 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, 2017, the District's balance was \$3,674,755 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

Year ended June 30, 2017

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2017:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 1,465,734 | \$ 143,417 | \$ (92,316) | \$ 1,516,835 |
| Total capital assets, not being depreciated | 1,465,734 | 143,417 | (92,316) | 1,516,835 |
| Capital assets, being depreciated: | | | | |
| Site improvements | 491,523 | | | 491,523 |
| Buildings & building improvements | 54,341,093 | 92,316 | | 54,433,409 |
| Machinery and equipment | 1,176,705 | 80,588 | | 1,257,293 |
| Total capital assets, being depreciated | 56,009,321 | 172,904 | - | 56,182,225 |
| Less accumulated depreciation for: | | | | |
| Site improvements | (392,582) | (13,447) | | (406,029) |
| Buildings & building improvements | (19,344,310) | (1,139,933) | | (20,484,243) |
| Machinery and equipment | (639,671) | (104,383) | | (744,054) |
| Total accumulated depreciation | (20,376,563) | (1,257,763) | | (21,634,326) |
| Total capital assets, being depreciated, net | 35,632,758 | (1,084,859) | - | 34,547,899 |
| Governmental activities capital assets, net | \$37,098,492 | \$ (941,442) | \$ (92,316) | \$36,064,734 |

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

| | |
|--|--------------|
| Special education instruction | \$ 703,187 |
| School sponsored instruction | 1,975 |
| Student and instruction related services | 320,229 |
| School administrative services | 46,602 |
| General administrative services | 12,019 |
| Central services | 36,880 |
| Administrative information technology | 19,294 |
| Plant operations and maintenance | 115,897 |
| Pupil transportation | 1,680 |
| | \$ 1,257,763 |

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

4. Capital Assets (continued)

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2017:

| | Beginning Balance | Increases | Ending Balance |
|------------------------------------|----------------------|-------------|-------------------|
| Business-type activities: | | | |
| Capital assets being depreciated: | | | |
| Site Improvements | \$ 13,100 | | \$ 13,100 |
| Equipment | 317,879 | | 317,879 |
| Building and Building Improvements | 298,823 | | 298,823 |
| Less accumulated depreciation | (354,173) | \$ (27,981) | (382,154) |
| Total business-type activities | | | |
| Capital assets, net | \$ 275,629 | \$ (27,981) | \$ 247,648 |

5. Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|--------------|------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| Compensated absences payable | \$ 1,767,161 | \$ 365,315 | \$ 217,618 | \$ 1,914,858 | \$ 30,784 |
| Capital leases | 39,288 | | 15,975 | 23,313 | 16,339 |
| Subtotal | 1,806,449 | 365,315 | 233,593 | 1,938,171 | 47,123 |
| Net pension liability | 26,497,421 | 8,210,555 | | 34,707,976 | |
| Total governmental activities long-term liabilities | \$ 28,303,870 | \$ 8,575,870 | \$ 233,593 | \$ 36,646,147 | \$ 47,123 |

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

Bonds Payable and Bonds Authorized but Not Issued

As of June 30, 2017, the District had no bonds payable and no authorized but not issued bonds.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

5. Long-Term Liabilities (continued)

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. The gross amount of assets acquired under capital leases, included in Equipment, totals \$80,451. Total capital lease payments, including interest, made during the year ended June 30, 2017 were \$16,874. Future minimum lease payments are as follows:

| <u>Fiscal Year Ending</u> | <u>Amount</u> |
|---|------------------|
| 2018 | \$ 16,874 |
| 2019 | 7,135 |
| Total minimum lease payments | 24,009 |
| Less amount representing interest | 696 |
| Present value of net minimum lease payments | <u>\$ 23,313</u> |

6. Pension Plans

Description of Systems

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

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

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

Public Employee's Retirement System

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

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 annually through July 2018 that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2017, the State of New Jersey contributed \$3,102,851 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 \$1,070,439 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016 and 2015 were \$1,041,089, \$1,014,820, and \$961,925, respectively.

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

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, 2017, the District reported a liability of \$34,707,976 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.1171888494 percent, which was a decrease of 0.0008502874 from its proportion measured as of June 30, 2015.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$3,264,207 in the government-wide financial statements. At June 30, 2017, 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 | \$ 645,463 | \$ - |
| Changes of assumptions | 7,189,639 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,323,447 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 7,389 | 211,366 |
| District contributions subsequent to the measurement date | 1,085,322 | - |
| | <u>\$ 10,251,260</u> | <u>\$ 211,366</u> |

\$1,085,322 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: | |
|----------------------------|---------------------|
| 2018 | \$ 2,012,634 |
| 2019 | 2,012,637 |
| 2020 | 2,341,732 |
| 2021 | 1,968,534 |
| 2022 | 619,035 |
| | <u>\$ 8,954,572</u> |

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|------------------------------|
| Inflation rate | 3.08% |
| Salary increases | |
| Through 2026 | 1.65 - 4.15% based on age |
| Thereafter | 2.65 - 5.15% based on age |
| Investment rate of return | 7.65% |

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|-------------------|--|
| Cash | 5.00% | 0.87% |
| U.S. Treasuries | 1.50% | 1.74% |
| Investment Grade Credit | 8.00% | 1.79% |
| Mortgages | 2.00% | 1.67% |
| High Yield Bonds | 2.00% | 4.56% |
| Inflation-Indexed Bonds | 1.50% | 3.44% |
| Broad US Equities | 26.00% | 8.53% |
| Developed Foreign Markets | 13.25% | 6.83% |
| Emerging Market Equities | 6.50% | 9.95% |
| Private Equity | 9.00% | 12.40% |
| Hedge Funds / Absolute Return | 12.50% | 4.68% |
| Real Estate (Property) | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global Debt ex US | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |
| | <u>100.00%</u> | |

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2016 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 (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

| | At 1% Decrease (2.98%) | At Current Discount Rate (3.98%) | At 1% Increase (4.98%) |
|--|---------------------------------------|---|---------------------------------------|
| District's proportionate share of the net pension liability | \$ 42,530,573 | \$ 34,707,976 | \$ 28,249,744 |

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 of the Local Group at June 30, 2016 are as follows:

| | |
|---|-------------------|
| Collective deferred outflows of resources | \$ 8,685,338,380 |
| Collective deferred inflows of resources | \$ 870,133,595 |
| Collective net pension liability | \$ 29,617,131,759 |
| District's Proportion | 0.1171888494% |

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is \$2,830,763,540.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years and 5.72 years for the period ended June 30, 2015.

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, 2016 was \$118,308,555. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1503928033 percent, which was a decrease of 0.0040893384 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$7,197,668 for contributions incurred by the State.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

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 | 7.65% |

Mortality Rates

Pre-retirement, post-retirement and disables mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expecting future real rates of return by the target asset allocation percentage and by adding expected inflation.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|----------------------|---|
| US Cash | 5.00% | 0.39% |
| US Government Bonds | 1.50% | 1.28% |
| US Credit Bonds | 13.00% | 2.76% |
| US Mortgages | 2.00% | 2.38% |
| US Inflation-Indexed Bonds | 1.50% | 1.41% |
| US High Yield Bonds | 2.00% | 4.70% |
| US Equity Market | 26.00% | 5.14% |
| Foreign-Developed Equity | 13.25% | 5.91% |
| Emerging Market Equities | 6.50% | 8.16% |
| Private Real Estate Property | 5.25% | 3.64% |
| Timber | 1.00% | 3.86% |
| Farmland | 1.00% | 4.39% |
| Private Equity | 9.00% | 8.97% |
| Commodities | 0.50% | 2.87% |
| Hedge Funds - MultiStrategy | 5.00% | 3.70% |
| Hedge Funds - Equity Hedge | 3.75% | 4.72% |
| Hedge Funds - Distressed | 3.75% | 3.49% |
| | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

6. Pension Plans (continued)

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, 2016 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 or 1-percentage-point higher than the current rate:

| | Decrease (2.22%) | Discount Rate (3.22%) | Increase (4.22%) |
|---|-----------------------------|----------------------------------|-----------------------------|
| State's proportionate share of the net pension liability associated with the District | \$ 141,286,584 | \$ 118,308,555 | \$ 99,543,809 |

Pension plan fiduciary net position

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

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

| | |
|---|-------------------|
| Collective deferred outflows of resources | \$ 17,440,003,201 |
| Collective deferred inflows of resources | \$ 195,027,919 |
| Collective net pension liability | \$ 78,666,367,052 |
| State's proportionate share associated with the District | 0.1503928033% |

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2016 is \$5,915,082,656.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 8.3 years.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

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.

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, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

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, 2017, 2016 and 2015 were \$1,409,465, \$1,433,754, and \$1,325,859, and, respectively, which equaled the required contributions

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

7. Post-Retirement Benefits (continued)

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.

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 employee health 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:

| <u>Fiscal Year</u> | <u>Employee Contributions</u> | <u>Interest on Investments</u> | <u>Amount Paid or Accrued</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|--------------------------------|-------------------------------|-----------------------|
| 2016-17 | \$45,474 | \$231 | \$42,323 | \$174,893 |
| 2015-16 | 45,287 | 102 | 61,771 | 171,511 |
| 2014-15 | 49,003 | 30 | 40,858 | 187,893 |

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

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.

All interfunds are expected to be liquidated within one 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, 2017, 2016 and 2015 were \$1,085,945, \$1,221,096, and \$1,243,748, 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

Year ended June 30, 2017

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District are as follows at June 30, 2017:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|--|---------------------------------|------------------------------|
| General Fund | \$ 3,186,990 | |
| Special Revenue Fund | | \$108,261 |
| Capital Projects Fund | | 513,224 |
| Special Aides Enterprise Fund | | 2,026,936 |
| Cooperative Transportation Enterprise Fund | | 538,569 |
| | <u>\$ 3,186,990</u> | <u>\$ 3,186,990</u> |

The interfund receivable of \$3,186,990 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$108,261, the Capital Projects Fund for \$513,224, the Special Aides Enterprise Fund for \$2,026,936, and the Cooperative Transportation Enterprise Fund for \$538,569, which represents funds advanced to these funds to cover temporary pooled cash flow shortages. All interfund balances 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. In addition, the District is currently in a dispute with another New Jersey school district regarding use of one-on-one aides. Based on a recent Administrative Law Judge ruling, which was upheld by the Commissioner of Education, the District believes the outstanding accounts receivable balance is collectible, however, it has not been received to the date of the financial statements.

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, 2017 may be impaired. In addition, the District is receiving funding from the New Jersey Schools

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

12. Contingent Liabilities (continued)

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, 2017 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, 2016 to June 30, 2017 fiscal year is as follows:

| | |
|--|---------------------|
| Beginning balance, July 1, 2016 | \$ 2,883,893 |
| Decreased by: | |
| Appropriated 16-17 capital projects | (610,000) |
| Increased by: | |
| June 2017 resolution | 800,000 |
| Unspent proceeds returned to Capital Reserve | 566,136 |
| Interest earnings | 12,049 |
| Ending balance, June 30, 2017 | <u>\$ 3,652,078</u> |

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

13. Capital Reserve Account (continued)

Of the balance of \$3,652,078 at June 30, 2017, \$341,500 has been appropriated in the 2017-18 approved budget. At June 30, 2017, 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, 2017 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$122,520.

The District also has \$112,275 of encumbrances outstanding at June 30, 2017 for various construction contracts recorded in the capital projects fund as restricted for capital projects, however this has not been shown as assigned to other purposes. 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 \$3,652,078 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.

Required Supplementary Information
Part II

Mercer County Special Services School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System

Last Ten Fiscal Years

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) - Local Group | 0.1171888494% | 0.1180391368% | 0.1179801087% | 0.1186931976% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| District's proportionate share of the net pension liability (asset) | \$ 34,707,976 | \$ 28,487,421 | \$ 22,088,103 | \$ 22,684,628 | \$ 8,441,389 | \$ 8,055,127 | \$ 8,033,594 | \$ 8,012,461 | \$ 7,907,079 | \$ 7,849,746 | \$ 8,349,746 | \$ 8,349,746 |
| District's covered-employee payroll | 436.822% | 334.30% | 279.36% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 40.14% | 47.93% | 52.08% | 52.08% | 52.08% | 52.08% | 52.08% | 52.08% | 52.08% | 52.08% | 52.08% | 52.08% |
| Plan fiduciary net position as a percentage of the total pension liability - Local Group | | | | | | | | | | | | |

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

Notes to Required Supplementary Information:

Benefit Changes

None

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

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

Last Ten Fiscal Years

| | Year Ended June 30, | | | | | | | | | |
|--|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Contractually required contribution | \$ 1,085,322 | \$ 1,041,089 | \$ 1,014,820 | \$ 961,925 | \$ 894,329 | \$ 900,516 | \$ 1,014,658 | \$ 1,013,517 | \$ 784,473 | \$ 680,516 |
| Contributions in relation to the contractually required contribution | (1,085,322) | (1,041,089) | (1,014,820) | (961,925) | (894,329) | (900,516) | (1,014,658) | (1,013,517) | (784,473) | (680,516) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 7,885,994 | \$ 7,945,602 | \$ 7,926,175 | \$ 7,907,079 | \$ 8,012,451 | \$ 8,033,594 | \$ 8,055,127 | \$ 8,441,389 | \$ 9,139,961 | \$ 8,548,448 |
| Contributions as a percentage of covered-employee payroll | 13.76% | 13.10% | 12.80% | 12.17% | 11.16% | 11.21% | 12.60% | 12.01% | 8.58% | 7.96% |

Mercer County Special Services School District
 Required Supplementary Information
 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 | 2016 | 2017 |
| State's proportion of the net pension liability (asset) associated with the District - Local Group | 0.1617187713% | 0.1544821417% | 0.1503928033% |
| 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 | \$ 97,639,310 | \$ 118,308,555 |
| Total proportionate share of the net pension liability (asset) associated with the District | <u>\$ 86,433,420</u> | <u>\$ 97,639,310</u> | <u>\$ 118,308,555</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 33.64% | 28.71% | 22.33% |

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

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

* 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 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

Required Supplementary Information
Part III

Budgetary Comparison

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

C-1
P. 1 of 3

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| County Tax Levy | \$ 2,932,020 | | \$ 2,932,020 | \$ 2,932,020 | |
| Tuition From LEA's | 27,367,819 | | 27,367,819 | 25,647,128 | \$ (1,720,691) |
| Other Tuition | 3,495,675 | \$ (97,548) | 3,398,127 | 3,387,406 | (10,721) |
| Non-Resident Fees | 150,000 | | 150,000 | 151,248 | 1,248 |
| Interest Earned | 3,000 | | 3,000 | 10,077 | 7,077 |
| Interest Earned on Capital Reserve Funds | 1,000 | | 1,000 | 12,049 | 11,049 |
| Unrestricted Miscellaneous Revenues | 271,500 | | 271,500 | 326,528 | 55,028 |
| Total Local Sources | 34,221,014 | (97,548) | 34,123,466 | 32,466,456 | (1,657,010) |
| State Sources: | | | | | |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | | | 1,691,574 | 1,691,574 |
| TPAF Pension Post Retirement Medical (On-behalf - Non-Budgeted) | | | | 1,409,465 | 1,409,465 |
| TPAF Non-contributory Insurance (On-behalf - Non-Budgeted) | | | | 1,812 | 1,812 |
| Reimbursed TPAF Social Security | | | | 1,070,439 | 1,070,439 |
| Total State Sources | | | | 4,173,290 | 4,173,290 |
| Federal Sources: | | | | | |
| Medicaid Reimbursement | 175,000 | 24,063 | 199,063 | 541,535 | 342,472 |
| Total Federal Sources | 175,000 | | 199,063 | 541,535 | 342,472 |
| Total Revenues | 34,396,014 | (73,485) | 34,322,529 | 37,181,281 | 2,858,752 |
| EXPENDITURES: | | | | | |
| Current Expense: | | | | | |
| Special Education - Instruction: | | | | | |
| Behavioral Disabilities: | | | | | |
| Salaries of Teachers | 919,008 | (10,484) | 908,524 | 862,219 | 46,305 |
| Other Salaries for Instruction | 351,770 | 72,039 | 423,809 | 344,497 | 79,312 |
| Other Purchased Services | | 5,750 | 5,750 | 5,750 | |
| General Supplies | 25,000 | 3,613 | 28,613 | 26,463 | 2,150 |
| Textbooks | 1,000 | | 1,000 | | 1,000 |
| Other Objects | 4,350 | 387 | 4,737 | 4,694 | 43 |
| Total Behavioral Disabilities | 1,301,128 | 71,305 | 1,372,433 | 1,243,623 | 128,810 |
| Multiple Disabilities: | | | | | |
| Salaries of Teachers | 3,527,835 | 177,226 | 3,705,061 | 3,680,530 | 24,531 |
| Other Salaries for Instruction | 1,625,303 | 58,797 | 1,684,100 | 1,630,657 | 53,443 |
| Other Purchased Services | 6,350 | 58,900 | 65,250 | 65,241 | 9 |
| General Supplies | 134,888 | (3,498) | 131,390 | 115,872 | 15,518 |
| Textbooks | 4,812 | (600) | 4,212 | 1,179 | 3,033 |
| Other Objects | 6,250 | 200 | 6,450 | 6,427 | 23 |
| Total Multiple Disabilities | 5,305,438 | 291,025 | 5,596,463 | 5,499,906 | 96,557 |
| Autism: | | | | | |
| Salaries of Teachers | 2,836,081 | (141,939) | 2,694,142 | 2,612,936 | 81,206 |
| Other Salaries for Instruction | 2,015,861 | (172,124) | 1,843,737 | 1,698,286 | 145,451 |
| General Supplies | 28,250 | 1,270 | 29,520 | 26,450 | 3,070 |
| Textbooks | 1,500 | | 1,500 | | 1,500 |
| Other Objects | 3,600 | (199) | 3,401 | 3,400 | 1 |
| Total Autism | 4,885,292 | (312,992) | 4,572,300 | 4,341,072 | 231,228 |
| Preschool Disabilities - Full-Time: | | | | | |
| Salaries of Teachers | 429,444 | (36,910) | 392,534 | 389,762 | 2,772 |
| Other Salaries for Instruction | 298,985 | (28,685) | 270,300 | 238,467 | 31,833 |
| General Supplies | 15,000 | | 15,000 | 5,446 | 9,554 |
| Other Objects | 200 | | 200 | | 200 |
| Total Preschool Disabilities - Full-Time | 743,629 | (65,595) | 678,034 | 633,675 | 44,359 |
| Extended School Year: | | | | | |
| Salaries of Teachers | 1,462,500 | 120,080 | 1,582,580 | 1,582,580 | |
| Salaries of Supervisors of Instruction | 155,000 | (38,969) | 116,031 | 116,031 | |
| Other Salaries for Instruction | 740,430 | (49,952) | 690,478 | 690,478 | |
| Other Purchased Services | 175,800 | (70,588) | 105,212 | 105,212 | |
| Total Extended School Year | 2,533,730 | (39,429) | 2,494,301 | 2,494,301 | |
| Cognitive - Severe: | | | | | |
| Salaries of Teachers | 630,732 | (272) | 630,460 | 594,722 | 35,738 |
| Other Salaries for Instruction | 576,203 | (1,582) | 574,621 | 529,648 | 44,973 |
| General Supplies | 16,450 | 634 | 17,084 | 14,884 | 2,200 |
| Textbooks | 500 | | 500 | | 500 |
| Other Objects | 1,100 | 55 | 1,155 | 1,154 | 1 |
| Total Cognitive - Severe | 1,224,985 | (1,165) | 1,223,820 | 1,140,408 | 83,412 |
| Total Special Education - Instruction | 15,994,202 | (56,851) | 15,937,351 | 15,352,985 | 584,366 |
| School-Sponsored Co Curriculum Instruction: | | | | | |
| Salaries | 35,650 | | 35,650 | 25,623 | 10,027 |
| Supplies and Materials | 19,290 | | 19,290 | 17,554 | 1,736 |
| Other Objects | 430 | | 430 | | 430 |
| Total School-Sponsored Co-Curr. - Instruction | 55,370 | | 55,370 | 43,177 | 12,193 |
| Total Instruction | 16,049,572 | (56,851) | 15,992,721 | 15,396,162 | 596,559 |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|---------------------|------------------|------------------|--------------------------------|
| EXPENDITURES (CONTINUED): | | | | | |
| Undistributed Expenditures | | | | | |
| Health Services: | | | | | |
| Salaries | \$ 529,188 | | \$ 529,188 | \$ 510,436 | \$ 18,752 |
| Purchased Professional and Technical Services | 64,700 | | 64,700 | 63,500 | 1,200 |
| Other Purchased Services | 1,770 | | 1,770 | 1,573 | 197 |
| Supplies and Materials | 22,050 | | 22,050 | 18,357 | 3,693 |
| Total Health Services | 617,708 | | 617,708 | 593,866 | 23,842 |
| Other Support Serv. - Students - Related Services: | | | | | |
| Salaries | 4,273,668 | \$ 15,612 | 4,289,280 | 4,205,011 | 84,269 |
| Purchased Professional - Educational Services | 170,000 | (44) | 169,956 | 92,313 | 77,643 |
| Supplies and Materials | 26,500 | | 26,500 | 16,614 | 9,886 |
| Total Other Support Serv. - Students - Related Services | 4,470,168 | 15,568 | 4,485,736 | 4,313,938 | 171,798 |
| Child Study Team: | | | | | |
| Salaries of Other Professional Staff | 1,059,217 | | 1,059,217 | 1,049,663 | 9,554 |
| Supplies and Materials | 1,750 | | 1,750 | 839 | 911 |
| Total Child Study Team | 1,060,967 | | 1,060,967 | 1,050,502 | 10,465 |
| Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff: | | | | | |
| Salaries of Other Professional Staff | 209,185 | (29,070) | 180,115 | 133,670 | 46,445 |
| Salaries of Secretarial and Clerical Assistants | 197,487 | (6,039) | 191,448 | 176,148 | 15,300 |
| Other Purchased Services | 88,600 | 7,869 | 96,469 | 74,449 | 22,020 |
| Supplies and Materials | 6,300 | | 6,300 | 5,394 | 906 |
| Other Objects | 8,750 | (1,830) | 6,920 | 1,483 | 5,437 |
| Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff | 510,322 | (29,070) | 481,252 | 391,144 | 90,108 |
| Educational Media Services/School Library: | | | | | |
| Salaries | 122,617 | | 122,617 | 119,351 | 3,266 |
| Supplies and Materials | 4,950 | | 4,950 | 3,785 | 1,165 |
| Total Educational Media Services/School Library | 127,567 | | 127,567 | 123,136 | 4,431 |
| Instructional Staff Training Services: | | | | | |
| Other Salaries | 300 | 550 | 850 | 850 | |
| Other Purchased Professional and Technical Services | 18,000 | (1,150) | 16,850 | 12,821 | 4,029 |
| Other Purchased Services | 15,800 | 839 | 16,639 | 14,827 | 1,812 |
| Supplies and Materials | 12,980 | (239) | 12,741 | 12,335 | 406 |
| Total Instructional Staff Training Services | 47,080 | - | 47,080 | 40,833 | 6,247 |
| Support Services - General Administration: | | | | | |
| Salaries | 93,134 | (1,983) | 91,151 | 86,550 | 4,601 |
| Unused Vac. Payment To Terminated/Retired Staff | | 1,983 | 1,983 | 1,982 | 1 |
| Legal Services | 81,000 | | 81,000 | 28,612 | 52,388 |
| Audit Fees | 57,000 | 3,000 | 60,000 | 60,000 | |
| Architectural/Engineering Services | 10,000 | (3,000) | 7,000 | | 7,000 |
| Other Purchased Professional Services | 7,500 | | 7,500 | 4,040 | 3,460 |
| Communications/Telephone | 56,500 | | 56,500 | 37,295 | 19,205 |
| BOE Other Purchased Services | 4,000 | | 4,000 | | 4,000 |
| Miscellaneous Purchased Services | 37,750 | | 37,750 | 32,361 | 5,389 |
| General Supplies | 2,500 | | 2,500 | 2,107 | 393 |
| Judgments Against School District | 3,500 | | 3,500 | | 3,500 |
| Miscellaneous Expenditures | 3,750 | | 3,750 | 3,435 | 315 |
| BOE Membership Dues and Fees | 10,000 | | 10,000 | 6,321 | 3,679 |
| Total Support Services - General Administration | 366,634 | - | 366,634 | 262,703 | 103,931 |
| Support Services - School Administration: | | | | | |
| Salaries of Principals/Assistant Principals | 331,755 | (18,681) | 313,074 | 289,945 | 23,129 |
| Salaries of Other Professional Staff | 345,494 | 33,808 | 379,302 | 352,563 | 26,739 |
| Salaries of Secretarial and Clerical Assistants | 329,254 | | 329,254 | 302,023 | 27,231 |
| Unused Vacation Payment to Term/Ret Staff | | 13,943 | 13,943 | 13,942 | 1 |
| Other Purchased Services | 36,700 | | 36,700 | 23,980 | 12,720 |
| Supplies and Materials | 34,580 | | 34,580 | 30,142 | 4,438 |
| Other Objects | 10,000 | | 10,000 | 6,032 | 3,968 |
| Total Support Services - School Administration | 1,087,783 | 29,070 | 1,116,853 | 1,018,627 | 98,226 |
| Support Services - Central Services: | | | | | |
| Salaries | 820,560 | | 820,560 | 742,985 | 77,575 |
| Purchased Technical Services | 49,000 | | 49,000 | 45,044 | 3,956 |
| Miscellaneous Purchased Services | 12,700 | | 12,700 | 6,678 | 6,022 |
| Supplies and Materials | 13,500 | | 13,500 | 3,526 | 9,974 |
| Interest on Current Loans | | 899 | 899 | 899 | |
| Miscellaneous Expenditures | 12,500 | (899) | 11,601 | 7,005 | 4,596 |
| Total Support Services - Central Services | 908,260 | - | 908,260 | 806,137 | 102,123 |
| Support Services - Admin. Info. Tech. Services: | | | | | |
| Salaries | 260,086 | | 260,086 | 236,023 | 24,063 |
| Purchased Professional Services | 13,500 | | 13,500 | 5,106 | 8,394 |
| Other Purchased Services | 1,000 | | 1,000 | 589 | 411 |
| Supplies and Materials | 75,000 | 24,063 | 99,063 | 94,447 | 4,616 |
| Other Objects | 90,000 | | 90,000 | 85,562 | 4,438 |
| Total Support Services - Admin. Info. Tech. Services | 439,586 | 24,063 | 463,649 | 421,727 | 41,922 |
| Required Maintenance for School Facilities: | | | | | |
| Cleaning, Repair and Maintenance Services | 85,110 | | 85,110 | 85,110 | |
| Required Maintenance for School Facilities | 85,110 | | 85,110 | 85,110 | |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND

C-1
P. 3 of 3

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|-------------------|---------------------|--------------------------------|
| EXPENDITURES (CONTINUED): | | | | | |
| Custodial Services: | | | | | |
| Salaries | \$ 1,154,315 | | \$ 1,154,315 | \$ 1,021,496 | \$ 132,819 |
| Unused Vacation Payment to Term/Ret Staff | 500 | | 500 | | 500 |
| Purchased Professional and Technical Services | 61,000 | | 61,000 | 53,130 | 7,870 |
| Cleaning, Repair and Maintenance Services | 390,454 | \$ 62,980 | 453,434 | 263,418 | 190,016 |
| Other Purchased Property Services | 60,500 | (4,000) | 56,500 | 41,313 | 15,187 |
| Insurance | 181,735 | (22,747) | 158,988 | 157,039 | 1,949 |
| Miscellaneous Purchased Services | 1,600 | | 1,600 | 255 | 1,345 |
| General Supplies | 226,887 | (32,233) | 194,654 | 144,422 | 50,232 |
| Energy (Natural Gas) | 222,000 | (4,000) | 218,000 | 140,512 | 77,488 |
| Energy (Electricity) | 922,000 | | 922,000 | 625,940 | 296,060 |
| Other Objects | 1,000 | | 1,000 | 650 | 350 |
| Total Custodial Services | 3,221,991 | - | 3,221,991 | 2,448,175 | 773,816 |
| Student Transportation Services: | | | | | |
| Cleaning, Repair and Maintenance Services | | 2,500 | 2,500 | | 2,500 |
| Contracted Services (Other Than Bot. Home & School) - Vendors | 17,800 | | 17,800 | 16,514 | 1,286 |
| Miscellaneous Purchased Services - Transportation | 18,000 | | 18,000 | 18,000 | |
| Transportation Supplies | 7,500 | (2,500) | 5,000 | 2,198 | 2,802 |
| Total Student Transportation Services | 43,300 | - | 43,300 | 36,712 | 6,588 |
| Special Programs - Instruction - Employee Benefits: | | | | | |
| Social Security Benefits | 180,382 | 21,590 | 201,972 | 201,972 | |
| Health Benefits | 781,563 | (79,709) | 701,854 | 701,854 | |
| Total Special Programs - Instruction - Employee Benefits | 961,945 | (58,119) | 903,826 | 903,826 | |
| Unallocated Benefits - Employee Benefits: | | | | | |
| Social Security Contributions | 615,000 | 428 | 615,428 | 548,557 | 66,871 |
| TPAF Contribution - ERIP | 47,500 | (429) | 47,071 | 46,545 | 526 |
| Other Retirement Contributions - PERS | 1,197,000 | | 1,197,000 | 1,067,548 | 129,452 |
| Unemployment Compensation | 35,000 | (21,248) | 13,752 | | 13,752 |
| Workmen's Compensation | 1,100,000 | (700) | 1,099,300 | 1,045,788 | 53,512 |
| Health Benefits | 7,390,450 | (63,132) | 7,327,318 | 6,075,951 | 1,251,367 |
| Tuition Reimbursement | 54,000 | | 54,000 | 45,322 | 8,678 |
| Other Employee Benefits | 317,000 | 21,955 | 338,955 | 325,392 | 13,563 |
| Unused Vacation Payment to Term/Ret Staff | 50,000 | 64,980 | 114,980 | | 114,980 |
| Total Unallocated Benefits - Employee Benefits | 10,805,950 | 1,854 | 10,807,804 | 9,270,083 | 1,537,721 |
| On-behalf payments: | | | | | |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | | | 1,691,574 | (1,691,574) |
| TPAF Pension Post Retirement Medical (On-behalf - Non-Budgeted) | | | | 1,409,465 | (1,409,465) |
| TPAF Non-contributory Insurance (On-behalf - Non-Budgeted) | | | | 1,812 | (1,812) |
| Reimbursed TPAF Social Security | | | | 1,070,439 | (1,070,439) |
| Total On-Behalf Contributions | | | | 4,173,290 | (4,173,290) |
| Total Undistributed Expenditures | 24,754,371 | (16,634) | 24,737,737 | 25,938,809 | (1,202,072) |
| Total Expenditures - Current Expense | 40,803,943 | (73,485) | 40,730,458 | 41,335,971 | (605,513) |
| CAPITAL OUTLAY | | | | | |
| Interest Deposit To Capital Reserve | 1,000 | | 1,000 | | 1,000 |
| Equipment: | | | | | |
| Multiple Disabilities | 15,430 | | 15,430 | | 15,430 |
| Autism | 2,500 | | 2,500 | | 2,500 |
| Preschool Disabilities - Part Time | 2,500 | | 2,500 | | 2,500 |
| Maintenance | 35,000 | 11,448 | 46,448 | 42,931 | 3,517 |
| Undist. Expend. - Admin. Info. Technology Services | 29,000 | (11,423) | 17,577 | 12,131 | 5,446 |
| Undist. Expend. - Lease | 16,000 | (25) | 15,975 | 15,975 | |
| Total Equipment | 100,430 | - | 100,430 | 71,037 | 29,393 |
| Facilities Acquisition and Construction Services: | | | | | |
| Architectural/Engineering Services | 35,700 | | 35,700 | 18,339 | 17,361 |
| Construction Services | 574,300 | | 574,300 | 25,525 | 548,775 |
| Total Facilities Acquisition and Construction Services | 610,000 | - | 610,000 | 43,864 | 566,136 |
| Total Expenditures - Capital Outlay | 711,430 | - | 711,430 | 114,901 | 596,529 |
| Total Expenditures | 41,515,373 | (73,485) | 41,441,888 | 41,450,872 | (8,984) |
| (Deficiency)/Excess of Revenues (Under)/Over Expenditures | (7,119,359) | | (7,119,359) | (4,269,591) | 2,849,768 |
| Fund Balances, July 1 | 14,096,467 | | 14,096,467 | 14,096,467 | |
| Fund Balances, June 30 | \$ 6,977,108 | \$ - | \$ 6,977,108 | \$ 9,826,876 | \$ 2,849,768 |
| Recapitulation of Fund Balance: | | | | | |
| Restricted Fund Balance: | | | | | |
| Capital Reserve | | | | \$ 3,652,078 | |
| Assigned to: | | | | | |
| Designated for Subsequent Years Expenditures | | | | 1,980,527 | |
| Encumbrances | | | | 122,520 | |
| Unassigned Fund Balance | | | | 4,071,751 | |
| Fund Balance per Governmental Funds (GAAP and budgetary basis) | | | | \$ 9,826,876 | |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|---|--------------------|---------------------|-----------------|------------|--------------------------------|
| Revenues: | | | | | |
| State Sources | \$ 170,655 | \$ 129,315 | \$ 299,970 | \$ 252,631 | \$ (47,339) |
| Federal Sources | 33,000 | 21,862 | 54,862 | 25,791 | (29,071) |
| Other Sources | 223,674 | | 223,674 | 223,674 | |
| Total Revenues | 427,329 | 151,177 | 578,506 | 502,096 | (76,410) |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Other Salaries | 33,000 | 7,496 | 40,496 | 17,410 | 23,086 |
| Total Instruction | 33,000 | 7,496 | 40,496 | 17,410 | 23,086 |
| Support Services: | | | | | |
| Salaries | 394,329 | 19,150 | 413,479 | 377,869 | 35,610 |
| Personal Services - Employee Benefits | | 95,561 | 95,561 | 87,009 | 8,552 |
| Communications | | 4,119 | 4,119 | 4,119 | |
| Travel | | 6,358 | 6,358 | 3,015 | 3,343 |
| Supplies & Materials | | 15,722 | 15,722 | 10,520 | 5,202 |
| Miscellaneous Expenditures | | 2,771 | 2,771 | 2,154 | 617 |
| Total Support Services | 394,329 | 143,681 | 538,010 | 484,686 | 53,324 |
| Total Expenditures | 427,329 | 151,177 | 578,506 | 502,096 | 76,410 |
| 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, 2017

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) | \$ 502,096 |
| Difference - budget to GAAP: | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | |
| Prior Year Encumbrances | <u>1,500</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2) | <u>\$ 503,596</u> |
| USES/OUTFLOWS OF RESOURCES | |
| Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-2) | \$ 502,096 |
| Difference - budget to GAAP: | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | |
| Prior Year Encumbrances | <u>1,500</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2) | <u>\$ 503,596</u> |

Supplementary Information

Special Revenue Fund

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year ended June 30, 2017

| | Projects Adult County | Case Management - Special Child Health Services | | Early Hearing Detection and Intervention | Clinic Project Program Child | WIA Out-of-School Youth | Totals |
|---|-----------------------------|--|-------------------|---|---------------------------------------|-------------------------------|-------------------|
| | | State | County | | | | |
| Revenues: | | | | | | | |
| State Sources | | \$ 198,858 | | | | | \$ 198,858 |
| Federal Sources | | | | | | \$ 25,791 | 25,791 |
| Other Sources | \$ 100,000 | | \$ 104,345 | \$ 53,773 | \$ 19,329 | | 277,447 |
| Total Revenues | <u>\$ 100,000</u> | <u>\$ 198,858</u> | <u>\$ 104,345</u> | <u>\$ 53,773</u> | <u>\$ 19,329</u> | <u>\$ 25,791</u> | <u>\$ 502,096</u> |
| Expenditures: | | | | | | | |
| Instruction: | | | | | | | |
| Other Salaries | | | | | | \$ 17,410 | \$ 17,410 |
| Total Instruction | | | | | | <u>17,410</u> | <u>17,410</u> |
| Support Services: | | | | | | | |
| Salaries | \$ 77,360 | \$ 158,983 | \$ 78,093 | \$ 45,389 | \$ 18,045 | | 377,870 |
| Personal Services - Employee Benefits | 19,234 | 31,227 | 24,331 | 5,738 | | 6,478 | 87,008 |
| Purchased Professional & Technical Services | | | | | | | |
| Purchased Property Services | | | | | | | |
| Communications | | 4,119 | | | | | 4,119 |
| Miscellaneous Purchased Services | | | | | | | |
| Travel | 99 | 259 | | 2,646 | | 11 | 3,015 |
| Supplies & Materials | 3,307 | 4,270 | | | 1,284 | 1,659 | 10,520 |
| Miscellaneous Expenditures | | | 1,921 | | | 233 | 2,154 |
| Total Support Services | <u>100,000</u> | <u>198,858</u> | <u>104,345</u> | <u>53,773</u> | <u>19,329</u> | <u>8,381</u> | <u>484,686</u> |
| Total Expenditures | <u>\$ 100,000</u> | <u>\$ 198,858</u> | <u>\$ 104,345</u> | <u>\$ 53,773</u> | <u>\$ 19,329</u> | <u>\$ 25,791</u> | <u>\$ 502,096</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, 2017

| | <u>Current Year</u> |
|--|-------------------------|
| Revenues: | |
| County Sources | \$ 406,740 |
| Expenditures: | |
| Construction Services | <u>125,078</u> |
| Total expenditures | <u>125,078</u> |
| Excess of revenues over expenditures | 281,662 |
| Fund Balance, July 1 | <u>569,134</u> |
| Fund Balance, June 30 | <u>\$ 850,796</u> |
| <u>Reconciliation to GAAP Financial statements</u> | |
| Fund Balance, June 30, 2017 - Budgetary - Basis | \$ 850,796 |
| GAAP Basis Revenues Not Recognized - SDA Awards | (106,590) |
| GAAP Basis Revenues Not Recognized - County/Local | <u>(584,322)</u> |
| Fund Balance, June 30, 2017 - GAAP basis | <u>\$ 159,884</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, 2017

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|------------------|-----------------|--------------|-------------------------------|
| Revenues and Other Financing Sources: | | | | |
| County Sources | \$ 1,533,000 | \$ (108,260) | \$ 1,424,740 | \$ 1,424,740 |
| Total Revenues | 1,533,000 | (108,260) | 1,424,740 | 1,424,740 |
| Expenditures and Other Financing Sources: | | | | |
| Architectural services | | | | |
| Construction Services | 1,084,506 | 3,941 | 1,088,447 | 1,362,212 |
| Land Improvements | 230,293 | | 230,293 | 170,788 |
| Total Expenditures | 1,314,799 | 3,941 | 1,318,740 | 1,533,000 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | \$ 218,201 | \$ (112,201) | \$ 106,000 | \$ (108,260) |

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 | 1,424,740 |

Percentage Increase over Original

| | |
|---------------------------------|---------------|
| Authorized Cost | 61% |
| Percentage Completion | 92.56% |
| Original Target Completion Date | November 2011 |
| Revised Target Completion Date | June 2018 |

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, 2017

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|-------------------|--------------------|------------------|-------------------------------|
| Revenues and Other Financing 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: | | | | |
| Architectural services | 55,210 | | 55,210 | 55,210 |
| Construction Services | 573,784 | \$ 54,059 | 627,843 | 721,215 |
| Land Improvements | | | | |
| Total Expenditures | <u>628,994</u> | <u>54,059</u> | <u>683,053</u> | <u>776,425</u> |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | <u>\$ 147,431</u> | <u>\$ (54,059)</u> | <u>\$ 93,372</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|------------------|
| Project Number | 3103-055-14-1002 |
| Grant Date/Letter of Notification | June 27, 2014 |
| 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 | 87.97% |
| Original Target Completion Date | November 2015 |
| Revised Target Completion Date | January 2018 |

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, 2017

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|-------------------|--------------------|-------------------|-------------------------------|
| Revenues and Other Financing 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: | | | | |
| Architectural Services | 67,139 | | 67,139 | 67,139 |
| Construction Services | 810,484 | \$ 30,400 | 840,884 | 1,013,986 |
| Land Improvements | | | | |
| Total Expenditures | <u>877,623</u> | <u>30,400</u> | <u>908,023</u> | <u>1,081,125</u> |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | <u>\$ 203,502</u> | <u>\$ (30,400)</u> | <u>\$ 173,102</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|--|------------------|
| Project Number | 3103-050-14-1001 |
| Grant Date/Letter of Notification | June 27, 2014 |
| 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 | 83.99% |
| Original Target Completion Date | November 2015 |
| Revised Target Completion Date | January 2018 |

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: Gym Partition Doors Motor/Refacing

Year ended June 30, 2017

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|------------------|-----------------|------------|-------------------------------|
| Revenues and Other Financing Sources: | | | | |
| County Sources | \$ - | \$ 160,000 | \$ 160,000 | \$ 160,000 |
| Total Revenues | - | 160,000 | 160,000 | 160,000 |
| Expenditures and Other Financing Sources: | | | | |
| Construction Services | - | 18,339 | 18,339 | 160,000 |
| Total Expenditures | - | 18,339 | 18,339 | 160,000 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | \$ - | \$ 141,661 | \$ 141,661 | \$ - |

Additional Project Information:

| | |
|--|------------|
| Project Number | N/A |
| Grant Date/Letter of Notification | N/A |
| Bond Authorization (Referendum) Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 160,000 |
| Additional Authorized Cost | - |
| Revised Authorized Cost | 160,000 |
| Percentage Increase over Original Authorized Cost | N/A |
| Percentage Completion | 11.46% |
| Original Target Completion Date | June 2018 |
| Revised Target Completion Date | N/A |

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. Capello School: Fire Alarm System

Year ended June 30, 2017

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|------------------|-----------------|------------|-------------------------------|
| Revenues and Other Financing Sources: | | | | |
| County Sources | \$ - | \$ 180,000 | \$ 180,000 | \$ 180,000 |
| Total Revenues | - | 180,000 | 180,000 | 180,000 |
| Expenditures and Other Financing Sources: | | | | |
| Construction Services | - | 18,339 | 18,339 | 180,000 |
| Total Expenditures | - | 18,339 | 18,339 | 180,000 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | \$ - | \$ 161,661 | \$ 161,661 | \$ - |

Additional Project Information:

| | |
|--|-------------|
| Project Number | N/A |
| Grant Date/Letter of Notification | N/A |
| Bond Authorization (Referendum) Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 180,000 |
| Additional Authorized Cost | - |
| Revised Authorized Cost | 180,000 |
| Percentage Increase over Original Authorized Cost | N/A |
| Percentage Completion | 10.19% |
| Original Target Completion Date | August 2018 |
| Revised Target Completion Date | N/A |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Mercer Elementary School: Site Work

Year ended June 30, 2017

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|------------------|-----------------|------------|-------------------------------|
| Revenues and Other Financing Sources: | | | | |
| County Sources | \$ - | \$ 175,000 | \$ 175,000 | \$ 175,000 |
| Total Revenues | - | 175,000 | 175,000 | 175,000 |
| Expenditures and Other Financing Sources: | | | | |
| Construction Services | - | - | - | 175,000 |
| Total Expenditures | - | - | - | 175,000 |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | \$ - | \$ 175,000 | \$ 175,000 | \$ - |

Additional Project Information:

| | |
|--|------------|
| Project Number | N/A |
| Grant Date/Letter of Notification | N/A |
| Bond Authorization (Referendum) Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Authorized Cost | \$ 175,000 |
| Additional Authorized Cost | - |
| Revised Authorized Cost | 175,000 |
| Percentage Increase over Original Authorized Cost | N/A |
| Percentage Completion | 0.00% |
| Original Target Completion Date | June 2018 |
| Revised Target Completion Date | N/A |

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

| | Trust | | | | Agency | | |
|---|-----------------------------|--------------|---------------------------|-------------------|------------------|----------------|----------------|
| | Private Purpose Scholarship | AFLAC | Unemployment Compensation | Total Trust | Student Activity | Payroll | Total Agency |
| Assets: | | | | | | | |
| Cash and Cash Equivalents | \$ 14,514 | \$ 52 | \$ 174,893 | \$ 189,459 | \$ 38,888 | \$ 224,221 | \$ 263,109 |
| Total Assets | <u>14,514</u> | <u>52</u> | <u>174,893</u> | <u>189,459</u> | <u>38,888</u> | <u>224,221</u> | <u>263,109</u> |
| Liabilities: | | | | | | | |
| Payroll Deductions and Withholdings | | | | | | \$ 224,221 | \$ 224,221 |
| Due to Student Groups | | | | | \$ 38,888 | | 38,888 |
| Total Liabilities | | | | | <u>38,888</u> | <u>224,221</u> | <u>263,109</u> |
| Net Position: | | | | | | | |
| Held in Trust for Unemployment Claims | | | 174,893 | 174,893 | | | |
| Held in Trust for Scholarships and Other Purposes | 14,514 | 52 | | 14,566 | | | |
| Total Net Position | <u>\$ 14,514</u> | <u>\$ 52</u> | <u>\$ 174,893</u> | <u>\$ 189,459</u> | | | |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2017

| | Balance July 1, 2016 | Cash Receipts | Cash Disbursements | Balance June 30, 2017 |
|-------------|----------------------------|------------------|-----------------------|-----------------------------|
| Capello | \$ 1,453 | \$ 2,832 | \$ 1,150 | \$ 3,135 |
| High School | 5,714 | 40,925 | 28,733 | 17,906 |
| Elementary | 13,779 | 9,150 | 5,082 | 17,847 |
| Total | <u>\$ 20,946</u> | <u>\$ 52,907</u> | <u>\$ 34,965</u> | <u>\$ 38,888</u> |

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2017

| | Balance July 1, 2016 | Cash Receipts | Cash Disbursements | Balance June 30, 2017 |
|--|----------------------------|------------------|-----------------------|-----------------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 218,270 | \$ 31,180,003 | \$ 31,174,052 | \$ 224,221 |
| Total Assets | \$ 218,270 | \$ 31,180,003 | \$ 31,174,052 | \$ 224,221 |
| Liabilities | | | | |
| Payroll Deductions and Withholdings | \$ 218,270 | \$ 31,180,003 | \$ 31,174,052 | \$ 224,221 |
| Total Liabilities | \$ 218,270 | \$ 31,180,003 | \$ 31,174,052 | \$ 224,221 |

Long-Term Debt

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year ended June 30, 2017

| Description | Date of Lease | Term of Lease | Interest Rate | Amount of Original Issue | Balance July 1, 2016 | Retired | Balance June 30, 2017 |
|-------------|---------------|---------------|---------------|--------------------------|----------------------|------------------|-----------------------|
| Tractor | 12/3/2013 | 4 years | 2.243% | \$ 46,363 | \$ 18,841 | \$ 9,316 | \$ 9,525 |
| Ford Truck | 1/15/2015 | 4 years | 2.330% | 34,089 | 20,447 | 6,659 | 13,788 |
| | | | | | <u>\$ 39,288</u> | <u>\$ 15,975</u> | <u>\$ 23,313</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, | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Government Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 38,326,912 | \$ 41,004,526 | \$ 40,373,584 | \$ 39,417,476 | \$ 38,822,787 | \$ 38,046,878 | \$ 37,556,142 | \$ 37,242,158 | \$ 37,059,204 | \$ 36,041,421 |
| Restricted | 1,726,193 | 2,356,854 | 499,821 | 750,824 | 1,151,066 | 1,551,784 | 2,393,633 | 2,851,151 | 3,094,454 | 3,811,962 |
| Unrestricted (deficit) | 1,608,031 | 2,843,187 | 3,894,508 | 5,812,175 | 6,649,120 | 5,513,720 | 4,028,166 | (15,314,922) | (14,084,873) | (21,493,464) |
| Total Government Activities Net Position | \$ 41,661,136 | \$ 46,204,567 | \$ 44,767,913 | \$ 45,980,475 | \$ 46,622,973 | \$ 45,112,382 | \$ 43,977,941 | \$ 24,778,387 | \$ 26,068,785 | \$ 18,359,919 |
| Business-Type Activities: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 1,159,833 | \$ 107,121 | \$ 285,595 | \$ 372,482 | \$ 362,945 | \$ 341,717 | \$ 309,756 | \$ 285,403 | \$ 275,629 | \$ 247,648 |
| Restricted | 10,852 | 206,854 | | | | | | | | |
| Unrestricted | 2,262,860 | 1,997,726 | 2,311,234 | 2,167,994 | 2,083,546 | 1,544,319 | 1,188,070 | 1,097,383 | 1,073,731 | 938,205 |
| Total Business-Type Activities Net Position | \$ 3,433,545 | \$ 2,311,701 | \$ 2,596,829 | \$ 2,540,476 | \$ 2,446,491 | \$ 1,886,036 | \$ 1,497,826 | \$ 1,382,786 | \$ 1,349,360 | \$ 1,185,853 |
| Government-Wide: | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 39,486,745 | \$ 41,111,647 | \$ 40,659,179 | \$ 39,789,958 | \$ 39,185,732 | \$ 38,388,595 | \$ 37,865,898 | \$ 37,527,561 | \$ 37,334,833 | \$ 36,289,069 |
| Restricted | 1,737,045 | 2,563,708 | 499,821 | 750,824 | 1,151,066 | 1,551,784 | 2,393,633 | 2,851,151 | 3,094,454 | 3,811,962 |
| Unrestricted (deficit) | 3,870,891 | 4,840,913 | 6,205,742 | 7,980,169 | 8,732,666 | 7,058,039 | 5,216,236 | (14,217,539) | (13,011,142) | (20,555,259) |
| Total Government-Wide Net Position | \$ 45,094,681 | \$ 48,516,268 | \$ 47,364,742 | \$ 48,520,951 | \$ 49,069,464 | \$ 46,998,418 | \$ 45,475,767 | \$ 26,161,173 | \$ 27,418,145 | \$ 19,545,772 |

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

| Expenses: | Year ended June 30, | | | | | | | | | |
|---|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental Activities: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Special Education | \$ 18,998,691 | \$ 19,014,032 | \$ 24,841,406 | \$ 23,108,085 | \$ 23,177,728 | \$ 23,457,196 | \$ 23,079,131 | \$ 26,157,918 | \$ 28,568,929 | \$ 30,845,335 |
| Other Special Education | 923,038 | 142,124 | | 50,107 | 44,458 | 51,177 | 53,306 | 68,673 | 58,218 | 70,474 |
| Support Services: | | | | | | | | | | |
| Student and Instruction Related Services | 7,735,774 | 8,000,395 | 11,074,334 | 10,695,312 | 9,831,565 | 10,565,290 | 10,152,663 | 11,682,237 | 11,904,674 | 13,442,373 |
| General Administration | 339,293 | 401,045 | 497,896 | 449,249 | 335,027 | 344,767 | 345,575 | 330,894 | 376,694 | 360,252 |
| School Administrative Services | 1,168,139 | 1,281,183 | 1,631,985 | 1,417,875 | 1,462,521 | 1,724,486 | 1,735,911 | 1,952,019 | 1,703,450 | 1,998,859 |
| Central Administrative Services | 623,804 | 660,076 | 1,058,708 | 883,952 | 842,546 | 1,044,154 | 1,237,868 | 1,268,737 | 1,377,548 | 1,577,339 |
| Administrative Information Technology | 512,777 | 484,963 | 455,442 | 429,035 | 438,483 | 467,688 | 491,039 | 538,884 | 537,750 | 674,279 |
| Plant Operations and Maintenance | 2,473,666 | 2,439,231 | 2,999,265 | 2,943,122 | 2,829,359 | 2,661,520 | 2,966,316 | 3,311,854 | 3,337,049 | 3,658,509 |
| Pupil Transportation | 37,751 | 25,706 | 29,498 | 68,936 | 19,774 | 16,594 | 71,917 | 21,366 | 27,000 | 38,392 |
| Total Governmental Activities Expenses | 44,651,186 | 44,413,247 | 42,588,534 | 40,045,673 | 38,981,461 | 40,332,872 | 40,133,726 | 45,332,582 | 47,891,312 | 52,665,812 |
| Business-Type Activities: | | | | | | | | | | |
| Target Evaluation Team | | | | | | | | | | |
| Project Adults | 6,403 | 2,159 | 45,289 | | | | | | | |
| Food Service | 403,871 | 423,811 | 423,955 | 472,240 | 466,037 | 492,515 | 535,018 | 546,225 | 565,591 | 547,927 |
| Mercer County Cooperative Transportation System | 8,832,061 | 8,518,210 | 8,410,047 | 6,577,813 | 6,047,738 | 5,674,532 | 6,741,427 | 6,767,252 | 6,915,392 | 6,559,252 |
| NJ State Regional Day School at Hamilton | 2,018,921 | 2,242,112 | 2,237,440 | 2,257,360 | 2,207,361 | 2,521,195 | 2,411,332 | 1,476,116 | 441,799 | 514,635 |
| Integrated Preschool | 498,762 | 217,889 | 196,322 | 160,782 | 231,902 | 62,298 | 60,707 | 59,982 | 62,176 | 61,123 |
| Capital Academy | | | 20,671 | | | | | | | |
| Assisted Augmentative Technology | 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 | 492 | 398 |
| Community Resources | | | 372,160 | 274,074 | 80,279 | 148,491 | 172,061 | 51,703 | 71,098 | 89,383 |
| Chuck's | | | | 82,129 | 72,387 | 65,123 | 64,742 | 68,271 | 77,560 | 67,394 |
| Special Aides | | | 1,912,584 | 1,737,379 | 1,743,632 | 2,085,488 | 2,370,250 | 3,026,205 | 3,021,915 | 3,026,594 |
| Social Skills | | | 1,350 | | | | | | | |
| Emergency Treatment Services | | | 28,788 | | | | | | | |
| Total Business-Type Activities Expenses | 11,833,929 | 11,446,339 | 13,718,444 | 11,634,494 | 10,900,587 | 11,078,306 | 12,365,493 | 11,998,565 | 11,156,023 | 10,866,706 |
| Total District Expenses | \$ 56,485,115 | \$ 55,859,586 | \$ 56,306,978 | \$ 51,680,167 | \$ 49,882,048 | \$ 51,411,178 | \$ 52,499,219 | \$ 57,331,147 | \$ 59,047,335 | \$ 63,532,518 |

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

| | Year ended June 30, | | | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Program Revenues: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Special Education | \$ 2,586,453 | \$ 2,626,585 | | | | | | | | |
| Operating Grants and Contributions: | | | | | | | | | | |
| Special Education | 995,847 | 852,079 | \$ 692,465 | \$ 502,352 | \$ 220,813 | \$ 218,546 | \$ 25,382 | \$ 23,102 | \$ 26,329 | \$ 17,410 |
| Student and Instruction Related Services | 1,078,503 | 978,777 | 1,050,167 | 893,492 | 683,905 | 672,866 | 485,675 | 493,949 | 480,858 | 486,186 |
| Unallocated Benefits | 3,256,617 | 2,722,819 | | | | | | | | |
| Capital Grants and Contributions | | | | 38,274 | 252,101 | 296,667 | 553,644 | 305,709 | 471,052 | 74,401 |
| Total Governmental Activities Program Revenues | 7,917,420 | 7,180,260 | 1,742,632 | 1,434,118 | 1,156,819 | 1,188,079 | 1,064,701 | 822,760 | 978,239 | 577,997 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Project Adults | 12,278 | | 42,974 | | | | | | | |
| Food Service | 110,448 | 103,951 | 88,637 | 97,432 | 85,117 | 76,413 | 110,074 | 126,761 | 124,727 | 125,741 |
| Mercer County Cooperative Transportation System | 8,805,282 | 8,518,210 | 8,410,047 | 6,578,015 | 6,047,738 | 5,674,330 | 6,741,427 | 6,767,252 | 6,915,391 | 6,559,252 |
| NJ State Regional Day School at Hamilton | 2,106,183 | 2,215,156 | 2,143,476 | 2,113,580 | 2,093,495 | 2,087,454 | 2,186,112 | 1,418,563 | 472,627 | 411,558 |
| Integrated Preschool | 333,062 | 360,026 | 206,289 | 328,626 | 266,112 | | | | | |
| Assisted Augmentative Technology | 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 | 9,075 | 6,825 |
| Community Resources | | | 358,427 | 243,104 | 99,021 | 117,655 | 72,150 | 42,238 | 75,838 | 92,420 |
| Chuck's Place | | | 83,197 | 83,197 | 73,605 | 72,967 | 70,445 | 74,829 | 76,489 | 70,840 |
| Special Aides | | | 1,912,584 | 1,737,379 | 1,737,884 | 2,086,195 | 2,369,543 | 3,026,205 | 3,021,915 | 3,026,594 |
| Operating Grants and Contributions: | | | | | | | | | | |
| Food Service | 275,440 | 303,823 | 294,311 | 342,975 | 345,345 | 384,041 | 410,132 | 418,364 | 426,515 | 409,953 |
| Total Business-Type Activities Program Revenues | 11,667,342 | 11,537,399 | 13,543,363 | 11,578,012 | 10,806,552 | 10,517,830 | 11,977,283 | 11,883,512 | 11,122,577 | 10,703,183 |
| Total District Program Revenues | \$ 19,584,762 | \$ 18,717,659 | \$ 15,285,995 | \$ 13,012,130 | \$ 11,963,371 | \$ 11,705,909 | \$ 13,041,984 | \$ 12,706,272 | \$ 12,100,816 | \$ 11,281,180 |
| Net (Expense)/Revenue: | | | | | | | | | | |
| Governmental Activities | \$ (36,733,766) | \$ (37,232,987) | \$ (40,845,902) | \$ (38,611,555) | \$ (37,824,642) | \$ (39,144,793) | \$ (39,069,025) | \$ (44,509,822) | \$ (46,913,073) | \$ (52,087,815) |
| Business-Type Activities | (166,587) | 91,060 | (175,081) | (56,482) | (94,035) | (560,476) | (388,210) | (115,053) | (33,446) | (162,523) |
| Total District-wide Net (Expense)/Revenue | \$ (36,900,353) | \$ (37,141,927) | \$ (41,020,983) | \$ (38,668,037) | \$ (37,918,677) | \$ (39,705,269) | \$ (39,457,235) | \$ (44,624,875) | \$ (46,946,519) | \$ (52,250,338) |

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

| | Year ended June 30. | | | | | | | | | |
|--|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Revenues and Other Changes in Net Assets: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| County Appropriation Taxes | \$ 5,492,269 | \$ 3,460,178 | \$ 2,870,529 | \$ 2,870,529 | \$ 2,870,529 | \$ 2,870,529 | \$ 2,874,529 | \$ 2,874,529 | \$ 2,874,529 | \$ 2,932,020 |
| Tuition - LEAs | 32,612,267 | 34,214,361 | 33,538,814 | 33,595,981 | 32,065,344 | 30,503,693 | 31,490,169 | 36,911,372 | 35,911,594 | 29,034,534 |
| Nonresident Fees | 573,370 | 183,847 | 175,880 | 170,013 | 183,485 | 174,791 | 156,155 | 178,474 | 175,230 | 151,248 |
| Interest Earned on Investments | 174,481 | 44,522 | 21,885 | 14,235 | 7,821 | 13,924 | 5,053 | 3,782 | 10,481 | 22,126 |
| Miscellaneous Income | 442,903 | 502,805 | 306,151 | 355,192 | 287,643 | 323,430 | 327,583 | 319,247 | 421,701 | 326,528 |
| Federal and State Aid Not Restricted | | | 2,955,850 | 2,818,167 | 3,052,318 | 3,747,835 | 3,081,095 | 7,707,492 | 8,809,936 | 11,912,493 |
| Special Items: | | | | | | | | | | |
| Capital Asset Inventory Adjustment | | | | | | | | | | |
| Long-Term Debt Assumed by County of Mercer | 25,000,000 | | | | | | | | | |
| Cancellation of Net Position | | (34,481) | | | | | | | | |
| Transfers | | (41,207) | | | | | | | | |
| Total Governmental Activities | 64,295,290 | 38,330,025 | 39,869,109 | 39,824,117 | 38,467,140 | 37,634,202 | 37,934,584 | 47,994,896 | 48,203,471 | 44,378,949 |
| Business-Type Activities: | | | | | | | | | | |
| Interest Earned on Investments | 2,567 | 292 | 348 | 127 | 51 | 21 | - | 13 | 19 | 16 |
| Special Items: | | | | | | | | | | |
| Refund of Prior Year Revenue | | (10,314) | | | | | | | | |
| Cancellation of Net Position | | (182,823) | | | | | | | | |
| Transfers | | 41,207 | | | | | | | | |
| Total Business-Type Activities | 2,567 | (151,638) | 348 | 127 | 51 | 21 | - | 13 | 19 | 16 |
| Total Government-wide | \$ 64,297,857 | \$ 38,178,387 | \$ 39,869,457 | \$ 39,824,244 | \$ 38,467,191 | \$ 37,634,223 | \$ 37,934,584 | \$ 47,994,909 | \$ 48,203,490 | \$ 44,378,965 |
| Changes in Net Position: | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| | \$ 27,561,524 | \$ 1,097,038 | \$ (976,793) | \$ 1,212,562 | \$ 642,498 | \$ (1,510,591) | \$ (1,134,441) | \$ 3,485,074 | \$ 1,290,398 | \$ (7,708,866) |
| Business-Type Activities | | | | | | | | | | |
| | (164,020) | (60,578) | (174,733) | (56,555) | (93,984) | (560,455) | (388,210) | (115,040) | (33,427) | (163,507) |
| Total District | \$ 27,397,504 | \$ 1,036,460 | \$ (1,151,526) | \$ 1,156,007 | \$ 548,514 | \$ (2,071,046) | \$ (1,522,651) | \$ 3,370,034 | \$ 1,256,971 | \$ (7,872,373) |

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, | | | | | | | | | |
|------------------------------------|----------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|---------------|--------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Fund: | | | | | | | | | | |
| Reserved | \$ 884,719 | \$ 828,766 | \$ 610,612 | | | | | | | |
| Unreserved | 4,111,789 | 6,282,263 | 6,008,461 | | | | | | | |
| Restricted | | | | \$ 750,824 | \$ 1,151,066 | \$ 1,551,784 | \$ 2,393,633 | \$ 2,079,965 | \$ 2,883,893 | \$ 3,652,078 |
| Assigned | | | | 1,359,823 | 3,736,862 | 5,417,142 | 735,595 | 873,790 | 6,509,359 | 2,103,047 |
| Unassigned | | | | 6,560,006 | 5,130,643 | 2,419,207 | 5,343,814 | 8,692,433 | 4,703,215 | 4,071,751 |
| Total General Fund | \$ 4,996,508 | \$ 7,111,029 | \$ 6,619,073 | \$ 8,670,653 | \$ 10,018,571 | \$ 9,388,133 | \$ 8,473,042 | \$ 11,646,188 | \$ 14,096,467 | \$ 9,826,876 |
| All Other Governmental Funds: | | | | | | | | | | |
| Restricted | \$ 34,481 | | | | | | | \$ 771,186 | \$ 210,561 | \$ 159,884 |
| Total All Other Governmental Funds | \$ 34,481 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 771,186 | \$ 210,561 | \$ 159,884 |

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, | | | | | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenues: | | | | | | | | | | |
| County Appropriation/Taxes | \$ 5,492,269 | \$ 3,460,178 | \$ 2,870,529 | \$ 2,908,803 | \$ 3,122,630 | \$ 3,167,196 | \$ 3,428,173 | \$ 2,955,736 | \$ 2,874,529 | \$ 2,932,020 |
| Tuition - LEA's | 32,612,267 | 34,214,361 | 33,538,834 | 33,595,981 | 32,065,344 | 30,503,693 | 31,490,169 | 36,911,372 | 35,911,594 | 29,034,534 |
| Nonresident Fees | 573,370 | 183,848 | 175,860 | 170,013 | 183,485 | 174,791 | 156,155 | 178,474 | 175,230 | 151,248 |
| Interest Earned on Investment | 174,481 | 44,522 | 21,885 | 14,235 | 7,821 | 13,924 | 5,053 | 3,782 | 10,481 | 22,126 |
| Miscellaneous | 442,903 | 502,805 | 306,151 | 355,192 | 287,643 | 323,430 | 327,583 | 319,247 | 421,701 | 326,528 |
| State Sources | 4,024,581 | 3,464,359 | 3,574,464 | 3,269,005 | 3,322,120 | 4,039,891 | 3,221,612 | 3,735,607 | 4,291,762 | 4,459,703 |
| Federal Sources | 402,035 | 265,853 | 487,560 | 434,942 | 343,865 | 367,458 | 146,866 | 674,461 | 421,120 | 567,326 |
| Other Sources | 904,351 | 823,463 | 636,458 | 510,064 | 291,051 | 231,898 | 223,674 | 223,235 | 317,641 | 265,793 |
| Total Revenues | 44,626,257 | 42,959,389 | 41,611,741 | 41,258,235 | 39,623,959 | 38,822,281 | 38,999,285 | 45,001,914 | 44,424,058 | 37,759,278 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Special Education Instruction | 15,129,911 | 16,312,545 | 16,044,545 | 14,975,700 | 15,049,479 | 15,164,909 | 15,111,117 | 15,477,872 | 15,921,752 | 15,370,395 |
| Other Special Instruction | 914,056 | 66,691 | | 36,001 | 31,495 | 37,908 | 39,796 | 45,603 | 38,641 | 43,177 |
| Support Services and Undistributed Costs: | | | | | | | | | | |
| Student and Instruction Related Services | 7,646,203 | 7,944,634 | 7,886,748 | 7,592,858 | 7,028,694 | 7,091,331 | 6,919,887 | 6,959,270 | 7,001,739 | 6,999,605 |
| General Administration | 305,866 | 376,457 | 343,876 | 317,327 | 296,246 | 292,161 | 294,708 | 261,845 | 301,874 | 262,703 |
| School Administration | 1,090,139 | 1,221,402 | 1,162,056 | 1,006,393 | 990,978 | 1,130,417 | 1,157,838 | 1,129,048 | 980,913 | 1,018,627 |
| Central Services | 618,247 | 648,128 | 734,441 | 613,412 | 594,996 | 685,844 | 829,811 | 747,070 | 792,047 | 806,137 |
| Administrative Information Technology | 475,089 | 447,088 | 358,615 | 332,388 | 344,075 | 338,370 | 362,991 | 363,751 | 355,388 | 421,727 |
| Plant Operations and Maintenance | 2,309,094 | 2,318,292 | 2,478,416 | 2,460,992 | 2,401,436 | 2,155,718 | 2,474,912 | 2,527,708 | 2,451,927 | 2,533,285 |
| Pupil Transportation | 37,751 | 25,706 | 28,391 | 32,795 | 35,745 | 32,548 | 33,637 | 35,873 | 40,804 | 36,712 |
| Unallocated Benefits | 11,160,252 | 11,081,761 | 12,569,952 | 11,599,852 | 11,065,267 | 12,154,781 | 11,918,838 | 12,592,500 | 13,512,810 | 14,347,199 |
| Debt Service: | | | | | | | | | | |
| Interest on Lease Purchase Agreements | 1,090,434 | | | | | | | | | |
| Lease Purchase Agreements - Principal | 2,320,000 | | | | | | | | | |
| Capital Outlay | 188,980 | 360,957 | 496,657 | 273,632 | 437,630 | 368,732 | 770,841 | 951,131 | 1,136,509 | 239,979 |
| Total Expenditures | 43,286,022 | 40,803,661 | 42,103,697 | 39,241,350 | 38,276,041 | 39,452,719 | 39,914,376 | 41,091,671 | 42,534,404 | 42,079,546 |
| Excess/(Deficiency) of Revenues | | | | | | | | | | |
| Over/(Under) Expenditures | 1,340,235 | 2,155,728 | (491,956) | 2,016,885 | 1,347,918 | (630,438) | (915,091) | 3,910,243 | 1,889,654 | (4,320,268) |
| 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) | | | | | | | | | | |
| Net Change in Fund Balances | \$ 1,340,235 | \$ 2,080,040 | \$ (491,956) | \$ 2,051,581 | \$ 1,347,918 | \$ (630,438) | \$ (915,091) | \$ 2,829,802 | \$ 1,889,654 | \$ (4,320,268) |

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

| | YEAR ENDED JUNE 30, | | | | | | | | | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Tuition - LEA's | \$ 32,842,337 | \$ 34,214,361 | \$ 33,538,835 | \$ 33,595,981 | \$ 32,065,344 | \$ 30,503,693 | \$ 31,490,169 | \$ 36,911,372 | \$ 35,911,594 | \$ 29,034,534 |
| Nonresident Fees | 573,371 | 183,848 | 175,860 | 170,013 | 183,485 | 174,791 | 156,155 | 178,474 | 175,230 | 151,248 |
| Interest Earned on Investments | 174,481 | 44,522 | 21,885 | 14,235 | 7,821 | 13,924 | 5,053 | 3,782 | 10,481 | 22,126 |
| County Appropriation | 5,492,269 | 3,460,178 | 2,870,529 | 2,870,529 | 2,870,529 | 2,870,529 | 2,874,529 | 2,874,529 | 2,874,529 | 2,932,020 |
| Rentals | 258,100 | | | 267,317 | 257,011 | 290,000 | | | | |
| Miscellaneous | 184,803 | | 306,151 | 87,875 | 30,632 | 33,430 | 327,583 | 319,247 | 421,701 | 326,528 |
| Total | \$ 39,525,361 | \$ 37,902,909 | \$ 36,913,260 | \$ 37,005,950 | \$ 35,414,822 | \$ 33,886,367 | \$ 34,853,489 | \$ 40,287,404 | \$ 39,393,535 | \$ 32,466,456 |

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 |
|------|-------------------------|---------------------------------|--|-----------------------------------|
| 2008 | 364,571 | \$ 19,672,615,731 | \$ 53,961 | 4.90% |
| 2009 | 366,222 | 19,024,134,234 | 51,947 | 7.80% |
| 2010 | 366,511 | 19,240,361,456 | 52,496 | 7.80% |
| 2011 | 367,063 | 19,984,745,035 | 54,445 | 7.70% |
| 2012 | 368,303 | 20,519,633,342 | 55,714 | 7.80% |
| 2013 | 370,414 | 21,078,779,084 | 56,906 | 6.70% |
| 2014 | 371,537 | 20,699,812,418 | 55,714 | 5.70% |
| 2015 | 371,398 | 21,134,774,588 | 56,906 | 4.70% |
| 2016 | 371,023 | 22,215,002,125 | 59,875 | 4.30% |
| 2017 | Not Available | Not Available | 63,247 | 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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Instruction: | | | | | | | | | | |
| Special Education | 89.0 | 90.2 | 75.2 | 90.1 | 91.1 | 250.8 | 234.9 | 234.5 | 232.7 | 220.8 |
| Other Instruction | 26.2 | 18.8 | 24.6 | 19.7 | 20.6 | 3.4 | | | | |
| Support Services: | | | | | | | | | | |
| Student and Instruction Related Services | 283.6 | 234.6 | 240.0 | 250.0 | 250.4 | 76.5 | 73.4 | 76.8 | 76.6 | 74.9 |
| General Administration | 2.0 | 3.0 | 3.0 | 4.0 | 4.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| School Administrative Services | 15.0 | 12.0 | 16.0 | 15.9 | 20.5 | 14.0 | 13.0 | 14.0 | 13.0 | 13.0 |
| Other Administrative Services | 4.0 | 8.9 | 6.0 | 5.0 | 5.0 | 4.0 | 3.5 | 3.5 | 3.6 | 3.5 |
| Central Services | 12.0 | 48.0 | 32.0 | 35.6 | 31.5 | 32.0 | 29.6 | 34.0 | 33.8 | 32.5 |
| Total | 431.8 | 415.5 | 396.8 | 420.3 | 423.1 | 381.7 | 355.4 | 363.8 | 360.7 | 345.7 |

Source: District Personnel Records

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

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

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | Percentage Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|---|---|---|-------------------------------|
| 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 | 2.90 | 682.60 | 616.70 | 1.04% | 90.35% |
| 2016 | 627.04 | 41,397,895 | 66,021 | 12.27% | 233 | 2.69 | 627.04 | 562.59 | -8.14% | 89.72% |
| 2017 | 579.09 | 41,839,567 | 72,251 | 9.44% | 221 | 2.62 | 576.09 | 518.39 | -8.13% | 89.98% |

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 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 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 | 170 | 193 | 161 | 141 | 141 | 125 | 139 | 128 | 114 | 88 |
| 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) | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 |
| Enrollment | 246 | 261 | 262 | 242 | 208 | 205 | 186 | 213 | 219 | 201 |
| High School: | | | | | | | | | | |
| Mercer JR/SR (1987) | | | | | | | | | | |
| Square Feet | 86,858 | 86,858 | 86,858 | 86,858 | 86,858 | 86,858 | 86,858 | 86,858 | 86,858 | 86,858 |
| Capacity (Students) | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 | 318 |
| Enrollment | 292 | 273 | 273 | 271 | 279 | 278 | 265 | 279 | 275 | 263 |
| 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 | 47 | 50 | 48 | 47 | 42 | 46 | 45 | 32 | 12 | 9 |

Number of Schools at June 30, 2017

- 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

| | JR/SR High School | Joseph C. Cappelo | Mercer Elementary | Alfred Reed | Total |
|-------------------------|----------------------|----------------------|----------------------|----------------|------------|
| 2008 | \$ 23,970 | \$ 18,657 | \$ 13,846 | \$ 11,367 | \$ 67,840 |
| 2009 | 19,069 | 16,530 | 28,840 | 6,866 | 71,305 |
| 2010 | 28,770 | 24,667 | 31,867 | 8,182 | 93,486 |
| 2011 | 25,471 | 22,472 | 25,368 | 9,822 | 83,133 |
| 2012 | 26,841 | 21,091 | 25,288 | 9,822 | 83,042 |
| 2013 | 24,841 | 21,091 | 25,288 | 9,822 | 81,042 |
| 2014 | 24,841 | 21,091 | 25,288 | 7,918 | 79,138 |
| 2015 | 21,778 | 21,091 | 20,399 | 11,529 | 74,797 |
| 2016 | 27,904 | 17,022 | 30,177 | 10,019 | 85,122 |
| 2017 | 24,841 | 25,159 | 25,288 | 9,822 | 85,110 |
| Total School Facilities | \$ 248,326 | \$ 208,871 | \$ 251,649 | \$ 95,169 | \$ 804,015 |

Source: District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

| | Coverage | Deductible |
|---|----------------|------------|
| Burlington County Insurance Pool Joint Insurance Fund: | | |
| Property, Inland Marine and Automobile Physical Damages | \$ 175,000,000 | \$ 500 |
| Boiler and Machinery | 125,000,000 | 1,000 |
| Crime | 500,000 | 500 |
| General and Automobile Liability | 20,000,000 | |
| Workers' Compensation | Statutory | |
| Educator's Legal Liability | 20,000,000 | |
| Pollution Legal Liability | 3,000,000 | 25,000 |
| Mold | | 100,000 |
| Cyber Liability | 1,000,000 | 25,000 |
| Violent Malicious Acts | 1,000,000 | 15,000 |
| Disaster Management Services | 2,000,000 | 15,000 |

Source: District records

Single Audit Section

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

Independent Auditors' Report

Honorable President and
Members of the Board of Education
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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

November 30, 2017
Livingston, New Jersey

Report on Compliance For Each Major Federal and State Program and
Report on Internal Control Over Compliance Required by the
Uniform Guidance 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's, 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 the District's major federal and state programs for the year ended June 30, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance 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, 2017.

Report on Internal Control Over Compliance

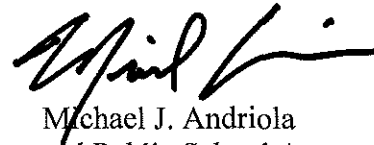
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 the Uniform Guidance 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 a 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 the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

November 30, 2017
Livingston, New Jersey

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Federal Award Identification Number | Program or Award Amount | Grant Period | | Balance, June 30, 2016 | | | Cash Received | Budgetary Expenditures | Adjustments | Repayment of Prior Year's Balances | Balance, June 30, 2017 | | |
|---|---------------------|-------------------------------------|-------------------------|--------------|----------|------------------------|-----------------------|----------------|---------------------|------------------------|-------------|------------------------------------|------------------------|------------------|----------------|
| | | | | 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 | 1705NJSMAP | \$ 517,472 | 07/01/16 | 06/30/17 | | | | \$ 517,472 | \$ (517,472) | | | | | |
| ARRA - Medicaid Assistance Program - SEMI Program | 93.778 | 1705NJSMAP | 24,063 | 07/01/16 | 06/30/17 | | | | 24,063 | (24,063) | | | | | |
| Total General Fund | | | | | | | | | <u>541,535</u> | <u>(541,535)</u> | | | | | |
| U.S. Department of Labor - Passed - Through N.J. Department of Labor: | | | | | | | | | | | | | | | |
| Workforce Investment Area - Out-of-School Youth | 17.258 | AA267951555A34 | 35,000 | 10/01/15 | 10/31/16 | \$ (6,320) | | | 18,563 | (12,243) | | | | | |
| Workforce Investment Area - Out-of-School Youth | 17.258 | AA283321655A34 | 35,000 | 11/01/16 | 10/31/17 | | | | 946 | (13,548) | | | \$ (12,602) | | |
| Total Special Revenue Fund | | | | | | <u>(6,320)</u> | | | <u>19,509</u> | <u>(25,791)</u> | | | <u>(12,602)</u> | | |
| Enterprise Fund | | | | | | | | | | | | | | | |
| U.S. Department of Agriculture: | | | | | | | | | | | | | | | |
| Passed-Through State Department of Agriculture: | | | | | | | | | | | | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | | | | |
| School Breakfast Program | 10.553 | 171NJ304N1099 | 127,366 | 07/01/15 | 06/30/16 | | (23,017) | | 23,017 | | | | | | |
| School Breakfast Program | 10.553 | 16161NJ304N109 | 118,731 | 07/01/16 | 06/30/17 | | | | 106,851 | (118,731) | | | (11,880) | | |
| National School Lunch Program | 10.555 | 171NJ304N1099 | 250,340 | 07/01/16 | 06/30/17 | | | | 226,672 | (250,340) | | | (23,668) | | |
| National School Lunch Program | 10.555 | 16161NJ304N109 | 259,522 | 07/01/15 | 06/30/16 | | (48,116) | | 48,116 | | | | | | |
| Food Donation Program (NC) | 10.555 | 171NJ304N1099 | 36,278 | 07/01/16 | 06/30/17 | | | | 36,278 | (34,742) | | | | \$ 1,536 | |
| Food Donation Program (NC) | 10.555 | 16161NJ304N109 | 32,593 | 07/01/15 | 06/30/17 | \$ 1,158 | | | | (1,158) | | | | | |
| Total Child Nutrition Cluster and Enterprise Fund | | | | | | <u>1,158</u> | | | <u>440,934</u> | <u>(404,971)</u> | | | <u>(35,548)</u> | <u>1,536</u> | |
| Total Federal Awards | | | | | | <u>\$ 1,158</u> | <u>\$ (71,133)</u> | | <u>\$ 1,001,978</u> | <u>\$ (972,297)</u> | | | <u>(48,150)</u> | <u>\$ 1,536</u> | |

NC - noncash expenditures

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

Year ended June 30, 2017

| State Grant/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance June 30, 2016 | | Due to Grantor | Cash Received | Budgetary Expenditures | Repayments of Prior Years' Balance | Balance June 30, 2017 | | Due To Grantor | Memo |
|--|-------------------------------|-------------------------|----------------------|-----------------------|-----------------------|----------------|---------------|------------------------|------------------------------------|-----------------------|-----------------------|----------------|----------------|
| | | | | Unearned Revenue | (Accounts Receivable) | | | | | Unearned Revenue | (Accounts Receivable) | | |
| State Department of Education | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | |
| On Behalf TPAF Pension and Medical Contributions | 495-034-5095-001/006/007 | \$ 3,102,851 | 07/01/16 | 06/30/17 | | | \$ 3,102,851 | \$ (3,102,851) | | | | | \$ (3,102,851) |
| Reimbursed TPAF Social Security Contributions | 495-034-5094-003 | 1,028,496 | 07/01/15 | 06/30/16 | | \$ (50,438) | 50,438 | | | | | | (1,078,939) |
| Reimbursed TPAF Social Security Contributions | 495-034-5094-003 | 1,070,439 | 07/01/16 | 06/30/17 | | (50,438) | 4,172,656 | (4,172,290) | | | | | (4,172,290) |
| Total General Fund | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | |
| State Department of Health | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | |
| Case Management - SCHS | 4572-129-6146-2680 | 247,262 | 07/01/15 | 06/30/16 | | (83,973) | 83,973 | (241,510) | | | | | (241,510) |
| Case Management - SCHS | 4572-129-6146-2680 | 198,838 | 07/01/16 | 06/30/17 | | | 198,309 | | | | | | |
| Early Hearing Detection and Intervention (EHD) | DFHS17EHD002 | 52,783 | 04/01/17 | 03/31/18 | | (83,973) | 282,482 | (252,631) | | | | | (241,510) |
| Total Special Revenue Fund | | | | | | | | | | | | | |
| New Jersey Schools Development Authority | | | | | | | | | | | | | |
| Capital Projects Fund: | | | | | | | | | | | | | |
| Pat Johnson's Development Authority | | 743,020 | | Indefinite | | | | | | | | | |
| Total Capital Projects Fund | | | | | | | | | | | | | |
| State Department of Agriculture | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | |
| State School Lunch Program | 100-010-3350-023 | 5,299 | 07/01/15 | 06/30/16 | | (975) | 975 | | | | | | (4,982) |
| State School Lunch Program | 100-010-3350-023 | 4,983 | 07/01/16 | 06/30/17 | | (975) | 5,497 | (4,982) | | | | | (4,982) |
| Total Enterprise Fund | | | | | | | | | | | | | |
| Total State Financial Assistance | | | | | | | | | | | | | |
| | | | | | | | \$ 4,466,635 | \$ (4,464,683) | | | | | \$ (4,453,564) |
| State Financial Assistance Not Subject to Single Audit Determination: | | | | | | | | | | | | | |
| On-Behalf TPAF Pension and Medical Contributions | 495-294-5095-401/006/007 | 3,102,851 | 07/01/16 | 06/30/17 | | | 3,102,851 | (3,102,851) | | | | | (3,102,851) |
| Total State Financial Assistance Subject to Single Audit Determination | | | | | | | 1,357,784 | (1,361,834) | | | | | (1,350,113) |

The accompanying notes to schedules 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, 2017

1. General

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

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 enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

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, 2017

3. Relationship to Basic Financial Statements (continued)

The general fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the last two state aid payments in the current year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,500 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

| | Federal | State | Total |
|------------------------------|------------------|---------------------|---------------------|
| General Fund | \$ 541,535 | \$4,173,290 | \$ 4,714,825 |
| Special Revenue Fund | 25,791 | 252,631 | 278,422 |
| Capital Projects Fund | | 33,782 | 33,782 |
| Food Service Enterprise Fund | 404,971 | 4,982 | 409,953 |
| Total award revenues | <u>\$972,297</u> | <u>\$ 4,464,685</u> | <u>\$ 5,436,982</u> |

4. Relationship to Federal and State Financial Reports

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

Mercer County Special Services School District

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

June 30, 2017

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, 2017.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2017 amounted to \$3,102,851. Since on-behalf post retirement pension, non-contributory and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 15-08, however they are reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

6. Indirect Costs

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

Mercer County Special Services School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

Part I - Summary of Auditors' Results (continued)

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

| CFDA Number(s) | FAIN Number | Name of Federal Program or Cluster |
|-----------------------|--------------------|---|
| 10.553/10.555 | 171NJ304N1099 | Child Nutrition Cluster |

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

\$750,000

Mercer County Special Services School District
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2017

Part II – Schedule of Financial Statement Findings

No compliance or internal control over financial reporting findings noted that are required to be reported under *Government Auditing Standards*.

Mercer County Special Services School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section 516(a) and New Jersey Treasury Circular OMB 15-08, respectively.

Federal Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a).

State Award Programs

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

Mercer County Special Services School District
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2017

None.