

MERCER COUNTY
SPECIAL
SERVICES
SCHOOL DISTRICT

County of Mercer
Board of Education
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2018*

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, 2018**

**Prepared by
Business Office**

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Introductory Section



Kimberly J. Schneider, Ed. D.
Superintendent

Deborah Donnelly
Business Administrator/Board Secretary

February 19, 2019

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, 2018, 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 over compliance 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 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 2018 fiscal year with an average daily enrollment of 562.8 students, which is 13.3 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>
2017-2018	562.8	(2.31)%
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%

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

The District continues to expand partnerships with community advocacy groups and post-secondary options to increase student access to after-school programming and transition services. We continue to expand the use of technology, increase staff professional development, and purchase materials for piloting the Unique Learning System for the Autism population, communication technology for the students with communication needs, and assistance for students who have experienced severe trauma with the trauma certification. 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.

The District focused efforts on educating the community regarding the services available for learners with significant modifications through the increased use of social media and marketing materials.

The District’s buildings range in age from 13 years to 34 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, classroom HVAC unit upgrades and security system upgrades.

3) ECONOMY AND ECONOMIC OUTLOOK:

Mercer County is home of a wide range of industries including education, healthcare and social services, professional, scientific and technological services. The county’s unemployment rate is 3.9%, which is in line

with the national average of 4.0%. 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 2017-2018 school year. The District cannot accurately forecast future enrollment. While the district does not anticipate a significant change in enrollment for the 2018-2019 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 2017-18 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, 2018.

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, 2018.

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 through 2017 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 2017-2018 award.

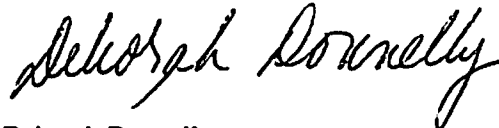
9) ACKNOWLEDGEMENTS:

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,

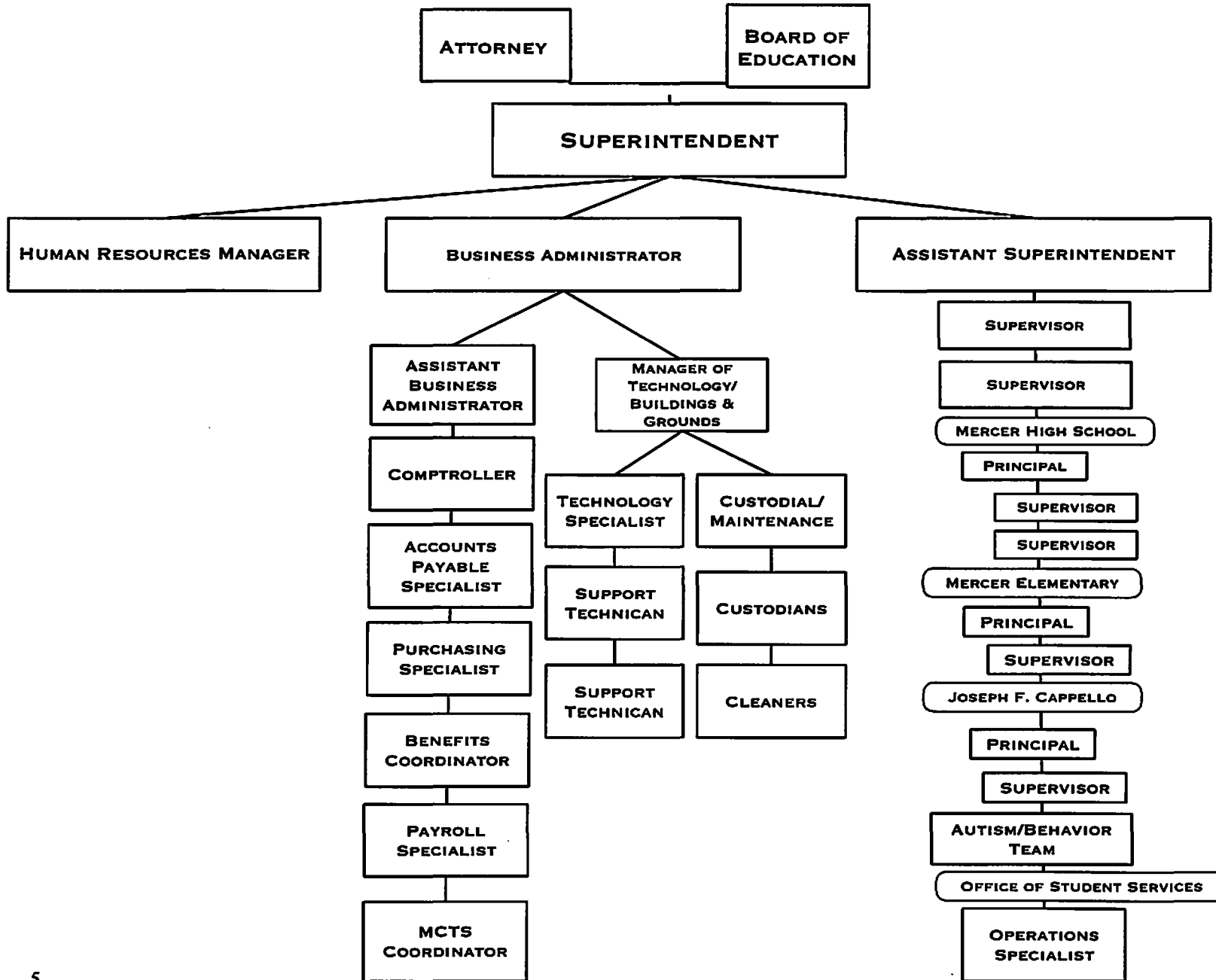


Dr. Kimberly J. Schneider
Superintendent



Deborah Donnelly
School Business Administrator/
Board Secretary

Mercer County Special Services School District
2017-2018



Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Camille Rainiero, President	2020
Russell White, Vice-President (resigned April 2018)	2018
Samuel J. Floyd	2020
Jan Lewis	2020
Lisa Vena	2021
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 (Effective through April 30, 2018)
Deborah Donnelly, Assistant Business Administrator/Assistant Board Secretary (Business Administrator effective May 1, 2018)
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, 2017.

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE
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, 2018, 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, 2018, 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 pension contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF, schedule of the District's proportionate share of the net OPEB liability – PERS, schedule of District OPEB contributions – PERS, schedule of the State's proportionate share of the net OPEB liability associated with the District and changes in the total OPEB liability and related ratios – PERS and 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

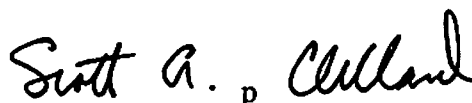
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual fund financial statements, long-term debt schedules and the schedules 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 of 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 February 19, 2019 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.



Scott A. Clelland

Licensed Public School Accountant

No. 1049



WISS & COMPANY, LLP

February 19, 2019
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, 2018

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, 2018. 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 2017-2018 fiscal year include the following:

- The District's average daily enrollment decreased 2.3% from 576 in 2017 to 563 in 2018.
- Revenues from tuition from other districts increased in 2018 by \$5,219,496 or 23.0%, due to adjustments related to certified tuition rates. In the prior year, tuition due back to the sending districts was approximately \$3.9M, while the District had a tuition receivable from the sending districts in the current year, of approximately \$1.5M.
- The District's government-wide fund balance decreased \$342,879 or 1.75% primarily due to a decrease in the District's net investment in capital assets.
- In FY 2018 the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which resulted in the District recording expense and corresponding revenue for \$6,042,904 related to post-employment health benefits paid for by the State on behalf of the District.

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 2017/18?" 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 2017-18 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 \$4,736,725, while total fund balance was \$11,032,053. 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 11.4% of the total general fund expenditures while total fund balance represents 26.5% of that same amount.

During the current fiscal year, the fund balance of the District's general fund balance increased by \$1,205,177. The increase in fund balance is primarily related to a significant increase in tuition revenue from sending districts due to changes in adjustments related to certified tuition rates.

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 \$252,650 in state financial assistance, \$25,083 in federal awards and \$224,497 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 \$623,917, which was comprised of expenditures of \$152,450 for the Joseph F. Cappello School

fire alarm system, \$312,293 for the Mercer Elementary School site work, HVAC univents, and Playground resurfacing, and \$159,174 for IT infrastructure and painting of the District.

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 67 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 2018 and 2017.

**Net Position
June 30, 2018 and 2017**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,535,682	\$ 10,032,551	\$822,657	\$982,976	\$12,358,339	\$11,015,527
Capital assets, net	35,602,692	36,064,734	251,242	247,648	35,853,934	36,312,382
Total assets	47,138,374	46,097,285	1,073,899	1,230,624	48,212,273	47,327,909
Deferred Outflow of Resources	7,337,947	10,251,260			7,337,947	10,251,260
Current liabilities and other	1,577,962	1,131,113	63,546	44,771	1,641,508	1,175,884
Net pension liability	26,995,832	34,707,976			26,995,832	34,707,976
Long-term liabilities	1,913,974	1,938,171			1,913,974	1,938,171
Total liabilities	30,487,768	37,777,260	63,546	44,771	30,551,314	37,822,031
Deferred Inflows of Resources	5,796,013	211,366			5,796,013	211,366
Net position:						
Net investment in capital assets	35,595,718	36,041,421	251,242	247,648	35,846,960	36,289,069
Restricted	4,384,724	3,811,962			4,384,724	3,811,962
Unrestricted (deficit)	(21,787,902)	(21,493,464)	759,111	938,205	(21,028,791)	(20,555,259)
Total net position	\$ 18,192,540	\$ 18,359,919	\$ 1,010,353	\$ 1,185,853	\$ 19,202,893	\$ 19,545,772

Current and other assets increased \$1,342,812 of which \$835,782 is attributed to an increase in cash and cash equivalents and \$652,879 is attributable to an increase in accounts receivable. This increase in cash and cash equivalents is mostly a result of an increase in tuition from sending districts and the increase in accounts receivable is attributed to less 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 decrease in 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 \$294,438 primarily due 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 2018 and 2017.

**Changes in Net Position
Years ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services			\$9,563,783	\$10,293,230	\$9,563,783	\$10,293,230
Operating grants and contributions	\$ 502,230	\$ 503,596	428,513	409,953	930,743	913,549
Capital grants and contributions	621,281	74,401			621,281	74,401
General revenues:						
County Appropriation	2,990,660	2,932,020			2,990,660	2,932,020
Tuition - LEA's	34,254,030	29,034,534			34,254,030	29,034,534
Nonresident Fees	160,816	151,248			160,816	151,248
State and Federal Sources	14,568,676	11,912,493			14,568,676	11,912,493
Interest Earnings	49,302	22,126	62	16	49,364	22,142
Miscellaneous	256,121	326,528			256,121	326,528
Total revenues	53,403,116	44,956,946	9,992,358	10,703,199	63,395,474	55,660,145
Expenses:						
Instructional services	31,567,669	30,915,809	2,419,925	2,174,408	33,987,594	33,090,217
Support services	22,002,826	21,750,003	6,999,370	7,926,073	29,002,196	29,676,076
Operation of non-instructional services			748,563	766,225	748,563	766,225
Total expenses	53,570,495	52,665,812	10,167,858	10,866,706	63,738,353	63,532,518
Change in net position	(167,379)	(7,708,866)	(175,500)	(163,507)	(342,879)	(7,872,373)
Net position - beginning	18,359,919	26,068,785	1,185,853	1,349,360	19,545,772	27,418,145
Net position - ending	\$ 18,192,540	\$ 18,359,919	\$ 1,010,353	\$ 1,185,853	\$ 19,202,893	\$ 19,545,772

Governmental-type Activities

At June 30, 2018, Governmental-Type Activities net position accounted for 94.7% of the District's total net position.

The Governmental-Type Activities net position decreased \$167,379 from \$18,359,919 at June 30, 2017 to \$18,192,540 at June 30, 2018, mostly as a result of 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*.

General revenues for state and federal sources and instructional and support services increased due to the implementation of GASB Statement No. 75.

In FY 2018, Governmental-Type Activities revenues were \$53,403,116 or 84.0% of total revenues, of which the County Appropriation of \$2,990,660 made up 4.7%, and Tuition from

LEA's of \$34,254,030 made up 54.0%.

In FY 2018, the District's Governmental-Type Activities expenses were \$53,570,495 compared to \$52,665,812 for FY 2017, an increase of \$904,683.

Business-type Activities

At June 30, 2018, Business-Type Activities net position accounted for 5.3% of the District's total net position.

Business-Type Activities net position decreased \$175,500 from \$1,185,853 at June 30, 2017 to \$1,010,353 at June 30, 2018.

In FY 2018, Business-Type Activities revenues were \$9,992,358.

Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$9,992,296 in FY 2017 compared to \$10,703,183 in FY 2017, a 6.6% decrease. The decrease was primarily attributed to a decrease in Mercer Cooperative Transportation System revenue.

Expenses for Business-Type Activities were \$10,167,858 in FY 2018 compared to \$10,866,706 in FY 2017, a 6.9% decrease. The decrease was related to a decrease in expenses for Mercer Cooperative Transportation System, offset by an increase in expenses related to Special Aides.

Financial Analysis of the District's Funds

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

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues
Year Ended June 30, 2018

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2017</u>	<u>Percent of (Decrease) Increase</u>
Local sources	\$ 37,935,426	87.9%	\$ 5,243,796	16.0%
State sources	4,771,165	11.0	345,244	7.8
Federal sources	462,037	1.1	(105,289)	(18.6)
Total	\$ 43,168,628	100.0%	\$ 5,483,751	14.6%

The increase in local sources is mainly attributed to an increase in tuition from LEA's. State sources increased as a result of an increase in the on-behalf TPAF pension, medical and non-contributory insurance contributions made by the State of New Jersey. Federal sources decreased due to a decrease in Medicaid reimbursement.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2018, and the amounts and percentage of increases in relation to prior year expenditures.

Expenditures
Year Ended June 30, 2018

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2017</u>	<u>Increase (Decrease) From 2017</u>
Current:				
Instruction	\$ 15,358,144	36.4%	\$ (55,428)	(0.4%)
Support services	26,529,667	63.0	103,672	0.4
Capital outlay	232,888	0.6	117,987	102.7
Total	\$ 42,120,699	100.0%	\$ 166,231	0.4%

Instruction and support services did not have significant fluctuations from the prior year. The increase in capital outlay is mainly attributed to the increase in construction services related to a new project at MHS.

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 2018 budget to meet the District's needs. The final budgetary basis revenue estimate was \$38,522,459, which was \$77,928 less than the original budget estimate, attributed to a decrease in anticipated other tuition revenue.

The District received \$4,512,443 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 \$40,967,005, which was \$77,928 less than the original budget estimate, due to the \$77,928 reduction in appropriations related to tuition revenue reductions.

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 \$748,484 worse than what was budgeted in terms of revenues and \$3,860,979 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$4,512,443 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 2018 and 2017, the District had \$35,602,692 and \$36,064,734, 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 2018 and 2017 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2018</u>	<u>2017</u>
Construction in Progress	\$ 2,016,892	\$ 1,516,835
Site Improvements	128,888	85,494
Buildings and Building Improvements	32,828,543	33,949,166
Machinery and Equipment	<u>628,369</u>	<u>513,239</u>
Total	<u>\$ 35,602,692</u>	<u>\$ 36,064,734</u>

During the current fiscal year, \$814,075 of capital assets were capitalized as additions, of which \$500,057 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, 2018 and 2017 in the amount of \$251,242 and \$247,648, respectively.

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

Debt Administration

At June 30, 2018, the District had \$28,909,806 of outstanding long-term liabilities. Of this amount, \$26,995,832 represents the District's net pension liability, \$1,907,000 is for compensated absences and \$6,974 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 2017-18 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 2017-18 budget was adopted on April 28, 2017. The District anticipates a slight decrease in enrollment for the 2018-19 fiscal year. The District cannot accurately forecast future enrollment. If the District were to experience a significant decrease 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, 2018.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 2,910,899	\$ 632,547	\$ 3,543,446
Internal Balances	3,207,612	(3,207,612)	-
Accounts Receivable	1,032,447	3,378,174	4,410,621
Inventories		19,548	19,548
Restricted assets:			
Cash and Cash Equivalents	4,384,724		4,384,724
Capital Assets, Non-Depreciable	2,016,892		2,016,892
Capital Assets, Depreciable, Net	33,585,800	251,242	33,837,042
Total Assets	<u>47,138,374</u>	<u>1,073,899</u>	<u>48,212,273</u>
Deferred Outflow of Resources			
Pension deferrals	7,393,192		7,393,192
	<u>7,393,192</u>		<u>7,393,192</u>
Liabilities			
Accounts Payable	1,552,249	61,582	1,613,831
Accrued Liabilities	79,331		79,331
Unearned Revenue	1,627	1,964	3,591
Net Pension Liability	26,995,832		26,995,832
Noncurrent Liabilities:			
Due Within One Year	42,041		42,041
Due Beyond One Year	1,871,933		1,871,933
Total Liabilities	<u>30,543,013</u>	<u>63,546</u>	<u>30,606,559</u>
Deferred Inflow of Resources			
Pension deferrals	5,796,013		5,796,013
	<u>5,796,013</u>		<u>5,796,013</u>
Net Position			
Net Investment in Capital Assets	35,595,718	251,242	35,846,960
Restricted For:			
Capital reserve	4,384,724		4,384,724
Unrestricted (deficit)	(21,787,902)	759,111	(21,028,791)
Total Net Position	<u>\$ 18,192,540</u>	<u>\$ 1,010,353</u>	<u>\$ 19,202,893</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

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	\$ 31,487,365		\$ 19,454		\$ (31,467,911)		\$ (31,467,911)
School Sponsored/Other Instructional	80,304				(80,304)		(80,304)
Support Services:							
Student and Instruction Related Services	13,707,139		482,776		(13,224,363)		(13,224,363)
General Administrative Services	442,185				(442,185)		(442,185)
School Administrative Services	2,144,190				(2,144,190)		(2,144,190)
Central Administrative Services	1,540,650				(1,540,650)		(1,540,650)
Administrative Information Technology	615,227				(615,227)		(615,227)
Plant Operations and Maintenance	3,491,584			\$ 621,281	(2,870,303)		(2,870,303)
Pupil Transportation	61,316				(61,316)		(61,316)
Interest on long-term debt	535				(535)		(535)
Total Governmental Activities	<u>\$ 53,570,495</u>		<u>502,230</u>	<u>621,281</u>	<u>(52,446,984)</u>		<u>(52,446,984)</u>
Business-type Activities:							
Food Service	532,086	\$ 131,427	428,513		\$ 27,854		27,854
Mercer Cooperative Transportation System	5,528,019	5,528,019					
NJ State Regional Day School	488,724	368,921			(119,803)		(119,803)
Community Resources	53,420	52,784			(636)		(636)
Special Aides	3,402,552	3,402,552					
Clinic Parent	4,647	5,075			428		428
Chuck's Place	80,910	75,005			(5,905)		(5,905)
Integrated Preschool	77,500				(77,500)		(77,500)
Total Business-type Activities	<u>10,167,858</u>	<u>9,563,783</u>	<u>428,513</u>		<u>(175,562)</u>		<u>(175,562)</u>
Total Primary Government	<u>\$ 63,738,353</u>	<u>\$ 9,563,783</u>	<u>\$ 930,743</u>	<u>\$ 621,281</u>	<u>(52,446,984)</u>	<u>(175,562)</u>	<u>(52,622,546)</u>

General Revenues:							
County appropriation/taxes					2,990,660		2,990,660
Tuition					34,254,030		34,254,030
Nonresident Fees					160,816		160,816
State and Federal Sources					14,568,676		14,568,676
Interest Earnings					49,302	62	49,364
Miscellaneous					256,121		256,121
Total General Revenues					<u>52,279,605</u>	<u>62</u>	<u>52,279,667</u>
Change in Net Position					(167,379)	(175,500)	(342,879)
Net Position - Beginning					<u>18,359,919</u>	<u>1,185,853</u>	<u>19,545,772</u>
Net Position - Ending					<u>\$ 18,192,540</u>	<u>\$ 1,010,353</u>	<u>\$ 19,202,893</u>

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 2,910,899			\$ 2,910,899
Interfund Receivable	3,854,423			3,854,423
Accounts Receivable:				
State	51,572	\$ 25,392	\$ 126,759	203,723
Federal		15,636		15,636
Other	96,575	55,918	660,595	813,088
Restricted Cash and Cash Equivalents	4,384,724			4,384,724
Total Assets	\$ 11,298,193	\$ 96,946	\$ 787,354	\$ 12,182,493
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable		\$ 84,398	\$ 562,413	\$ 646,811
Accounts Payable	\$ 197,730		224,941	422,671
Unearned Revenue		1,627		1,627
Accrued Liabilities	68,410	10,921		79,331
Total Liabilities	266,140	96,946	787,354	1,150,440
Fund Balances:				
Restricted for:				
Capital Reserve	4,384,724			4,384,724
Assigned to:				
Designated for Subsequent Years' Expenditures	1,731,989			1,731,989
Other Purposes	178,615			178,615
Unassigned	4,736,725			4,736,725
Total Fund Balances	11,032,053			11,032,053
Total Liabilities and Fund Balances	\$ 11,298,193	\$ 96,946	\$ 787,354	

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 \$58,511,078 and the accumulated depreciation is \$22,908,386 (See Note 4).	35,602,692
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	1,597,179
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(26,995,832)
Accrued pension contributions for the June 30, 2018 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.	(1,129,578)
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>(1,913,974)</u>
Net Position of Governmental Activities	\$ <u>18,192,540</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 2,990,660			\$ 2,990,660
Tuition from Other Districts	30,769,917			30,769,917
Other Tuition	3,484,113			3,484,113
Non-Resident Fees	160,816			160,816
Interest	49,302			49,302
Miscellaneous	256,121	\$ 224,497	\$ 621,281	1,101,899
Total - Local Sources	37,710,929	224,497	621,281	38,556,707
State Sources	4,518,515	252,650		4,771,165
Federal Sources	436,954	25,083		462,037
Total Revenues	42,666,398	502,230	621,281	43,789,909
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	15,291,283	19,454		15,310,737
School Sponsored	47,407			47,407
Support Services:				
Student and Instruction Related Services	6,469,761	482,776		6,952,537
General Administration	333,217			333,217
School Administration	1,065,208			1,065,208
Central Services	790,947			790,947
Administrative Information Technology	373,122			373,122
Plant Operations and Maintenance	2,408,051			2,408,051
Pupil Transportation	58,581			58,581
Unallocated Benefits	10,035,561			10,035,561
On-behalf TPAF Benefits	4,512,443			4,512,443
Capital Outlay	216,014		623,917	839,931
Debt Service:				
Principal	16,339			16,339
Interest	535			535
Total Expenditures	41,618,469	502,230	623,917	42,744,616
Excess (deficiency) of revenues over (under) expenditures	1,047,929	-	(2,636)	1,045,293
Other financing sources (uses):				
Transfer in	157,248			157,248
Transfer out			(157,248)	(157,248)
Total other financing sources (uses)	157,248	-	(157,248)	-
Net change in fund balances	1,205,177	-	(159,884)	1,045,293
Fund Balance, July 1	9,826,876	-	159,884	9,986,760
Fund Balance, June 30	\$ 11,032,053	\$ -	\$ -	\$ 11,032,053

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, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	1,045,293
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 asset additions in the current fiscal year.</p>		
Depreciation Expense	\$	(1,276,117)
Capital Asset Additions		<u>814,075</u>
		(462,042)
<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		(774,827)
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>		
		7,858
<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>		
		16,339
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(167,379)</u>

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2018

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	\$ 3,650		\$ 14,069	\$ 162,858	\$ 64,933	\$ 365,148		\$ 21,889	\$ 632,547
Accounts Receivable:									
State	1,006								1,006
Federal	74,840								74,840
Other	15,701	\$ 942,878	60,333			14,265	\$ 2,269,151		3,302,328
Inventories	18,062							1,486	19,548
Total Current Assets	113,259	942,878	74,402	162,858	64,933	379,413	2,269,151	23,375	4,030,269
Capital Assets									
Site Improvements			13,100						13,100
Equipment	200,360		55,930	10,400		73,224		9,699	349,613
Building and Building Improvements			298,823						298,823
Accumulated Depreciation	(196,772)		(149,428)	(10,400)		(47,087)		(6,607)	(410,294)
Total Capital Assets, Net	3,588		218,425	-		26,137		3,092	251,242
Total Assets	116,847	942,878	292,827	162,858	64,933	405,550	2,269,151	26,467	4,281,511
Liabilities									
Current:									
Interfund Payable		942,878					2,264,734		3,207,612
Accounts Payable	44,415		3,764			1,380	4,417	7,606	61,582
Unearned Revenue	1,964								1,964
Total Current Liabilities	46,379	942,878	3,764			1,380	2,269,151	7,606	3,271,158
Net Position									
Investment in Capital Assets	3,588		218,425			26,137		3,092	251,242
Unrestricted	66,880		70,638	162,858	64,933	378,033		15,769	759,111
Total Net Position	\$ 70,468	\$ -	\$ 289,063	\$ 162,858	\$ 64,933	\$ 404,170	\$ -	\$ 18,861	\$ 1,010,353

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2018

	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	\$ 55,353								\$ 55,353
Daily Sales - Non-Reimbursable Programs	13,539								13,539
Special event income	62,535								62,535
Transportation Fees		\$ 5,528,019							5,528,019
Non-Resident Fees			\$ 1,840						1,840
Miscellaneous					\$ 5,075	\$ 52,784	\$ 3,402,552	\$ 75,005	3,535,416
Tuition			367,081						367,081
Total Operating Revenues	131,427	5,528,019	368,921		5,075	52,784	3,402,552	75,005	9,563,783
Operating Expenses:									
Salaries	157,577	229,330	258,489	\$ 46,313	3,647	38,344	2,161,436		2,895,136
Employee Benefits	41,338	22,949	68,000	14,822			1,241,116		1,388,225
Purchased Professional/Technical Services	1,641	4,000							5,641
Cleaning, Repair and Maintenance								6,780	6,780
Contracted Services	24,360	5,266,516							5,290,876
Other Purchased Services			26,231						26,231
Insurance	4,691		6,500						11,191
Miscellaneous Purchased Services	2,379			10,166					12,545
Supplies and Materials	27,444	3,466	49,136	6,199	1,000	6,456		70,566	164,267
Energy	833		53,772						54,605
Telephone/Communications/Postage	785	1,036	8,392				95		10,308
Travel							2,740		2,740
Cost of Sales - Program	231,939								231,939
Cost of Sales - Non-program	2,275								2,275
Miscellaneous Expenditures	1,645	722						1,146	3,513
Admin & Supervision	21,315								21,315
Other	11,834		297						12,131
Depreciation Expense	2,030		17,907			5,785		2,418	28,140
Total Operating Expenses	532,086	5,528,019	488,724	77,500	4,647	53,420	3,402,552	80,910	10,167,858
Operating (Loss) Income	(400,659)	-	(119,803)	(77,500)	428	(636)	-	(5,905)	(604,075)
Nonoperating Revenues:									
Local Sources:									
Interest on Investments	62								62
State Sources:									
State School Lunch Program	5,220								5,220
Federal Sources:									
National School Lunch Program	259,937								259,937
National School Breakfast Program	129,598								129,598
Food Donation Program	33,758								33,758
Total Nonoperating Revenues	428,575								428,575
Change in Net Position	27,916	-	(119,803)	(77,500)	428	(636)	-	(5,905)	(175,500)
Total Net Position - Beginning	42,552	-	408,866	240,358	64,505	404,806	-	24,766	1,185,853
Total Net Position - Ending	\$ 70,468	\$ -	\$ 289,063	\$ 162,858	\$ 64,933	\$ 404,170	\$ -	\$ 18,861	\$ 1,010,353

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, 2018

	Major Enterprise Funds								Total
	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	
Cash Flows From Operating Activities:									
Receipts from Customers	\$ 131,427	\$ 5,123,710	\$ 420,163		\$ 5,075	\$ 55,537	\$ 3,160,757	\$ 75,005	\$ 8,971,674
Payments to Employees	(157,577)	(229,330)	(258,489)	\$ (46,312)	(3,647)	(44,305)	(2,161,436)		(2,901,096)
Payments for Employee Benefits	(41,338)	(22,949)	(68,000)	(14,822)			(1,241,116)		(1,388,225)
Payments to Suppliers	(326,928)	(5,275,740)	(140,829)	(16,366)	(1,000)	(9,290)	3,997	(71,017)	(5,837,173)
Net Cash (Used In) / Provided By Operating Activities	(394,416)	(404,309)	(47,155)	(77,500)	428	1,942	(237,798)	3,988	(1,154,820)
Cash Flows From Noncapital Financing Activities:									
Cash Received From State and Federal Reimbursements	389,103								389,103
Advances from other funds		404,309					237,798		642,107
Net Cash Provided By Noncapital Financing Activities	389,103	404,309					237,798		1,031,210
Cash Flows From Capital and Related Financing Activities:									
Purchase of Capital Assets - Equipment			(5,264)			(26,470)			(31,734)
Net Cash (Used In) Capital and Related Financing Activities			(5,264)			(26,470)			(31,734)
Cash Flows From Investing Activities:									
Interest Income	62								62
Net Cash Provided By Investing Activities	62								62
Net (Decrease) Increase in Cash and Cash Equivalents	(5,251)		(52,419)	(77,500)	428	(24,528)		3,988	(155,282)
Cash and Cash Equivalents, Beginning of Year	8,901	-	66,488	240,358	64,505	389,676	-	17,901	787,829
Cash and Cash Equivalents, End of Year	\$ 3,650	\$ -	\$ 14,069	\$ 162,858	\$ 64,933	\$ 365,148	\$ -	\$ 21,889	\$ 632,547
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:									
Operating (Loss) Income	\$ (400,659)		\$ (119,803)	\$ (77,500)	\$ 428	\$ (636)	\$ (5,905)	\$ (5,905)	\$ (604,075)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:									
Depreciation	2,030		17,907			5,784		2,418	28,139
Changes in Assets and Liabilities:									
(Decrease) Increase in Accounts Receivable	(3,619)	\$ (404,309)	51,242			2,754	\$ (241,795)		(595,727)
Decrease in Inventory	(1,374)							(131)	(1,505)
Increase in Accounts Payable	9,206		3,499			(5,960)	3,997	7,606	18,348
Net Cash (Used In) / Provided By Operating Activities	\$ (394,416)	\$ (404,309)	\$ (47,155)	\$ (77,500)	\$ 428	\$ 1,942	\$ (237,798)	\$ 3,988	\$ (1,154,820)

Noncash Noncapital Financing Activities

The District received \$34,186 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2018.

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Private - Purpose Scholarship Fund</u>	<u>AFLAC Trust Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Funds</u>
Assets				
Cash and Cash Equivalents	\$ 9,854	\$ 52	\$ 191,524	\$ 244,785
Total Assets	<u>9,854</u>	<u>52</u>	<u>191,524</u>	<u>244,785</u>
Liabilities				
Payroll Deductions and Withholdings				\$ 222,643
Due To Student Groups				22,142
Total Liabilities				<u>\$ 244,785</u>
Net Position				
Held in Trust for Scholarships and Other Purposes	<u>\$ 9,854</u>	<u>\$ 52</u>		
Held in Trust for Unemployment Claims			<u>\$ 191,524</u>	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2018

	Private-Purpose Scholarship Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund
Additions			
Interest Income			\$ 553
Employee Contributions		\$ 26,687	45,433
Other Contributions	\$ 2,038		
Total Additions	<u>2,038</u>	<u>26,687</u>	<u>45,986</u>
Deductions			
Scholarship Payments	6,698		
Medical Reimbursements		26,687	
Unemployment Benefit Payments			29,355
Total Deductions	<u>6,698</u>	<u>26,687</u>	<u>29,355</u>
Change in Net Position	(4,660)	-	16,631
Net Position - Beginning of Year	14,514	52	174,893
Net Position - End of Year	<u>\$ 9,854</u>	<u>\$ 52</u>	<u>\$ 191,524</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2018

1. Summary of Significant Accounting Policies

The financial statements of the Mercer County Special Services School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are disclosed below.

The District is 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, 2018 of 563 students.

A. Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Mercer County Special Services School District in Hamilton, New Jersey. The District receives funding from county, state, and federal government sources and must comply with the requirements of these funding source entities. The District is a component unit of Mercer County, however, the County reports its financial statements

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

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 (CONTINUED)

Year ended June 30, 2018

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, capital leases, and the net pension liability 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 System – The Mercer cooperative transportation system 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 (CONTINUED)

Year ended June 30, 2018

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 (CONTINUED)

Year ended June 30, 2018

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 internal 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 (CONTINUED)

Year ended June 30, 2018

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, 2018 which have not been recorded, are not determinable.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

G. Interfund Receivables/Payables

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

H. Inventories

Enterprise fund inventories are valued at cost, which approximates market using the first-in, first-out (FIFO) method. At June 30, 2018, the unused U.S.D.A. Food Donation Program Commodities of \$1,964 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 acquisition value on the date of acquisition. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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

	<u>Years</u>
School Buildings	40
Building Improvements	20
Electrical/Plumbing	20
Light Vehicles	10
Heavy Vehicles	15
Office and Computer Equipment	10
Instructional Equipment	10
Grounds Equipment	15
Proprietary Fund Equipment	12
Software	5

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

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, 2018, a liability existed for compensated absences in the government-wide financial statements in the amount of \$1,907,000 and no liability existed for compensated absences in the proprietary fund types.

K. Unearned Revenue

Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned. Unearned revenue in the enterprise fund represents the unused portion of U.S.D.A. commodities on hand at June 30, 2018.

L. Deferred Outflows/Inflows of Resources

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

M. Long-Term Obligations

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

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

N. Fund Balances

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

- 1) **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) **Restricted** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) **Committed** - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

Of the \$11,032,053 of fund balance in the General Fund, \$178,615 of encumbrances is assigned to other purposes, \$4,384,724 has been restricted in the capital reserve account, \$1,731,989 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$4,736,725 is classified as unassigned.

O. Net Position

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

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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 \$4,925,724 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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The District has adopted GASB No. 75 during the year ended June 30, 2018, which resulted in an increase in full accrual revenues and expenses and additional disclosures in the notes to the basic financial statements.

In March, 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the year ended June 30, 2018, which did not have a significant impact on the financial statements.

S. Recently Issued Accounting Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not determined the impact of the statement on the financial statements.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

1. Summary of Significant Accounting Policies (continued)

T. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2018 through February 19, 2019, 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 \$1,913,974 difference are as follows:

Compensated absences	\$	1,907,000
Capital leases		6,974
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	\$	<u>1,913,974</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 (CONTINUED)

Year ended June 30, 2018

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, 2018, the District's carrying amount of deposits was \$4,732,162 and the bank balance was \$5,493,486. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2018 was

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

3. Deposits and Investments (continued)

secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act. (GUDPA) covered the bank balance of \$4,651,751. \$591,735 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.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2018, 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, 2018, 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, 2018, the District's balance was \$3,642,223 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. The debt instruments in the New Jersey Cash Management fund are rated by three national rating agencies.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,516,835	\$ 500,057		\$ 2,016,892
Total capital assets, not being depreciated	1,516,835	500,057		2,016,892
Capital assets, being depreciated:				
Site improvements	491,523	61,213		552,736
Buildings & building improvements	54,433,409	50,039		54,483,448
Machinery and equipment	1,257,293	202,766	\$ (2,057)	1,458,002
Total capital assets, being depreciated	56,182,225	314,018	(2,057)	56,494,186
Less accumulated depreciation for:				
Site improvements	(406,029)	(17,819)		(423,848)
Buildings & building improvements	(20,484,243)	(1,170,662)		(21,654,905)
Machinery and equipment	(744,054)	(87,636)	2,057	(829,633)
Total accumulated depreciation	(21,634,326)	(1,276,117)	2,057	(22,908,386)
Total capital assets, being depreciated, net	34,547,899	(962,099)	-	33,585,800
Governmental activities capital assets, net	\$36,064,734	\$ (462,042)	\$ -	\$35,602,692

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

Special education instruction	\$ 714,646
School sponsored instruction	2,213
Student and instruction related services	324,518
School administrative services	15,553
General administrative services	49,720
Central services	36,918
Administrative information technology	17,416
Plant operations and maintenance	112,399
Pupil transportation	2,734
	\$ 1,276,117

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

4. Capital Assets (continued)

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets being depreciated:			
Site Improvements	\$ 13,100		\$ 13,100
Equipment	317,879	\$ 31,734	349,613
Building and Building Improvements	298,823		298,823
Less accumulated depreciation	(382,154)	(28,139)	(410,293)
Total business-type activities			
Capital assets, net	<u>\$ 247,648</u>	<u>\$ 3,595</u>	<u>\$ 251,243</u>

5. Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 1,914,858	\$ 108,266	\$ 116,124	\$ 1,907,000	\$ 35,067
Capital leases	23,313		16,339	6,974	6,974
Subtotal	1,938,171	108,266	132,463	1,913,974	42,041
Net pension liability	34,707,976		7,712,144	26,995,832	
Total governmental activities long-term liabilities	<u>\$36,646,147</u>	<u>\$ 108,266</u>	<u>\$ 7,844,607</u>	<u>\$28,909,806</u>	<u>\$ 42,041</u>

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, 2018, 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 (CONTINUED)

Year ended June 30, 2018

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, 2018 were \$16,874. Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2019	\$ 7,136
Total minimum lease payments	7,136
Less amount representing interest	162
Present value of net minimum lease payments	<u>\$ 6,974</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 (CONTINUED)

Year ended June 30, 2018

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 (CONTINUED)

Year ended June 30, 2018

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, 2018, the State of New Jersey contributed \$3,455,734 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 \$1,056,709 during the year ended June 30, 2018 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, 2018, 2017 and 2016 were \$1,074,333, \$1,085,322, and \$1,041,089, 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, 2018, the District reported a liability of \$26,995,832 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.1159694392 percent, which was a decrease of 0.0012194102 from its proportion measured as of June 30, 2016.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

6. Pension Plans (continued)

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$1,860,322 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	\$ 635,659	\$ -
Changes of assumptions	5,438,730	5,418,790
Net difference between projected and actual earnings on pension plan investments	183,823	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,402	377,223
District contributions subsequent to the measurement date	1,129,578	-
	\$ 7,393,192	\$ 5,796,013

\$1,129,578 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:	
2019	\$ 542,343
2020	871,437
2021	498,237
2022	(851,261)
2023	(593,155)
	\$ 467,601

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
Through 2026	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2016 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 (CONTINUED)

Year ended June 30, 2018

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.85% as of June 30, 2017 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

6. Pension Plans (continued)

the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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, 2017 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 33,490,162	\$ 26,995,832	\$ 21,585,250

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, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842
Deferred inflows of resources	\$ 5,700,625,981
Net pension liability	\$ 23,278,401,588
District's Proportion	0.1159694392%

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

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, 2016 (the beginning of the measurement period ended June 30, 2017) is 5.48 years

Teachers Pensions and Annuity Fund (TPAF) – Special Funding Situation

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, 2017 was \$101,397,315. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2017, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1503884484 percent, which was a decrease of 0.0000043549 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$4,925,724 for contributions incurred by the State.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

6. Pension Plans (continued)

Actuarial assumptions

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

Inflation rate	2.25%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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 (CONTINUED)

Year ended June 30, 2018

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equi	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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 (CONTINUED)

Year ended June 30, 2018

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, 2017 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:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's proportionate share of the net pension liability associated with the District	\$ 120,463,191	\$ 101,397,315	\$ 85,690,764

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, 2017 are as follows:

Collective deferred outflows of resources	\$ 14,251,854,934
Collective deferred inflows of resources	\$ 11,807,238,433
Collective net pension liability	\$ 67,423,605,859

State's proportionate share associated with the District	0.1503884484%
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Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2017 is \$4,682,493,081.

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, 2016 (the beginning of the measurement period ended June 30, 2017) is 8.3 years.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

7. Post-Retirement Benefits

Plan Description and Benefits Provided

The School District contributes to the New Jersey School Employees Health Benefits Program (“SEHBP”), a 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.

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, 2018, 2017 and 2016 were \$1,355,421, \$1,409,465, and \$1,433,754, respectively, which equaled the required contributions for each year.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

The School Employees Health Benefits Program (SEHBP) 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

The State provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Total OPEB Liability

The net OPEB liability from New Jersey's plan is \$53,639,841,858.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2016	\$ 124,776,914
Changes for services:	
Service cost	4,016,607
Interest	3,634,183
Changes in assumptions or other inputs	(14,440,870)
Member contributions	98,434
Benefit payments	(2,673,189)
Net changes for the year	(9,364,835)
Ending Total OPEB Liability, June 30, 2017	\$ 115,412,079

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education</u>	<u>June 30, 2017</u>
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	366,078

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 was \$115,412,079. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increases:	1.55 - 4.55%	2.15 - 4.15%
Through 2026	based on years of service	based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actual experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate chosen by the Division. The source is 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

Mortality Rates

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate.

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate (3.58%):

	At 1% decrease (2.58%)	At current discount rate (3.58%)	At 1% increase (4.58%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 137,002,464	\$ 115,412,079	\$ 98,286,380

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

7. Post-Retirement Benefits (continued)

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 94,915,278	\$ 115,412,079	\$ 142,631,589

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$6,042,904 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflow of resources	\$ 99,843,255
Deferred inflow of resources	\$ 6,443,612,287
Collective OPEB expense	\$ 3,348,490,523
Commission's Proportion	0.22%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the District records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

8. Risk Management (continued)

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:

Fiscal Year	Employee Contributions	Interest on Investments	Amount Paid or Accrued	Ending Balance
2017-18	\$45,433	\$553	\$29,355	\$191,524
2016-17	45,474	231	42,323	174,893
2015-16	45,287	102	61,771	171,511

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

8. Risk Management (continued)

Joint Insurance Pool

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

The Fund provides the District with the following coverage:

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

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

9. Deferred Compensation

The District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457(b). The plans, which are administered by various insurance companies, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan. Since the District does not hold the assets in a trustee capacity, the related assets are not included in the District's Fiduciary Fund Financial Statements.

The plan members' contributions to the deferred compensation plans for the years ended June 30, 2018, 2017 and 2016 were \$1,018,340, \$1,085,945, and \$1,221,096, respectively. The District does not contribute to these plans on behalf of plan members.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District are as follows at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,854,423	
Special Revenue Fund		\$ 84,398
Capital Projects Fund		562,413
Special Aides Enterprise Fund		2,264,734
Cooperative Transportation Enterprise Fund		942,878
	<u>\$ 3,854,423</u>	<u>\$ 3,854,423</u>

The interfund receivable of \$3,854,423 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$84,398, the Capital Projects Fund for \$562,413, the Special Aides Enterprise Fund for \$2,264,734, and the Cooperative Transportation Enterprise Fund for \$942,878, 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, 2018 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with capital projects. The costs associated with the funding received from the NJSDA are subject to a final review of eligible costs and

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

12. Contingent Liabilities (continued)

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, 2018 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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017	\$ 3,652,078
Decreased by:	
Appropriated 17-18 capital projects	(341,500)
Increased by:	
June 2018 resolution	800,000
Unspent proceeds returned to Capital Reserve	237,248
Interest earnings	36,898
Ending balance, June 30, 2018	<u>\$ 4,384,724</u>

Of the balance of \$4,384,724 at June 30, 2018, \$229,500 has been appropriated in the 2018-19 approved budget. At June 30, 2018, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

Mercer County Special Services School District

Notes to the Basic Financial Statements (CONTINUED)

Year ended June 30, 2018

14. Commitments

The District has contractual commitments at June 30, 2018 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$178,615.

The District also has \$30,770 of encumbrances outstanding at June 30, 2018 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 \$3,504,724 of capital reserve funds that are classified as restricted assets on the statement of net position because they are restricted by the New Jersey Department of Education to be utilized for future capital projects that have been approved in the District's Long-Range Facility Plan.

16. Calculation of Excess Surplus

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

17. Transfer-Reconciliation

The following represents a reconciliation of transfers made during the 2018 fiscal year:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 157,248	
Capital Projects Fund		\$ 157,248
	<u>\$ 157,248</u>	<u>\$ 157,248</u>

The transfer from the Capital Projects Fund to the General Fund is a return of excess funds on a completed project.

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 Employee's Retirement System

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - Local Group	0.1159694392%	0.1171888494%	0.1180391368%	0.1179801087%	0.1186931975%	n/a	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 26,995,832	\$ 34,707,976	\$ 26,497,421	\$ 22,089,103	\$ 22,684,628	n/a	n/a	n/a	n/a	n/a
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	342.33%	436.82%	334.30%	279.36%	n/a	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	48.10%	40.14%	47.93%	52.08%	52.08%	52.08%	52.08%	52.08%	52.08%	52.08%

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

n/a - information not available

See notes to Required Supplementary Information

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,074,333	\$ 1,085,322	\$ 1,041,089	\$ 1,014,820	\$ 961,925	\$ 894,329	\$ 900,516	\$ 1,014,658	\$ 1,013,517	\$ 784,473
Contributions in relation to the contractually required contribution	(1,074,333)	(1,085,322)	(1,041,089)	(1,014,820)	(961,925)	(894,329)	(900,516)	(1,014,658)	(1,013,517)	(784,473)
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	\$ 7,748,061	\$ 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
Contributions as a percentage of covered-employee payroll	13.87%	13.76%	13.10%	12.80%	12.17%	11.16%	11.21%	12.60%	12.01%	8.58%

See notes to Required Supplementary Information

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	2018
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.1617187713%	0.1544821417%	0.1503928033%	0.1503884484%
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	\$ 101,397,315
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>	<u>\$ 101,397,315</u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%

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.

See notes to Required Supplementary Information

Mercer County Special Services School District
 Schedule of the State's Proportionate Share of the Net OPEB Liability Associated With the District
 and Changes in the Total OPEB Liability and Related Ratios
 Public Employee's Retirement System and Teachers' Pension and Annuity Fund
 Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30,	
	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.22%	0.22%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 115,412,079	\$ 124,776,914
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 115,412,079</u>	<u>\$ 124,776,914</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
	<u>2018</u>	<u>2017 **</u>
Total OPEB Liability		
Service cost	\$ 4,016,607	
Interest cost	3,634,183	
Changes of assumptions	(14,440,870)	
Member contributions	98,434	
Gross benefit payments	(2,673,189)	
Net change in total OPEB liability	<u>(9,364,835)</u>	
Total OPEB liability - beginning	<u>124,776,914</u>	
Total OPEB liability - ending	<u>\$ 115,412,079</u>	
Covered-employee payroll	<u>\$ 22,581,804</u>	
Total OPEB liability as a percentage of covered-employee payroll	511.08%	

* 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.

** information not available

See notes to Required Supplementary Information

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2018

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

OTHER POST-RETIREMENT BENEFIT PLAN-PUBLIC EMPLOYEES' RETIRMENT SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Required Supplementary Information
Part III

Budgetary Comparison

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 2,990,660		\$ 2,990,660	\$ 2,990,660	
Tuition from other LEAs within the State	31,434,852		31,434,852	30,769,917	\$ (664,935)
Tuition from other sources	3,499,375	\$ (77,928)	3,421,447	3,484,113	62,666
Non-Resident Fees	150,000		150,000	160,816	10,816
Interest Earned	3,000		3,000	12,404	9,404
Interest Earned on Capital Reserve Funds	1,000		1,000	36,898	35,898
Unrestricted Miscellaneous Revenues	271,500		271,500	256,121	(15,379)
Total - Local Sources	38,350,387	(77,928)	38,272,459	37,710,929	(561,530)
State Sources:					
State Reimbursed Lead Testing				6,072	6,072
On-Behalf (non-budgeted) TPAF Pension Contributions				2,098,569	2,098,569
TPAF Post Retirement (On-Behalf - Non-Budgeted)				1,355,421	1,355,421
TPAF Non-contributory Insurance (On-Behalf-Non-Budgeted)				1,744	1,744
Reimbursed TPAF Social Security				1,056,709	1,056,709
Total State Sources				4,518,515	4,518,515
Federal Sources:					
Medical Assistance Program	250,000		250,000	436,954	(186,954)
Total - Federal Sources	250,000		250,000	436,954	(186,954)
Total Revenues	38,600,387	(77,928)	38,522,459	42,666,398	4,143,939
EXPENDITURES:					
SPECIAL EDUCATION - INSTRUCTION					
Behavioral Disabilities:					
Salaries of Teachers	938,976	(181,665)	757,311	707,617	49,694
Other Salaries for Instruction	371,248	(83,114)	288,134	268,229	19,905
General Supplies	28,500	(9,356)	19,144	18,940	204
Textbooks	1,000	(1,000)			
Other Objects	4,350	(1,875)	2,475	2,475	
Total Behavioral Disabilities	1,344,074	(277,010)	1,067,064	997,261	69,803
Multiple Disabilities:					
Salaries of Teachers	3,681,158	270,391	3,951,549	3,900,012	51,537
Other Salaries for Instruction	1,556,739	191,129	1,747,868	1,683,304	64,564
Other Purchased Services	6,350	63,700	70,050	67,644	2,406
General Supplies	135,850	2,196	138,046	123,312	14,734
Textbooks	4,812	(3,500)	1,312	655	657
Other Objects	6,250	500	6,750	6,478	272
Total Multiple Disabilities	5,391,159	524,416	5,915,575	5,781,405	134,170
Autism:					
Salaries of Teachers	2,803,786	(193,126)	2,610,660	2,570,766	39,894
Other Salaries for Instruction	1,913,209	(138,839)	1,774,370	1,717,379	56,991
General Supplies	31,000	(1,000)	30,000	25,178	4,822
Textbooks	1,500	1,000	2,500		2,500
Other Objects	3,600		3,600	1,607	1,993
Total Autism	4,753,095	(331,965)	4,421,130	4,314,930	106,200
Preschool Disabilities - Full-Time:					
Salaries of Teachers	276,275	64,297	340,572	340,572	
Other Salaries for Instruction	216,022	38,650	254,672	254,672	
General Supplies	15,000	(3,630)	11,370	11,366	4
Other Objects	200	(200)			
Total Preschool Disabilities - Full-Time	507,497	99,117	606,614	606,610	4
Extended School Year:					
Salaries of Teachers	1,592,500	(59,453)	1,533,047	1,533,047	
Salaries of Supervisors of Instruction	160,000	(37,354)	122,646	122,646	
Other Salaries for Instruction	725,000	(35,509)	689,491	689,491	
Other Purchased Services	110,000	3,262	113,262	113,262	
Total Extended School Year	2,587,500	(129,054)	2,458,446	2,458,446	

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTINUED):					
Cognitive-Severe:					
Salaries of Teachers	\$ 616,825	\$ 35,848	\$ 652,673	\$ 648,179	\$ 4,494
Other Salaries for Instruction	575,673	(101,915)	473,758	466,487	7,271
General Supplies	17,100	1,600	18,700	17,197	1,503
Textbooks	500	400	900		900
Other Objects	1,100		1,100	768	332
Total Cognitive-Severe	1,211,198	(64,067)	1,147,131	1,132,631	14,500
TOTAL SPECIAL EDUCATION - INSTRUCTION	15,794,523	(178,563)	15,615,960	15,291,283	324,677
School-Sponsored Co Curriculum Instruction:					
Other Objects	3,000		3,000	2,325	675
Total School-Sponsored Co Curriculum Instruction	3,000		3,000	2,325	675
Other Instructional Program- Instruction:					
Salaries	36,110		36,110	29,623	6,487
Supplies and Materials	19,290		19,290	15,459	3,831
Other Objects	430		430		430
Total Instructional Program- Instruction	55,830		55,830	45,082	10,748
TOTAL INSTRUCTION	15,853,353	(178,563)	15,674,790	15,338,690	336,100
Undistributed Expenditures - Health Services:					
Salaries	577,411	(14,950)	562,461	490,217	72,244
Purchased Professional and Technical Services	68,000	4,000	72,000	70,193	1,807
Other Purchased Services	1,820		1,820	1,600	220
Supplies and Materials	23,050	(200)	22,850	19,103	3,747
Total Undistributed Expenditures - Health Services	670,281	(11,150)	659,131	581,113	78,018
Undistributed Expenditures - Other Supp. Serv. Students - Related Services:					
Salaries	4,159,117	91,606	4,250,723	4,222,474	28,249
Purchased Professional - Educational Services	230,000	(43,989)	186,011	72,767	113,244
Supplies and Materials	27,200		27,200	17,533	9,667
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	4,416,317	47,617	4,463,934	4,312,774	151,160
Undistributed Expenditures - Child Study Team:					
Salaries of Other Professional Staff	1,073,257	11,750	1,085,007	1,084,396	611
Supplies and Materials	1,750	(600)	1,150	1,133	17
Total Undist. Expend. - Child Study Team	1,075,007	11,150	1,086,157	1,085,529	628
Undistributed Expenditures - Imp. of Inst. Serv./Other Supp. Serv. - Instruc. Staff:					
Salaries of Supervisors of Instruction	179,107		179,107	155,777	23,330
Salaries of Other Professional Staff	5,500		5,500		5,500
Salaries of Secretarial and Clerical Assistants	160,275		160,275	145,244	15,031
Other Purchased Services	96,300		96,300	22,130	74,170
Supplies and Materials	6,250		6,250	5,902	348
Other Objects	6,000		6,000	1,534	4,466
Total Undistributed Expenditures - Imp. of Inst. Serv./Other Supp. Serv. - Instruc. Staff	453,432		453,432	330,587	122,845
Undistributed Expenditures - Educational Media Serv./Sch. Library:					
Salaries	107,343	1,908	109,251	109,249	2
Supplies and Materials	4,950	(17)	4,933	3,714	1,219
Total Undistributed Expenditures - Educational Media Serv./Sch. Library	112,293	1,891	114,184	112,963	1,221
Undistributed Expenditures - Instructional Staff Training Services:					
Other Salaries	450		450	400	50
Other Purchased Prof. and Tech. Services	20,000		20,000	13,952	6,048
Other Purchased Services	17,750		17,750	12,693	5,057
Supplies and Materials	20,000		20,000	19,750	250
Total Undistributed Expenditures - Instructional Staff Training Services	58,200		58,200	46,795	11,405

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTINUED):					
Undistributed Expenditures - Supp. Serv. - General Administration:					
Salaries	\$ 98,216		\$ 98,216	\$ 90,184	\$ 8,032
Legal Services	86,000	\$ 3,500	89,500	88,331	1,169
Audit Fees	62,000	(800)	61,200	61,200	
Architectural/Engineering Services	7,000	(2,700)	4,300		4,300
Purchased Technical Services	7,500		7,500	4,090	3,410
Communications/Telephone	53,500		53,500	45,100	8,400
Travel	200		200		200
Board of Education Other Purchased Services	4,000		4,000		4,000
Other Purchased Services	38,000		38,000	32,939	5,061
General Supplies	2,750		2,750	1,341	1,409
Judgements Against the School District	3,500		3,500		3,500
Miscellaneous Expenditures	4,750		4,750	3,911	839
Board of Education Dues and Fees	8,500		8,500	6,121	2,379
Total Undistributed Expenditures - Supp. Serv. - General Administration	375,916	-	375,916	333,217	42,699
Undistributed Expenditures - Support Serv. - School Administration:					
Salaries of Principals/Assistant Principals	346,954	(23,500)	323,454	303,753	19,701
Salaries - Other Professional Staff	392,427	(10,833)	381,594	357,497	24,097
Salaries of Secretarial and Clerical Assistants	339,570	23,189	362,759	332,423	30,336
Unused Vacation Payment to Terminated/Retired Staff		11,144	11,144	11,144	
Other Purchased Services	38,200		38,200	26,756	11,444
Supplies and Materials	32,750		32,750	27,465	5,285
Other Objects	10,000		10,000	6,170	3,830
Total Undistributed Expenditures - Support Serv. - School Administration	1,159,901	-	1,159,901	1,065,208	94,693
Undistributed Expenditures - Central Services:					
Salaries	814,329	(24,919)	789,410	688,139	101,271
Unused Vacation Payment to Terminated/Retired Staff		21,919	21,919	21,919	
Purchased Technical Services	54,000		54,000	48,542	5,458
Misc Purchased Services	12,700		12,700	8,546	4,154
Supplies and Materials	13,500		13,500	9,021	4,479
Sales/Leaseback Payments	535		535	535	
Miscellaneous Expenditures	12,000	3,000	15,000	14,245	755
Total Undistributed Expenditures - Central Services	907,064	-	907,064	790,947	116,117
Undistributed Expenditures - Admin. Info. Tech. Services:					
Salaries	236,211		236,211	216,920	19,291
Purchased Professional Services	7,500		7,500	2,491	5,009
Other Purchased Services	750		750	353	397
Supplies and Materials	88,200		88,200	80,681	7,519
Other Objects	80,000		80,000	72,677	7,323
Total Undistributed Expenditures - Admin. Info. Tech. Services	412,661	-	412,661	373,122	39,539
Undistributed Expenditures - Required Maint. for School Facilities:					
Cleaning, Repair and Maintenance Services	81,042		81,042	74,570	6,472
Lead Testing of Drinking Water	10,000		10,000	6,072	3,928
Total Undistributed Expenditures - Required Maint. for School Facilities	91,042	-	91,042	80,642	10,400
Undistributed Expenditures - Custodial Services:					
Salaries	1,093,051	(4,245)	1,088,806	937,557	151,249
Unused Vacation Payment to Terminated/Retired Staff	500	4,245	4,745	4,744	1
Cleaning, Repair and Maintenance Services	462,586	45	462,631	273,357	189,274
Other Purchased Property Services	73,390		73,390	46,988	26,402
Insurance	183,350		183,350	156,048	27,302
Miscellaneous Purchased Services	1,600		1,600		1,600
General Supplies	221,933		221,933	174,470	47,463
Natural Gas	193,000		193,000	140,335	52,665
Electricity	805,000		805,000	540,327	264,673
Other Objects	1,500		1,500	973	527
Total Undistributed Expenditures - Custodial Services	3,035,910	45	3,035,955	2,274,799	761,156

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTINUED):					
Undistributed Expenditures - Security:					
Purchased Professional & Technical Services	\$ 61,000		\$ 61,000	\$ 52,610	\$ 8,390
Cleaning, Repair and Maintenance Services	5,000		5,000		5,000
General Supplies	7,500		7,500		7,500
Total Undistributed Expenditures - Security	73,500		73,500	52,610	20,890
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Trans. Other than Between Home & School	32,467		32,467	14,557	17,910
Cleaning, Repair & Maintenance Services	2,500		2,500		2,500
Contracted Services (Other than Between Home and School) - Vendors	27,500		27,500	21,919	5,581
Miscellaneous Purchased Services - Transportation	18,964		18,964	18,964	
Transportation Supplies	5,000		5,000	3,141	1,859
Total Undistributed Expenditures - Student Transportation Services	86,431		86,431	58,581	27,850
Special Programs- Instruction - Employee Benefits:					
Social Security Benefits	205,000	\$ (29,681)	175,319	175,319	
Health Benefits	706,875	95,213	802,088	802,088	
Total Special Programs-Instruction-Employee Benefits	911,875	65,532	977,407	977,407	
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	615,000		615,000	574,524	40,476
TPAF Contributions ERIP	48,500		48,500	46,181	2,319
Other Retirement Contributions - PERS	1,220,000		1,220,000	1,107,497	112,503
Unemployment Compensation	35,000		35,000		35,000
Workmen's Compensation	1,123,500		1,123,500	1,038,664	84,836
Health Benefits	7,362,250	(14,450)	7,347,800	5,882,743	1,465,057
Tuition Reimbursement	65,000		65,000	46,065	18,935
Other Employee Benefits	337,000		337,000	319,022	17,978
Unused Vac. Payment to Term/Ret. Staff	60,000		60,000	43,458	16,542
Total Unallocated Benefits - Employee Benefits	10,866,250	(14,450)	10,851,800	9,058,154	1,793,646
On-behalf Contributions:					
On-Behalf TPAF Pension Contributions				2,098,569	(2,098,569)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				1,355,421	(1,355,421)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,744	(1,744)
Reimbursed TPAF Social Security				1,056,709	(1,056,709)
Total On-behalf Contributions				4,512,443	(4,512,443)
TOTAL UNDISTRIBUTED EXPENDITURES	24,706,080	100,635	24,806,715	26,046,891	(1,240,176)
TOTAL EXPENDITURES - CURRENT EXPENSE	40,559,433	(77,928)	40,481,505	41,385,581	(904,076)

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Increase in Capital Reserve:					
Interest Deposit to Capital Reserve	\$ 1,000		\$ 1,000		
Equipment:					
Multiple Disabilities	7,500		7,500	\$ 3,233	\$ 4,267
Autism	2,500		2,500		2,500
Preschool Disabilities-Full Time	2,500		2,500		2,500
Undist Expend - Admin Info Tech	54,500		54,500	54,296	204
Required Maintenance	76,000		76,000	72,100	3,900
Total Equipment	143,000		143,000	129,629	13,371
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	23,500		23,500	4,827	18,673
Construction Services	318,000		318,000	98,432	219,568
Total Facilities Acquisition and Construction Services	341,500		341,500	103,259	238,241
TOTAL EXPENDITURES - CAPITAL OUTLAY	485,500		485,500	232,888	251,612
TOTAL EXPENDITURES	41,044,933	\$ (77,928)	40,967,005	41,618,469	(652,464)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(2,444,546)		(2,444,546)	1,047,929	3,492,475
Other Financing Sources:					
Transfer In				157,248	157,248
Total Other Financing Sources				157,248	157,248
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources (Uses)	(2,444,546)		(2,444,546)	1,205,177	3,649,723
Fund Balance, July 1	9,826,876		9,826,876	9,826,876	
Fund Balance, June 30	\$ 7,382,330	\$ -	\$ 7,382,330	\$ 11,032,053	\$ 3,649,723
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 4,384,724	
Assigned to:					
Designated for Subsequent Year's Expenditures				1,731,989	
Year End Encumbrances				178,615	
Unassigned Fund Balance				4,736,725	
Fund balance per Government Funds (GAAP)				\$ 11,032,053	

**Mercer County Special Services School District
Special Revenue Fund**

**Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
State sources	\$ 305,250	\$ (14,428)	\$ 290,822	\$ 252,650	\$ (38,172)
Federal sources	45,000	15,952	60,952	25,083	(35,869)
Local sources	<u>225,924</u>	<u>200</u>	<u>226,124</u>	<u>224,583</u>	<u>(1,541)</u>
Total revenues	<u>576,174</u>	<u>1,724</u>	<u>577,898</u>	<u>502,316</u>	<u>(75,582)</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers	30,000	14,849	44,849	18,546	26,303
General supplies	<u>2,250</u>	<u>200</u>	<u>2,450</u>	<u>908</u>	<u>1,542</u>
Total instruction	<u>32,250</u>	<u>15,049</u>	<u>47,299</u>	<u>19,454</u>	<u>27,845</u>
Support services:					
Salaries	536,785	(127,073)	409,712	378,403	31,309
Personal services—employee benefits	4,715	91,554	96,269	86,085	10,184
Communications		2,255	2,255	2,255	
Travel	1,800	4,198	5,998	3,121	2,877
Supplies and materials	624	14,562	15,186	12,998	2,188
Other objects		<u>1,179</u>	<u>1,179</u>		<u>1,179</u>
Total support services	<u>543,924</u>	<u>(13,325)</u>	<u>530,599</u>	<u>482,862</u>	<u>47,737</u>
Total expenditures	<u>576,174</u>	<u>1,724</u>	<u>577,898</u>	<u>502,316</u>	<u>75,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Neptune Township School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2018

	<u>Special Revenue Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-2)	\$ 502,316
Differences - Budgetary to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Current year encumbrances	<u>(86)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	
	<u>\$ 502,230</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-2)	\$ 502,316
Differences - Budgetary to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Current year encumbrances	<u>(86)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	
	<u>\$ 502,230</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, 2018

	Projects Adult County	Case Management - Special Child Health Services		Early Hearing Detection and Intervention	Clinic Project Program Child	WIA Out-of-School Youth	Garden Grant Supplies	MEF Grant Supplies	Totals
		State	County						
Revenues:									
State Sources		\$ 198,910		\$ 53,740					\$ 252,650
Federal Sources						\$ 25,083			25,083
Other Sources	\$ 100,000		\$ 104,346		\$ 19,329		\$ 185	\$ 723	224,583
Total Revenues	<u>\$ 100,000</u>	<u>\$ 198,910</u>	<u>\$ 104,346</u>	<u>\$ 53,740</u>	<u>\$ 19,329</u>	<u>\$ 25,083</u>	<u>\$ 185</u>	<u>\$ 723</u>	<u>\$ 502,316</u>
Expenditures:									
Instruction:									
Other Salaries						\$ 18,546			\$ 18,546
Supplies & Materials							\$ 185	\$ 723	908
Total Instruction						18,546	185	723	19,454
Support Services:									
Salaries	\$ 79,931	\$ 160,601	\$ 74,975	\$ 44,942	\$ 17,954				378,403
Personal Services - Employee Benefits	14,879	32,337	26,571	5,761		6,537			86,085
Communications		2,255							2,255
Travel		874		2,247					3,121
Supplies & Materials	5,190	2,843	2,800	790	1,375				12,998
Total Support Services	<u>100,000</u>	<u>198,910</u>	<u>104,346</u>	<u>53,740</u>	<u>19,329</u>	<u>6,537</u>			<u>482,862</u>
Total Expenditures	<u>\$ 100,000</u>	<u>\$ 198,910</u>	<u>\$ 104,346</u>	<u>\$ 53,740</u>	<u>\$ 19,329</u>	<u>\$ 25,083</u>	<u>\$ 185</u>	<u>\$ 723</u>	<u>\$ 502,316</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, 2018

	<u>Current Year</u>
Revenues and Other Financing Sources:	
County Sources	\$ 308,785
State Sources	<u>(109,226)</u>
Total Revenues	<u>199,559</u>
Expenditures and Other Financing Uses:	
Transfer to Capital Reserve	157,248
Construction Services	465,857
Land and Improvements	<u>158,060</u>
Total expenditures	<u>781,165</u>
Deficiency of revenues under expenditures and other financing uses	(581,606)
Fund Balance, July 1	850,796
Fund Balance, June 30	<u>\$ 269,190</u>
<u>Reconciliation to GAAP Financial statements</u>	
Fund Balance, June 30, 2018 - Budgetary - Basis	\$ 269,190
GAAP Basis Revenues Not Recognized - County/Local	<u>(269,190)</u>
Fund Balance, June 30, 2018 - GAAP basis	<u>\$ -</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

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

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 1,424,740	\$ -	\$ 1,424,740	\$ 1,424,740
Total Revenues	<u>1,424,740</u>	<u>-</u>	<u>1,424,740</u>	<u>1,424,740</u>
Expenditures and Other Financing Sources:				
Architectural services				
Construction Services	1,088,447		1,088,447	1,253,952
Land Improvements	230,293		230,293	170,788
Total Expenditures	<u>1,318,740</u>	<u>-</u>	<u>1,318,740</u>	<u>1,424,740</u>
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	<u>\$ 106,000</u>	<u>\$ -</u>	<u>\$ 106,000</u>	<u>\$ -</u>

Additional Project Information:

Project Number	3103-055-02-0690
Grant Date/Letter of Notification	various
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 950,500
Additional Authorized Cost	582,500
Revised Authorized Cost	1,424,740

Percentage Increase over Original

Authorized Cost	61%
Percentage Completion	92.56%
Original Target Completion Date	November 2011
Revised Target Completion Date	October 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, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources	\$ 310,570	\$ (40,055)	\$ 270,515	\$ 270,515
Transfer from Capital Reserve	465,855	(53,317)	412,538	412,538
Total Revenues	<u>776,425</u>	<u>(93,372)</u>	<u>683,053</u>	<u>683,053</u>
Expenditures and Other Financing Sources:				
Architectural services	55,210		55,210	55,210
Construction Services	627,843		627,843	627,843
Land Improvements				
Total Expenditures	<u>683,053</u>	<u>-</u>	<u>683,053</u>	<u>683,053</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 93,372</u>	<u>\$ (93,372)</u>	<u>\$ -</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
Decrease in Authorized Cost	(93,372)
Revised Authorized Cost	683,053

Percentage Decrease over Original

Authorized Cost	-12%
Percentage Completion	100.00%
Original Target Completion Date	November 2015
Revised Target Completion Date	September 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, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources	\$ 432,450	\$ (69,171)	\$ 363,279	\$ 363,279
Transfer from Capital Reserve	648,675	(103,931)	544,744	544,744
Total Revenues	<u>1,081,125</u>	<u>(173,102)</u>	<u>908,023</u>	<u>908,023</u>
Expenditures and Other Financing Sources:				
Architectural Services	67,139		67,139	67,139
Construction Services	840,884		840,884	840,884
Land Improvements				
Total Expenditures	<u>908,023</u>	<u>-</u>	<u>908,023</u>	<u>908,023</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 173,102</u>	<u>\$ (173,102)</u>	<u>\$ -</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
Decrease in Authorized Cost	(173,102)
Revised Authorized Cost	908,023

Percentage Decrease over Original Authorized Cost	-16%
Percentage Completion	100.00%
Original Target Completion Date	November 2015
Revised Target Completion Date	September 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, 2018

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

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	\$ 18,339
Additional Authorized Cost	-
Revised Authorized Cost	18,339

Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2018
Revised Target Completion Date	Complete

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, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 180,000	-	\$ 180,000	\$ 180,000
Total Revenues	<u>180,000</u>	<u>-</u>	<u>180,000</u>	<u>180,000</u>
Expenditures and Other Financing Sources:				
Construction Services	18,339	\$ 152,450	170,789	180,000
Total Expenditures	<u>18,339</u>	<u>152,450</u>	<u>170,789</u>	<u>180,000</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 161,661</u>	<u>\$ (152,450)</u>	<u>\$ 9,211</u>	<u>\$ -</u>

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	94.88%
Original Target Completion Date	June 2017
Revised Target Completion Date	October 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 Elementary School: Site Work

Year ended June 30, 2018

	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:				
Land Improvements		\$ 158,060	158,060	158,060
Total Expenditures	-	158,060	158,060	158,060
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 175,000	\$ (158,060)	\$ 16,940	\$ 16,940

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	100.00%
Original Target Completion Date	June 2018
Revised Target Completion Date	October 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 Elementary School: HVAC Univents

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ -	\$ 225,000	\$ 225,000	\$ 225,000
Total Revenues	-	225,000	225,000	225,000
Expenditures and Other Financing Sources:				
Construction Services	-	93,020	93,020	225,000
Total Expenditures	-	93,020	93,020	225,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ 131,980</u>	<u>\$ 131,980</u>	<u>\$ -</u>

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	\$ 225,000
Additional Authorized Cost	-
Revised Authorized Cost	225,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	41.34%
Original Target Completion Date	June 2018
Revised Target Completion Date	June 2019

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

IT Infrastructure

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Total Revenues	-	100,000	100,000	100,000
Expenditures and Other Financing Sources:				
Construction Services	-	94,941	94,941	100,000
Total Expenditures	-	94,941	94,941	100,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 5,059	\$ 5,059	\$ -

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	\$ 100,000
Additional Authorized Cost	-
Revised Authorized Cost	100,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2018
Revised Target Completion Date	Complete

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: Playground Resurface

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ -	\$ 61,213	\$ 61,213	\$ 61,213
Total Revenues	-	61,213	61,213	61,213
Expenditures and Other Financing Sources:				
Construction Services	-	61,213	61,213	61,213
Total Expenditures	-	61,213	61,213	61,213
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 61,213
Decrease in Authorized Cost	-
Revised Authorized Cost	61,213
Percentage Decrease over Original Authorized Cost	0%
Percentage Completion	100.00%
Original Target Completion Date	June 2018
Revised Target Completion Date	Complete

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Painting District

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ -	\$ 64,233	\$ 64,233	\$ 64,233
Total Revenues	-	64,233	64,233	64,233
Expenditures and Other Financing Sources:				
Construction Services	-	64,233	64,233	64,233
Total Expenditures	-	64,233	64,233	64,233
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ -	\$ -	\$ -

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	\$ 64,233
Decrease in Authorized Cost	-
Revised Authorized Cost	64,233
Percentage Decrease over Original Authorized Cost	0%
Percentage Completion	100.00%
Original Target Completion Date	June 2018
Revised Target Completion Date	Complete

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Trust				Agency		
	Private-Purpose Scholarship	AFLAC	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets:							
Cash and Cash Equivalents	\$ 9,854	\$ 52	\$ 191,524	\$ 201,430	\$ 22,142	\$ 222,643	\$ 244,785
Total Assets	9,854	52	191,524	201,430	22,142	222,643	244,785
Liabilities:							
Payroll Deductions and Withholdings						\$ 222,643	\$ 222,643
Due to Student Groups					\$ 22,142		22,142
Total Liabilities					22,142	222,643	244,785
Net Position:							
Held in Trust for Unemployment Claims			191,524	191,524			
Held in Trust for Scholarships and Other Purposes	9,854	52		9,906			
Total Net Position	\$ 9,854	\$ 52	\$ 191,524	\$ 201,430			

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2018

	Balance July 1, 2017		Cash Receipts		Cash Disbursements	Balance June 30, 2018
Capello	\$ 3,135	\$	5,677	\$	5,300	\$ 3,512
High School	17,906		40,277		49,486	8,697
Elementary	17,847		4,836		12,750	9,933
Total	\$ 38,888	\$	50,790	\$	67,536	\$ 22,142

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
Assets				
Cash and Cash Equivalents	\$ 224,221	\$ 30,789,520	\$ 30,791,098	\$ 222,643
Total Assets	\$ 224,221	\$ 30,789,520	\$ 30,791,098	\$ 222,643
Liabilities				
Payroll Deductions and Withholdings	\$ 224,221	\$ 30,789,520	\$ 30,791,098	\$ 222,643
Total Liabilities	\$ 224,221	\$ 30,789,520	\$ 30,791,098	\$ 222,643

Long-Term Debt

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year ended June 30, 2018

Description	Date of Lease	Term of Lease	Interest Rate	Amount of Original Issue	Balance July 1, 2017	Retired	Balance June 30, 2018
Tractor	12/3/2013	4 years	2.243%	\$ 46,363	\$ 9,525	\$ 9,525	
Ford Truck	1/15/2015	4 years	2.330%	34,089	13,788	6,814	\$ 6,974
					<u>\$ 23,313</u>	<u>\$ 16,339</u>	<u>\$ 6,974</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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets	\$ 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	\$ 35,595,718
Restricted	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	4,384,724
Unrestricted (deficit)	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)	(21,787,902)
Total Government Activities Net Position	\$ 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	\$ 18,192,540
Business-Type Activities:										
Investment in Capital Assets	\$ 107,121	\$ 285,595	\$ 372,482	\$ 362,945	\$ 341,717	\$ 309,756	\$ 285,403	\$ 275,629	\$ 247,648	\$ 251,242
Restricted	206,854									
Unrestricted	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	759,111
Total Business-Type Activities Net Position	\$ 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	\$ 1,010,353
Government-Wide:										
Net Investment in Capital Assets	\$ 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	\$ 35,846,960
Restricted	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	4,384,724
Unrestricted (deficit)	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)	(21,028,791)
Total Government-Wide Net Position	\$ 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	\$ 19,202,893

Source: CAFR Schedule A-1 and District records.

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

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

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

	Year ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Special Education	\$ 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	\$ 31,487,365
Other Special Education	142,124		50,107	44,458	51,177	53,306	68,673	58,218	70,474	80,304
Support Services:										
Student and Instruction Related Services	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	13,707,139
General Administration	401,045	497,896	449,249	335,027	344,767	345,575	330,894	376,694	360,252	442,185
School Administrative Services	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	2,144,190
Central Administrative Services	660,076	1,058,708	883,952	842,546	1,044,154	1,237,868	1,268,737	1,377,548	1,577,339	1,540,650
Administrative Information Technology	484,963	455,442	429,035	438,483	467,688	491,039	538,884	537,750	674,279	615,227
Plant Operations and Maintenance	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	3,491,584
Pupil Transportation	25,706	29,498	68,936	19,774	16,594	71,917	21,366	27,000	38,392	61,316
Interest on Long-Term Debt										535
Total Governmental Activities Expenses	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	53,570,495
Business-Type Activities:										
Target Evaluation Team										
Project Adults	2,159	45,289								
Food Service	423,811	423,955	472,240	466,037	492,515	535,018	546,225	565,591	547,927	532,086
Mercer County Cooperative Transportation System	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	5,528,019
NJ State Regional Day School at Hamilton	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	488,724
Integrated Preschool	217,889	196,322	160,782	231,902	62,298	60,707	59,982	62,176	61,123	77,500
Capital Academy		20,671								
Assisted Augmentative Technology	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	4,647
Community Resources		372,160	274,074	80,279	148,491	172,061	51,703	71,098	89,383	53,420
Chuck's			82,129	72,387	65,123	64,742	68,271	77,560	67,394	80,910
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	3,402,552
Social Skills		1,350								
Emergency Treatment Services		28,788								
Total Business-Type Activities Expenses	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	10,167,858
Total District Expenses	\$ 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	\$ 63,738,353

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

	Year ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Special Education	\$ 2,626,585									
Operating Grants and Contributions:										
Special Education	852,079	\$ 692,465	\$ 502,352	\$ 220,813	\$ 218,546	\$ 25,382	\$ 23,102	\$ 26,329	\$ 17,410	\$ 19,454
Student and Instruction Related Services	978,777	1,050,167	893,492	683,905	672,866	485,675	493,949	480,858	486,186	482,776
Unallocated Benefits	2,722,819									
Capital Grants and Contributions			38,274	252,101	296,667	553,644	305,709	471,052	74,401	621,281
Total Governmental Activities Program Revenues	7,180,260	1,742,632	1,434,118	1,156,819	1,188,079	1,064,701	822,760	978,239	577,997	1,123,511
Business-Type Activities:										
Charges for Services:										
Project Adults		42,974								
Food Service	103,951	88,637	97,432	85,117	76,413	110,074	126,761	124,727	125,741	131,427
Mercer County Cooperative Transportation System	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	5,528,019
NJ State Regional Day School at Hamilton	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	368,921
Integrated Preschool	360,026	206,289	328,626	266,112						
Assisted Augmentative Technology	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	5,075
Community Resources		358,427	243,104	99,021	117,655	72,150	42,238	75,838	92,420	52,784
Chuck's Place		83,197	73,605	72,967	70,445	74,829	76,489	70,840	70,840	75,005
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	3,402,552
Operating Grants and Contributions:										
Food Service	303,823	294,311	342,975	345,345	384,041	410,132	418,364	426,515	409,953	428,513
Total Business-Type Activities Program Revenues	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	9,992,296
Total District Program Revenues	\$ 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	\$ 11,115,807
Net (Expense)/Revenue:										
Governmental Activities	\$ (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)	\$ (52,446,984)
Business-Type Activities	91,060	(175,081)	(56,482)	(94,035)	(560,476)	(388,210)	(115,053)	(33,446)	(163,523)	(175,562)
Total Government-wide Net (Expense)/Revenue	\$ (37,141,927)	\$ (41,020,983)	\$ (38,668,037)	\$ (37,918,677)	\$ (39,705,269)	\$ (39,457,235)	\$ (44,624,875)	\$ (46,946,519)	\$ (52,251,338)	\$ (52,622,546)

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

	Year ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets:										
Governmental Activities-										
County Appropriation Taxes	\$ 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	\$ 2,990,660
Tuition - LEAs	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	34,254,030
Nonresident Fees	183,847	175,880	170,013	183,485	174,791	156,155	178,474	175,230	151,248	160,816
Interest Earned on Investments	44,522	21,885	14,235	7,821	13,924	5,053	3,782	10,481	22,126	49,302
Miscellaneous Income	502,805	306,151	355,192	287,643	323,430	327,583	319,247	421,701	326,528	256,121
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	14,568,676
Special Items:										
Cancellation of Net Position	(34,481)									
Transfers	(41,207)									
Total Governmental Activities	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	52,279,605
Business-Type Activities:										
Interest Earned on Investments	292	348	127	51	21	-	13	19	16	62
Special Items:										
Refund of Prior Year Revenue	(10,314)									
Cancellation of Net Position	(182,823)									
Transfers	41,207									
Total Business-Type Activities	(151,638)	348	127	51	21	-	13	19	16	62
Total Government-wide	\$ 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	\$ 52,279,667
Changes in Net Position:										
Governmental Activities	\$ 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)	\$ (167,379)
Business-Type Activities	(60,578)	(174,733)	(56,355)	(93,984)	(560,455)	(388,210)	(115,040)	(33,427)	(163,507)	(175,500)
Total District	\$ 1,036,460	\$ (1,151,526)	\$ 1,156,207	\$ 548,514	\$ (2,071,046)	\$ (1,522,651)	\$ 3,370,034	\$ 1,256,971	\$ (7,872,373)	\$ (342,879)

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 828,766	\$ 610,612								
Unreserved	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	\$ 4,384,724
Assigned			1,359,823	3,736,862	5,417,142	735,595	873,790	6,509,359	2,103,047	1,910,604
Unassigned			6,560,006	5,130,643	2,419,207	5,343,814	8,692,433	4,703,215	4,071,751	4,736,725
Total General Fund	\$ 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	\$ 11,032,053
All Other Governmental Funds:										
Restricted							\$ 771,186	\$ 210,561	\$ 159,884	\$ -
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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 I.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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
County Appropriation/Taxes	\$ 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	\$ 2,990,660
Tuition - LEA's	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	34,254,030
Nonresident Fees	183,848	175,860	170,013	183,485	174,791	156,155	178,474	175,230	151,248	160,816
Interest Earned on Investment	44,522	21,885	14,235	7,821	13,924	5,053	3,782	10,481	22,126	49,302
Miscellaneous	502,805	306,151	355,192	287,643	323,430	327,583	319,247	421,701	326,528	256,121
State Sources	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	4,771,165
Federal Sources	265,853	487,560	434,942	343,865	367,458	146,866	674,461	421,120	567,326	462,037
Other Sources	823,463	636,458	510,064	291,051	231,898	223,674	223,235	317,641	265,793	845,778
Total Revenues	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	43,789,909
Expenditures:										
Current:										
Special Education Instruction	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	15,310,737
Other Special Instruction	66,691		36,001	31,495	37,908	39,796	45,603	38,641	43,177	47,407
Support Services and Undistributed Costs:										
Student and Instruction Related Services	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	6,952,537
General Administration	376,457	343,876	317,327	296,246	292,161	294,708	261,845	301,874	262,703	333,217
School Administration	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	1,065,208
Central Services	648,128	734,441	613,412	594,996	685,844	829,811	747,070	792,047	806,137	790,947
Administrative Information Technology	447,088	358,615	332,388	344,075	338,370	362,991	363,751	355,388	421,727	373,122
Plant Operations and Maintenance	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	2,408,051
Pupil Transportation	25,706	28,391	32,795	35,745	32,548	33,637	35,873	40,804	36,712	58,581
Unallocated Benefits	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	14,548,004
Capital Outlay	360,957	496,657	273,632	437,630	368,732	770,841	951,131	1,136,509	239,979	839,931
Debt Service:										
Principal										16,339
Interest										535
Total Expenditures	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	42,744,616
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	2,155,728	(491,956)	2,016,885	1,347,918	(630,438)	(915,091)	3,910,243	1,889,654	(4,320,268)	1,045,293
Other Financing Sources/(Uses):										
Transfers In							1,114,530			157,248
Transfers Out	(41,207)						(1,114,530)			(157,248)
Cancelled Excess Fund Balance	(34,481)									
Capital Lease Proceeds			34,696				34,089			
Total Other Financing Sources/(Uses)	(75,688)	-	34,696	-	-	-	(1,080,441)	-	-	-
Net Change in Fund Balances	\$ 2,080,040	\$ (491,956)	\$ 2,051,581	\$ 1,347,918	\$ (630,438)	\$ (915,091)	\$ 2,829,802	\$ 1,889,654	\$ (4,320,268)	\$ 1,045,293

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tuition - LEA's	\$ 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	\$ 34,254,030
Nonresident Fees	183,848	175,860	170,013	183,485	174,791	156,155	178,474	175,230	151,248	160,816
Interest Earned on Investments	44,522	21,885	14,235	7,821	13,924	5,053	3,782	10,481	22,126	49,302
County Appropriation	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	2,990,660
Rentals			267,317	257,011	290,000					
Miscellaneous		306,151	87,875	30,632	33,430	327,583	319,247	421,701	326,528	256,121
Total	\$ 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	\$ 37,710,929

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
2009	366,222	\$ 19,024,134,234	\$ 51,947	7.80%
2010	367,930	19,314,853,280	52,496	7.80%
2011	368,201	20,046,703,445	54,445	7.70%
2012	370,419	20,637,524,166	55,714	7.80%
2013	372,337	21,188,209,322	56,906	6.70%
2014	372,974	20,779,873,436	55,714	5.70%
2015	373,104	21,231,856,224	56,906	4.70%
2016	373,660	22,372,892,500	59,875	4.30%
2017	374,733	23,700,738,051	63,247	4.10%
2018	374,733	23,696,990,721	63,237	4.00%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction:										
Special Education	90.2	75.2	90.1	91.1	250.8	234.9	234.5	232.7	220.8	216.4
Other Instruction	18.8	24.6	19.7	20.6	3.4					
Support Services:										
Student and Instruction Related Services	234.6	240.0	250.0	250.4	76.5	73.4	76.8	76.6	74.9	74.4
General Administration	3.0	3.0	4.0	4.0	1.0	1.0	1.0	1.0	1.0	1.0
School Administrative Services	12.0	16.0	15.9	20.5	14.0	13.0	14.0	13.0	13.0	13.0
Other Administrative Services	8.9	6.0	5.0	5.0	4.0	3.5	3.5	3.6	3.5	3.2
Central Services	48.0	32.0	35.6	31.5	32.0	29.6	34.0	33.8	32.5	27.4
Total	415.5	396.8	420.3	423.1	381.7	355.4	363.8	360.7	345.7	335.4

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
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%
2018	562.83	41,887,811	74,424	3.01%	216	2.60	562.83	507.36	-2.30%	90.14%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	193	161	141	141	125	139	128	114	88	101
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	261	262	242	208	205	186	213	219	201	185
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	273	273	271	279	278	265	279	275	263	293
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	50	48	47	42	46	45	32	12	9	9

Number of Schools at June 30, 2018

- 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
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
2018	24,841	20,691	25,288	9,822	80,642
Total School Facilities	\$ 273,167	\$ 229,562	\$ 276,937	\$ 104,991	\$ 884,657

Source: District records.

**MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED**

	<u>Coverage</u>	<u>Deductible</u>
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 19, 2019.

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.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

February 19, 2019
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, 2018. 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.

WISS & COMPANY, LLP

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, 2018.

Report on Internal Control Over Compliance

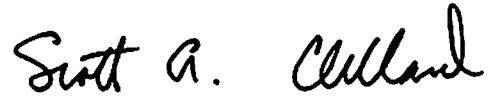
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

February 19, 2019
Livingston, New Jersey

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grants/Pass-Through Grants/Program Title	Federal CFDA Number	Federal Award Identification Number	Program or Award Amount	Grant Period		Balance, June 30, 2017			Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year's Balances	Balance, June 30, 2018								
				From	To	Unearned Revenue	(Accounts Receivable)	Due to Grantee					(Accounts Receivable)	Unearned Revenue	Due To Grantee						
U.S. Department of Health and Human Services - Passed - Through State Department of Education:																					
General Fund:																					
Medicaid Assistance Program - SEMI Program	93.778	1805N3MAP	\$ 436,954	07/01/17	06/30/18				\$ 436,954	\$ (436,954)											
Total General Fund									436,954	(436,954)											
U.S. Department of Labor - Passed - Through N.J. Department of Labor:																					
Workforce Investment Area - Out-of-School Youth	17.258	AA267951555A34	35,000	11/01/17	10/31/18				5,851	(21,487)			\$ (15,636)								
Workforce Investment Area - Out-of-School Youth	17.258	AA283321655A34	35,000	11/01/16	10/31/17		\$ (12,602)		16,498	(3,596)											
Total Special Revenue Fund							(12,602)		22,049	(25,083)			(15,636)								
Enterprise Fund																					
U.S. Department of Agriculture:																					
Passed-Through State Department of Agriculture:																					
Child Nutrition Program Cluster:																					
School Breakfast Program	10.553	181NJ304N1099	129,598	07/01/17	06/30/18				105,068	(129,598)			(24,530)								
School Breakfast Program	10.553	171NJ304N1099	118,731	07/01/16	06/30/17		(11,880)		11,880												
National School Lunch Program	10.555	181NJ304N1099	250,340	07/01/16	06/30/17		(23,668)		23,668												
National School Lunch Program	10.555	171NJ304N1099	259,937	07/01/17	06/30/18				209,627	(259,937)			(50,310)								
Food Donation Program (NC)	10.555	181NJ304N1099	36,278	07/01/16	06/30/17	\$ 1,536				(1,536)											
Food Donation Program (NC)	10.555	171NJ304N1099	34,186	07/01/17	06/30/18				34,186	(32,223)											
Total Child Nutrition Program Cluster and Enterprise Fund							1,536		184,429	(423,293)			(74,840)	1,064							
Total Expenditures of Federal Awards							\$ 1,536	\$ (48,150)	\$ -	\$ 849,432	\$ (885,330)	\$ -	\$ -	(90,476)	\$ 1,064						

NC - noncash expenditures

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 Year ended June 30, 2018

K-4
 Schedule D

State Grant Program Title	Grant or State Project Number	Program or Award Amount	Fiscal Year		Reference, June 30, 2017			Cash Received	Budgetary Expenditures	Adjustments	Repayments of Prior Years' Balance	Reference, June 30, 2018			Memo Budgetary Receivable	Cumulative Total Expenditures
			From	To	Unearned Revenue	(Accounts Receivable)	Due to Creditor					(Accounts Receivable)	Unearned Revenue	Due To Creditor		
State Department of Education																
General Fund:																
On-Behalf TPAF Pension and Medical Contributions	495-034-5093-001 006 007	\$ 3,455,734	07/01/17	06/30/18			\$ 3,455,734	\$ (3,455,734)							\$ (3,455,734)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,056,709	07/01/17	06/30/18			1,005,137	(1,056,709)			\$ (51,572)				(1,056,709)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,070,439	07/01/16	06/30/17	\$ (51,072)		51,072	(6,072)							(6,072)	
State Reimbursed Lead Toxicity	495-034-5120-104	6,072	07/01/17	06/30/18			6,072	(6,072)							(6,072)	
Total General Fund							<u>4,518,015</u>	<u>(4,518,215)</u>			<u>(51,572)</u>				<u>(4,518,215)</u>	
Social Revenue Fund:																
State Department of Health																
Social Revenue Fund:																
Case Management - SCHS	4572-129-6140-2080	192,910	07/01/17	06/30/18			182,077	(192,910)			(16,833)				(192,910)	
Case Management - SCHS	4572-129-6140-2080	193,858	07/01/16	06/30/17	(43,001)		43,001									
Early Hearing Detection and Intervention (EHDI)	DFHS17EHDI002	52,785	04/01/17	03/31/18	(11,121)		11,121	(53,240)			(8,550)				(53,240)	
Early Hearing Detection and Intervention (EHDI)	DFHS18EHDI002	53,740	04/01/18	03/31/19			45,181	(53,240)			(8,550)				(53,240)	
Total Social Revenue Fund							<u>281,389</u>	<u>(252,650)</u>			<u>(25,383)</u>				<u>(252,650)</u>	
New Jersey Schools Development Authority																
Capital Projects Fund:																
NJ Schools Development Authority Total Capital Projects Fund	Various	743,020	Indefinite		(636,430)		507,035		\$ (2,636)		(126,750)				(126,750)	
					<u>(636,430)</u>		<u>507,035</u>		<u>(2,636)</u>		<u>(126,750)</u>				<u>(126,750)</u>	
State Department of Agriculture																
Enterprise Fund:																
State School Lunch Program	100-010-3350-023	5,220	07/01/17	06/30/18			4,214	(5,220)			(1,006)				(5,220)	
State School Lunch Program	100-010-3350-023	4,982	07/01/16	06/30/17	(460)		460	(5,220)			(1,006)				(5,220)	
Total Enterprise Fund					<u>(460)</u>		<u>4,674</u>	<u>(5,220)</u>			<u>(1,006)</u>				<u>(5,220)</u>	
Total State Financial Assistance					\$ -	\$ (742,084)	\$ -	\$ 5,311,104	\$ (4,776,385)	\$ (2,636)	\$ -	\$ (204,729)	\$ -	\$ -	\$ (4,776,385)	
State Financial Assistance Not Subject to Single Audit Determination:																
On-Behalf TPAF Pension and Medical Contributions	495-034-5093-001 006 007	3,455,734	07/01/17	06/30/18			3,455,734	(3,455,734)							(3,455,734)	
Total State Financial Assistance Subject to Single Audit Determination					\$ -	\$ (742,084)	\$ -	\$ 1,855,370	\$ (1,320,511)	\$ (2,636)	\$ -	\$ (204,729)	\$ -	\$ -	\$ (1,320,511)	

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

Mercer County Special Services School District

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

Year ended June 30, 2018

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, 2018

3. Relationship to Basic Financial Statements (continued)

The general fund is presented in the accompanying schedules on the modified accrual basis of accounting. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$86 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:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 436,954	\$4,518,515	\$ 4,955,469
Special Revenue Fund	25,083	252,650	277,733
Food Service Enterprise Fund	423,293	5,220	428,513
Total award revenues	<u>\$885,330</u>	<u>\$ 4,776,385</u>	<u>\$ 5,661,715</u>

4. Relationship to Federal and State Financial Reports

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

5. Other

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, 2018.

Mercer County Special Services School District

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

Year ended June 30, 2018

5. Other (continued)

The post retirement pension and medical benefits and insurance received on-behalf of the District for the year ended June 30, 2018, amounted to \$3,455,734. Since on-behalf post retirement pension, non-contributory insurance 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

Year ended June 30, 2018

Part I - Summary of Auditors' Results

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:

<u>CFDA Number(s)</u>	<u>FAIN Number</u>	<u>Name of Federal Program or Cluster</u>
		Child Nutrition Program Cluster
10.555	181NJ304N1099	Food Donation Program
10.555	181NJ304N1099	National School Lunch Program
10.553	181NJ304N1099	National School Breakfast Program

Mercer County Special Services School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2018

Part I - Summary of Auditors' Results (continued)

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

\$750,000

Auditee qualified as low-risk auditee? X Yes No

State Financial Assistance

Internal control over major state 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 state programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08?

Yes X No

Identification of major state programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
495-034-5094-003	Reimbursed TPAF Social Security Contributions

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

\$750,000

Auditee qualified as low-risk auditee? X Yes No

Mercer County Special Services School District
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2018

Part II – Schedule of Financial Statement Findings

No financial statement 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, 2018

**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, 2018

Not applicable as there were no prior audit findings.