

MERCER COUNTY
SPECIAL
SERVICES
SCHOOL DISTRICT

County of Mercer
Board of Education
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2020*

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, 2020

Prepared by
Business Office

Table of Contents

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

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II	
<i>Schedules Related to Accounting and Reporting for Pensions (GASB 68)</i>	
L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System (PERS)	70
L-2 Schedule of District Pension Contributions – Public Employee’s Retirement System (PERS)	71
L-3 Schedule of State’s Proportionate Share of the Net Pension Liability Associated with the District – Teacher’s Pension and Annuity Fund (TPAF)	72
 <i>Schedules Related to Accounting and Reporting for OPEB (GASB 75)</i>	
M-1 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	73
Notes to Required Supplementary Information	74
 Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund (Budgetary-Basis)	75
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – (Budgetary-Basis) - Not Applicable	N/A
C-1b Community Development Block Grant – Budget and Actual – (Budgetary-Basis) – Not Applicable	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Budgetary-Basis)	81
Note to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation – Not Applicable	N/A
 Supplementary Information	
D School Based Budget Schedules – Not Applicable	N/A
 Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	82
E-2 Schedule of Preschool Education Program Aid Expenditures – Budgetary Basis - Not Applicable	N/A

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Supplementary Information (continued)	
Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures, and Changes in Fund Balance	83
F-1a- Schedule of Project Revenues, Expenditures, Project Balance and	
F-1i Project Status – Budgetary Basis	84
F-2 Summary Schedule of Project Expenditures – Not Applicable	N/A
Enterprise Funds:	
G-1 Combining Statement of Net Position – Not Applicable	N/A
G-2 Combining Statement of Revenues, Expenses, and Changes in Net Position – Not Applicable	N/A
G-3 Combining Statement of Cash Flows – Not Applicable	N/A
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	93
H-2 Combining Statement of Changes in Fiduciary Net Position – Not Applicable	N/A
H-3 Schedule of Cash Receipts and Cash Disbursements – Student Activity Agency Fund	94
H-4 Schedule of Cash Receipts and Cash Disbursements – Payroll Agency Fund	95
Long-Term Debt:	
I-1 Schedule of Serial Bonds Payable – Not Applicable	N/A
I-2 Schedule of Obligations Under Capital Leases	96
I-3 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund – Not Applicable	N/A
 STATISTICAL SECTION (Unaudited) – Other Information	
Financial Trends:	
J-1 Net Position by Component	97
J-2 Changes in Net Position	98
J-3 Fund Balances-Governmental Funds	101
J-4 Changes in Fund Balances, Governmental Funds	102
J-5 General Fund - Other Local Revenue by Source	103
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers (Current Year and Nine Years Ago)	N/A
J-9 Property Tax Levies and Collections	N/A

Table of Contents (continued)

	Page
STATISTICAL SECTION (Unaudited) – Other Information	
(continued)	
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding	N/A
J-12 Ratios of Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	104
J-15 Principal Employers	N/A
Operating Information:	
J-16 Full-time Equivalent District Employees by Function/Program	105
J-17 Operating Statistics	106
J-18 School Building Information	107
J-19 Schedule of Required Maintenance	108
J-20 Insurance Schedule	109
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	110
K-2 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	112
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	114
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	115
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	116
K-6 Schedule of Findings and Questioned Costs	119
K-7 Summary Schedule of Prior Year Audit Findings	123

Introductory Section



Kimberly J. Schneider, Ed. D.
Superintendent

Deborah Donnelly
Business Administrator/Board Secretary

January 27, 2021

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, 2020, 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 ("Board"). 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 and the aggregate remaining fund information at June 30, 2020 and the respective changes in financial position and cash flows, where applicable, for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a list of principal officials and the Certificate of Excellence in Financial Reporting. The Financial section includes Management's Discussion and Analysis (immediately following the independent auditors' report) and the basic financial statements, footnotes and schedules, as well as the auditors' report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the 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 2020 fiscal year with an average daily enrollment of 520.2 students, which is 35.8 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>
2019-2020	520.2	(6.45)%
2018-2019	556.0	(1.22)%
2017-2018	562.8	(2.30)%
2016-2017	576.1	(8.13)%
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)%

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

The District continues to increase staff professional development and purchase materials for literacy including Reading Horizons, RazzKids, and Tools of the Mind Curriculum. The district focused on social emotional awareness by implementing the Mindfulness curriculum and Boom Learning - My mood, my choices. Furthermore, a yoga room was created on-site as all three schools focused on appropriate breathing, body awareness, and sensory input. To address the virtual learning platform, professional development sessions focused on Google Classroom, enhancing Special Education with online tools, and E-Learning for the Special Education Teacher. Additional purchases of communication technology for the students with communication needs and increased access to technological devices such as Chromebooks has been an ongoing focus. The District is also expanding its emphasis on trauma-based learning through the implementation of strategies from STARR Trauma Certified staff members and The Brain Charge Curriculum.

The District’s buildings range in age from 15 years to 36 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. 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 other site improvements. In the upcoming school year, the district plans to replace the flooring and paint the hallways, atrium and other rooms at the Mercer High School. It is also anticipated that the roof replacement project at the Joseph F. Capello School be completed in the upcoming school year.

3) ECONOMY AND ECONOMIC OUTLOOK:

Mercer County is home of a wide range of industries including education, health and social services. The county’s unemployment rate was 12% at June 2020, which is higher than the national average of 11.2%. Mercer County has seen the job market increase by 1.3% over the last year. Future job growth over the next ten years is predicted

to be 29.4%, which is lower than the US average of 33.5%. Professional, scientific and technical services are expected to be the county's job growth leader with an anticipated gain of 7,800 jobs or 31.9 percent.

The District experienced a decrease in enrollment during the 2019-2020 school year. The District cannot accurately forecast future enrollment. While the District does not anticipate a significant change in enrollment for the 2020-2021 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 2019-20 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 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"). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by the administration.

As a recipient of federal awards and state financial assistance, the District is also responsible for ensuring that an adequate internal control is in place to ensure compliance with applicable laws and regulations. Internal control 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, regulations, contracts and grants.

5) BUDGETARY CONTROLS:

In addition to internal control, 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 the 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, 2020.

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, 2020.

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 2019 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 2019-2020 award.

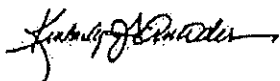
9) COVID-19 PANDEMIC:

Mercer County Special Services School District began a program to prevent the transmission of the coronavirus in March 2020, beginning with cautionary signage and enhanced cleaning of buildings. As the pandemic continued, the District took a variety of safety precautions, including implementing remote learning, providing PPE to staff, enforcing physical distancing in the buildings, improving ventilation and HVAC systems, and sharing information with employees and students about safety protocols. The District has changed usage protocols for classrooms, cafeterias, and shared spaces. Improvements to the ventilation and HVAC systems have included changing filters 25% more frequently, running the system at 100% capacity two hours before and after occupancy, upgrading to MERV-13 filters wherever possible and increasing the volume of fresh air circulation. The district is currently obtaining proposals for the installation of Needlepoint Bipolar Ionization technology in schools to improve air filtration. The district also has installed hydroxyl generators in the nursing offices and use the same when treating any spaces suspected of having a presumptive positive case. The District has also implemented more frequent cleaning. In addition, the District has provided hand sanitizer, and distributed a range of PPE to staff, as needed, including surgical masks, N95 masks, face shields, and isolation gowns. Masks are required in all buildings. Students and staff are required to submit a daily health screening form prior to entering district buildings. The District anticipates continued vigilance will be necessary and will examine any new options or protocols that become available to keep students and staff as safe as possible.

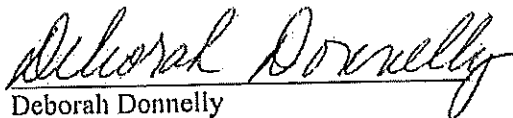
10) ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Mercer County Special Services School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the County and District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our Business Office staff.

Respectfully Submitted,

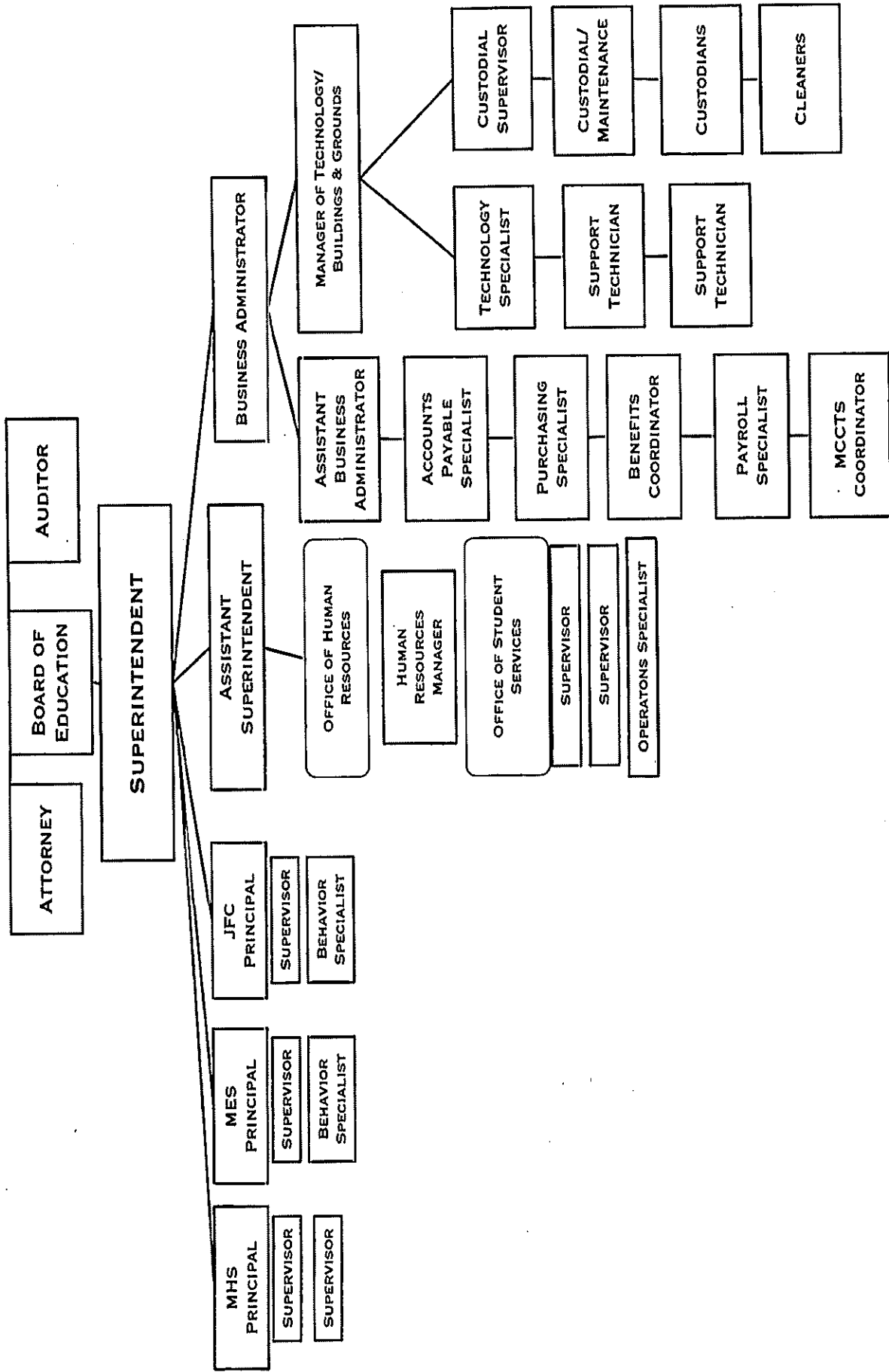


Kimberly J. Schneider, Ed. D.
Superintendent



Deborah Donnelly
Business Administrator/ Board Secretary

Mercer County Special Services School District
2019-2020



March 2020

Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2020

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Camille Rainiero, President	2021
Lisa Vena, Vice President	2021
Jan Lewis	2020
Gerald Stockman	2022
Stacy Morgan Santo	2023
Yasmin Hernandez-Manno, Interim Executive County Superintendent	Ex-Officio

Other Officials

Dr. Kimberly J. Schneider, Superintendent of Schools
Dana Hice De-Pugh, Assistant Superintendent
Deborah Donnelly, Business Administrator/ Board Secretary
Udaya Batchu, Assistant Business Administrator
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
100 Campus Drive, Suite 400
Florham Park, New Jersey 07932

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, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink that reads 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink that reads 'David J. Lewis'.

David J. Lewis
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, 2020, 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, 2020, 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 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

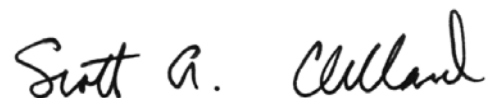
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state 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, 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, 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 January 27, 2021 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

January 27, 2021
Florham Park, New Jersey

Required Supplementary Information
Part I

Management's Discussion and Analysis

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

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, 2020. 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 fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2019-2020 fiscal year include the following:

- The District's average daily enrollment decreased 6.45% from 556 in 2019 to 520.2 in 2020.
- Revenues from tuition from other districts increased in 2020 by \$93,619 or 0.27%, due to adjustments related to certified tuition rates.
- The District's governmental activities net position decreased \$1,425,751 or 7.62% primarily due to the decrease in state and federal sources in FY20.
- The District transferred unrestricted funds during the year into restricted reserves for capital of \$800,000.
- The District followed the requirements of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2020 fiscal year resulting in the recording of additional revenue and expense in the amount of \$482,698 related to post-employment health benefits.

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 2019/20?" The Statement of Net Position and the Statement of Activities help answer this question. These statements include all assets, deferred outflows and inflows 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 2019-20 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 \$3,503,265 while total fund balance was \$11,070,731. 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 7.7% of the total general fund expenditures while total fund balance represents 24.2% of that same amount. During the current fiscal year, the fund balance of the District's general fund balance decreased by \$1,155,997. The decrease in fund balance is primarily attributable to the increase in expenditures for unallocated benefits and capital outlay in addition to the decrease in revenue from other tuition sources.

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 \$251,633 in state financial assistance, \$19,641 in federal awards and \$229,776 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 \$63,642, which was comprised of expenditures of \$4,067 for Mercer High School and Joseph Cappello HVAC Controls and Mercer High School Dryvit Replacement, \$13,230 security upgrades for the District, \$3,800 for piping and unit ventilators for Reed School, and \$42,545 for playground repairs at JFC.

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 69 of this report.

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

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve as an indicator of a government's financial position. However, as noted earlier, net position is not the primary basis for decision making for each budget cycle. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the increase and decrease of compensated absences, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary comparison of the District's net position for 2020 and 2019:

**Net Position
June 30, 2020 and 2019**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 11,686,798	\$ 12,512,078	\$ 1,666,737	\$ 445,707	\$ 13,353,535	\$ 12,957,785
Capital assets, net	33,922,547	34,602,687	210,379	228,350	34,132,926	34,831,037
Total assets	45,609,345	47,114,765	1,877,116	674,057	47,486,461	47,788,822
Deferred Outflow of Resources	3,420,074	5,167,110			3,420,074	5,167,110
Current liabilities and other	1,575,527	1,562,509	1,318,199	125,560	2,893,726	1,688,069
Net pension liability	19,501,217	22,359,851			19,501,217	22,359,851
Long-term liabilities	1,638,519	1,439,309			1,638,519	1,439,309
Total liabilities	22,715,263	25,361,669	1,318,199	125,560	24,033,462	25,487,229
Deferred Inflows of Resources	9,017,936	8,198,235			9,017,936	8,198,235
Net position:						
Net Investment in Capital Assets	33,911,056	34,602,687	210,379	228,350	34,121,435	34,831,037
Restricted	5,005,565	5,229,928			5,005,565	5,229,928
Unrestricted (deficit)	(21,620,401)	(21,110,644)	348,538	320,147	(21,271,863)	(20,790,497)
Total net position	\$ 17,296,220	\$ 18,721,971	\$ 558,917	\$ 548,497	\$ 17,855,137	\$ 19,270,468

A large portion of the District's net position is the amount invested in capital assets (e.g. land, construction in progress, building and building improvements and machinery, vehicles and equipment), net of related debt. The balance of net investment in capital assets is the carrying value of capital assets less the amount of the outstanding debt used to finance those assets.

Current and other assets increased \$395,750 of which \$1,453,967 is attributed to an increase in cash and cash equivalents offset by decrease in accounts receivable of \$775,364. This increase in cash and cash equivalents is mostly a result of an increase in revenue from state sources in the general fund and the decrease in accounts receivable is attributed to more timely tuition payments by certain school districts. Accounts payable increased due to transportation contract disputes that were not settled as of June 30, 2020. The decrease in net investment in capital assets is the result of current year depreciation expense exceeding current year capital asset additions.

The decreases in deferred outflow of resources, net pension liability and increase in deferred inflow of resources, 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*. The amounts changed due to an actuarial calculation performed by a third party actuary and resulted from an increase in the discount rate.

The total net position of the District remained consistent which was due to the increase in revenues for the Mercer Cooperative Transportation System enterprise fund offset by the decrease in governmental revenues as well as the decrease in net pension liability.

The following table provides a comparison analysis of government-wide changes in net position from fiscal years 2020 and 2019:

**Changes in Net Position
Years ended June 30, 2020 and 2019**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 35,112,636	\$ 35,019,017	\$ 10,790,594	\$ 9,511,993	\$ 45,903,230	\$ 44,531,010
Operating grants and contributions	501,050	466,890	342,450	457,730	843,500	924,620
Capital grants and contributions	63,642	116,583			63,642	116,583
General revenues:						
County Appropriation	3,111,482	3,050,473			3,111,482	3,050,473
Nonresident Fees	156,672	167,524			156,672	167,524
State and Federal Sources	7,014,185	9,866,345			7,014,185	9,866,345
Interest Earnings	119,012	119,077	341	437	119,353	119,514
Miscellaneous	403,285	303,996			403,285	303,996
Total revenues	46,481,964	49,109,905	11,133,385	9,970,160	57,615,349	59,080,065
Expenses:						
Instructional services	27,466,647	27,198,493	2,583,022	2,496,769	30,049,669	29,695,262
Support services	20,373,783	20,495,052	8,017,504	7,927,410	28,391,287	28,422,462
Operation of non-instructional services			589,724	894,766	589,724	894,766
Total expenses	47,840,430	47,693,545	11,190,250	11,318,945	59,030,680	59,012,490
Change in net position before special item and transfer	(1,358,466)	1,416,360	(56,865)	(1,348,785)	(1,415,331)	67,575
Special Item - Transfer		(886,929)		886,929		
Transfers	(67,285)		67,285			
Change in net position	(1,425,751)	529,431	10,420	(461,856)	(1,415,331)	67,575
Net position – beginning	18,721,971	18,192,540	548,497	1,010,353	19,270,468	19,202,893
Net position – ending	\$ 17,296,220	\$ 18,721,971	\$ 558,917	\$ 548,497	\$ 17,855,137	\$ 19,270,468

Governmental-type Activities

At June 30, 2020, Governmental-Type Activities net position accounted for 90.0% of the District’s total net position.

The Governmental-Type Activities net position decreased \$1,425,751 from \$18,721,971 at June 30, 2019 to \$17,296,220 at June 30, 2020, mostly as a result of an increase in expenses.

General revenues for state and federal sources and instructional and support services decreased due to the reduction in the revenues and expenses related to its OPEB.

In FY 2020, Governmental-Type Activities revenues were \$46,481,964 or 80.7% of total

revenues, of which the County Appropriation of \$3,111,482 made up 6.7%, and Tuition from LEA's of \$35,112,636 made up 75.5%.

In FY 2020, the District's Governmental-Type Activities expenses were \$47,840,430 compared to \$47,693,545 for FY 2019, an increase of \$146,885. This is primarily attributable to an increase in special education and student and instruction related services offset by a decrease in the OPEB expense in 2020.

The special item-transfer in FY19 relates to the settlement of a dispute related to one-on-one aides with another school district.

Business-type Activities

At June 30, 2020, Business-Type Activities net position accounted for 3.1% of the District's total net position.

Business-Type Activities net position increased \$10,420 from \$548,497 at June 30, 2019 to \$558,917 at June 30, 2020.

In FY 2020, Business-Type Activities revenues were \$11,133,385. Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$11,133,044 in FY 2020 compared to \$9,969,723 in FY 2019, a 11.7% increase, which is largely attributable to the Mercer Cooperative Transportation System program.

Expenses for Business-Type Activities were \$11,190,250 in FY 2020 compared to \$11,318,945 in FY 2019, a 1.1% decrease. The decrease was mainly related to a decrease in expenses for Mercer Cooperative Transportation System.

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, 2020, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues
Year Ended June 30, 2020

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2019</u>	<u>Percent of Increase (Decrease) From 2019</u>
Local sources	\$ 39,132,863	86.7%	\$ 247,547	0.6%
State sources	5,577,487	12.4%	284,359	5.4%
Federal sources	422,396	0.9%	(91,944)	-17.9%
Total	\$ 45,132,746	100.0%	\$ 439,962	1.0%

The increase in local sources is mainly attributed to an increase in other tuition not from LEAs. 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 reimbursements.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2020, and the amounts and percentage of increases and decreases in relation to prior year expenditures.

Expenditures
Year Ended June 30, 2020

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2019</u>	<u>Percent Increase (Decrease) From 2019</u>
Current:				
Instruction	\$ 16,071,625	34.77%	\$ 1,391,661	9.5%
Support services	29,389,562	63.58%	1,755,069	6.4%
Capital outlay	748,176	1.62%	437,901	141.1%
Debt service - capital leases	12,095	0.03%	(7,136)	-37.1%
Total	\$ 46,221,458	100.0%	\$ 3,577,495	8.4%

The increase in Instruction expense is mainly attributable to the increase in special education instruction. Support services increased as a result of an increase in the on-behalf TPAF pension, medical, and non-contributory insurance contributions. The increase in capital outlay is mainly attributed to the increase in construction services related to a JFC roofing project as well as the new Reed School Piping and Unit Ventilator project.

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 2020 budget to meet the District’s needs. The final budgetary basis revenue estimate was \$38,827,714, which was \$1,000 less than the original budget estimate, attributed to a decrease in anticipated interest earned.

The District received \$5,325,854 in reimbursed TPAF Social Security Aid and TPAF Pension, Post-Retirement Medical and Non-contributory Insurance Contributions. These reimbursements are reflected as revenues and expenditures in the General Fund Budgetary Comparison Schedule and have no corresponding budget amounts.

The final budgetary basis appropriations totaled \$42,961,411, which was \$756,532 more than the original budget estimate, mainly due to the \$663,493 increase in appropriations related to autism services and the \$281,452 increase in appropriations related to other support services – students salaries and educational services increase.

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 \$5,803,982 better than what was budgeted in terms of revenues and \$2,758,977 worse in terms of expenditures. Both the revenues and appropriations were adjusted for \$5,325,854 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement and non-contributory insurance contributions.

Capital Assets

At the end of fiscal years 2020 and 2019, the District had \$33,922,547 and \$34,602,687, 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 2020 and 2019 fiscal years:

Capital Assets (Net of Depreciation)

	<u>2020</u>	<u>2019</u>
Construction in Progress	\$ 642,811	
Site Improvements	309,271	\$ 294,861
Buildings and Building Improvements	31,033,112	32,208,871
Machinery and Equipment	<u>1,937,353</u>	<u>2,098,955</u>
Total	<u>\$ 33,922,547</u>	<u>\$ 34,602,687</u>

During the current fiscal year, \$793,063 of capital assets were capitalized as additions, of which \$642,811 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, 2020 and 2019 in the amount of \$210,379 and \$228,350, respectively.

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

Debt Administration

At June 30, 2020, the District had \$21,329,503 of outstanding long-term liabilities. Of this amount, \$19,501,217 represents the District's net pension liability, \$1,816,795 is for compensated absences and \$11,491 is for capital leases. The District had no bonded indebtedness during the fiscal year. For more detailed information, please refer to Note 5 of the Basic Financial Statements.

Economic Factors and Next Year's Budget

For the 2019-20 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 2020-21 budget was adopted on March 5, 2020. The District anticipates a slight increase in enrollment for the 2020-21 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.

The District is considering the effects of the COVID-19 pandemic on its future operations and CARES Act grant funding and believes it has funds available to meet its needs.

Contacting the School District's Financial Management

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2020.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

January 0, 1900

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 4,846,053	\$ 431,714	\$ 5,277,767
Internal Balances	1,485,607	(1,485,607)	-
Accounts Receivable	349,573	2,689,224	3,038,797
Inventories		31,406	31,406
Restricted assets:			
Cash and Cash Equivalents	5,005,565		5,005,565
Capital Assets, Non-Depreciable	642,811		642,811
Capital Assets, Depreciable, Net	33,279,736	210,379	33,490,115
Total Assets	<u>45,609,345</u>	<u>1,877,116</u>	<u>47,486,461</u>
Deferred Outflow of Resources			
Pension deferrals	3,420,074		3,420,074
	<u>3,420,074</u>		<u>3,420,074</u>
Liabilities			
Accounts Payable	1,196,384	1,312,238	2,508,622
Accrued Liabilities	9,970		9,970
Unearned Revenue	179,406	5,961	185,367
Noncurrent Liabilities:			
Due Within One Year	189,767		189,767
Due Beyond One Year	1,638,519		1,638,519
Net Pension Liability	19,501,217		19,501,217
Total Liabilities	<u>22,715,263</u>	<u>1,318,199</u>	<u>24,033,462</u>
Deferred Inflows of Resources			
Advance of Tax Levy	351,662		351,662
Pension deferrals	8,666,274		8,666,274
	<u>9,017,936</u>		<u>9,017,936</u>
Net Position			
Net Investment in Capital Assets	33,911,056	210,379	34,121,435
Restricted For:			
Capital reserve	5,005,565		5,005,565
Unrestricted (deficit)	(21,620,401)	348,538	(21,271,863)
Total Net Position	<u>\$ 17,296,220</u>	<u>\$ 558,917</u>	<u>\$ 17,855,137</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction:							
Special Education	\$ 27,432,086	\$ 23,876,592	\$ 25,094		\$ (3,530,400)		\$ (3,530,400)
School Sponsored/Other Instructional	34,561				(34,561)		(34,561)
Support Services:							
Student and Instruction Related Services	12,866,224	11,236,044	475,956		(1,154,224)		(1,154,224)
General Administrative Services	314,467				(314,467)		(314,467)
School Administrative Services	1,911,052				(1,911,052)		(1,911,052)
Central Administrative Services	1,144,284				(1,144,284)		(1,144,284)
Administrative Information Technology	630,991				(630,991)		(630,991)
Plant Operations and Maintenance	3,435,867			\$ 63,642	(3,372,225)		(3,372,225)
Pupil Transportation	69,721				(69,721)		(69,721)
Interest on long-term debt	1,177				(1,177)		(1,177)
Total Governmental Activities	47,840,430	35,112,636	501,050	63,642	(12,163,102)		(12,163,102)
Business-type Activities:							
Food Service	481,129	99,540	342,450		\$ (39,139)		(39,139)
Mercer Cooperative Transportation System	6,662,984	6,715,607			52,623		52,623
NJ State Regional Day School	463,225	473,892			10,667		10,667
Community Resources	54,272	43,673			(10,599)		(10,599)
Special Aides	3,423,045	3,410,760			(12,285)		(12,285)
Clinic Parent	26,773				(26,773)		(26,773)
Chuck's Place	45,857	47,122			1,265		1,265
Integrated Preschool	32,965				(32,965)		(32,965)
Total Business-type Activities	11,190,250	10,790,594	342,450		(57,206)		(57,206)
Total Primary Government	\$ 59,030,680	\$ 45,903,230	\$ 843,500	\$ 63,642	(12,163,102)	(57,206)	(12,220,308)
General Revenues:							
County appropriation/taxes					3,111,482		3,111,482
Nonresident Fees					156,672		156,672
State and Federal Sources					7,014,185		7,014,185
Interest Earnings					119,012	341	119,353
Miscellaneous					403,285		403,285
Transfers					(67,285)	67,285	-
Total General Revenues and Transfers					10,737,351	67,626	10,804,977
Change in net position					(1,425,751)	10,420	(1,415,331)
Net Position - Beginning					18,721,971	548,497	19,270,468
Net Position - Ending					\$ 17,296,220	\$ 558,917	\$ 17,855,137

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2020

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
Assets			
Cash and Cash Equivalents	\$ 4,846,053		\$ 4,846,053
Interfund Receivable	1,632,018		1,632,018
Accounts Receivable:			
State	54,287	\$ 46,014	100,301
Other	137,435	111,837	249,272
Restricted Cash and Cash Equivalents	5,005,565		5,005,565
Total Assets	\$ 11,675,358	\$ 157,851	\$ 11,833,209
Liabilities, Deferred Inflow of Resources and Fund Balances			
Liabilities:			
Interfund Payable		\$ 146,411	\$ 146,411
Accounts Payable	\$ 75,029		75,029
Unearned Revenue	177,936	1,470	179,406
Accrued Liabilities		9,970	9,970
Total Liabilities	252,965	157,851	410,816
Deferred Inflow of Resources:			
Advance of Tax levy	351,662		351,662
Fund Balances:			
Restricted for:			
Capital Reserve	5,005,565		5,005,565
Assigned to:			
Designated for Subsequent Years' Expenditures	1,992,801		1,992,801
Other Purposes	569,100		569,100
Unassigned	3,503,265		3,503,265
Total Fund Balances	11,070,731		11,070,731
Total Liabilities and Fund Balances	\$ 11,323,696	\$ 157,851	

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 \$59,803,832 and the accumulated depreciation is \$25,881,285 (See Note 4).	33,922,547
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(5,246,200)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(19,501,217)
Accrued pension contributions for the June 30, 2020 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.	(1,121,355)
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 2).	(1,828,286)
Net Position of Governmental Activities	\$ 17,296,220

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 3,111,482			\$ 3,111,482
Tuition from Other Districts	31,235,769			31,235,769
Other Tuition	3,876,867			3,876,867
Non-Resident Fees	156,672			156,672
Interest	119,012			119,012
Miscellaneous	403,285	\$ 229,776	\$ 63,642	696,703
Total - Local Sources	38,903,087	229,776	63,642	39,196,505
State Sources	5,325,854	251,633		5,577,487
Federal Sources	402,755	19,641		422,396
Total Revenues	44,631,696	501,050	63,642	45,196,388
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	16,025,763	25,094		16,050,857
School Sponsored	20,768			20,768
Support Services:				
Student and Instruction Related Services	7,332,964	475,956		7,808,920
General Administration	264,228			264,228
School Administration	1,133,566			1,133,566
Central Services	703,242			703,242
Administrative Information Technology	462,657			462,657
Plant Operations and Maintenance	2,606,907			2,606,907
Pupil Transportation	56,284			56,284
Unallocated Benefits	11,027,904			11,027,904
On-behalf TPAF Benefits	5,325,854			5,325,854
Capital Outlay	748,176		63,642	811,818
Debt Service:				
Principal	10,918			10,918
Interest	1,177			1,177
Total Expenditures	45,720,408	501,050	63,642	46,285,100
Deficiency of revenues under expenditures	(1,088,712)	-	-	(1,088,712)
Other financing (uses):				
Transfer out	(67,285)			(67,285)
Total other financing (uses)	(67,285)	-	-	(67,285)
Net change in fund balances	(1,155,997)	-	-	(1,155,997)
Fund Balance, July 1	12,226,728	-	-	12,226,728
Fund Balance, June 30	\$ 11,070,731	\$ -	\$ -	\$ 11,070,731

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, 2020

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (1,155,997)

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

Capital outlays are reported in governmental funds as expenditures.
However, on the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is the amount
by which depreciation expense and loss on disposal exceeded capital asset
additions in the current fiscal year.

Depreciation Expense	\$ (1,472,032)	
Capital Asset Additions	793,063	
Loss on disposal of assets	<u>(1,171)</u>	(680,140)

Certain 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.
The amount represents the excess pension contributions recorded in the fund financial statements
over the current year pension expense. 574,958

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. (175,490)

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. 10,918

Change in Net Position of Governmental Activities (A-2) \$ (1,425,751)

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2020

	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				
Assets												
Current Assets:												
Cash and Cash Equivalents	\$ 43,134			\$ 37,392	\$ 13,954	\$ 327,183	\$ 10,051	\$ 431,714				
Accounts Receivable:												
State	171							171				
Federal	17,615							17,615				
Other	176	\$ 1,633,078				1,334	\$ 1,036,850	2,671,438				
Inventories	29,622							31,406				
Total Current Assets	90,718	1,633,078		37,392	13,954	328,517	11,835	3,152,344				
Capital Assets												
Site Improvements			\$ 13,100					13,100				
Equipment	172,360	6,937	55,930	10,400		75,224	14,450	333,281				
Building and Building Improvements	(171,314)	(116)	298,823	(10,400)		(58,658)	(10,251)	298,823				
Accumulated Depreciation	1,046	6,821	(184,086)			14,566	4,179	(434,825)				
Total Capital Assets, Net	91,764	1,639,859	183,767	37,392	13,954	343,083	16,014	210,379				
Total Assets								3,362,723				
Liabilities												
Current:												
Interfund Payable		275,730	173,027					1,485,607				
Accounts Payable	5,961	1,311,552	686					1,312,238				
Unearned Revenue	5,961							5,961				
Total Current Liabilities		1,587,282	173,713					2,803,806				
Net Position												
Investment in Capital Assets	1,046	6,821	183,767			14,566	4,179	210,379				
Unrestricted (deficit)	84,757	45,796	(173,713)	37,392	13,954	328,517	11,835	348,538				
Total Net Position	\$ 85,803	\$ 52,617	\$ 10,054	\$ 37,392	\$ 13,954	\$ 343,083	\$ 16,014	\$ 558,917				

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, 2020

	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	
Operating Revenues:								
Local Sources:								
Daily Sales - Reimbursable Programs	\$ 47,909							\$ 47,909
Daily Sales - Non-Reimbursable Programs	9,469							9,469
Special event income	42,162							42,162
Transportation Fees		\$ 6,715,607						6,715,607
Non-Resident Fees			\$ 45,000			\$ 43,673	\$ 3,410,760	\$ 47,122
Miscellaneous								45,000
Tuition			428,892					428,892
Total Operating Revenues	99,540	6,715,607	475,892			43,673	3,410,760	10,790,594
Operating Expenses:								
Salaries	154,224	131,170	255,908	\$ 9,790	\$ 26,110	46,342	2,327,114	2,950,658
Employee Benefits	46,490	69,157	91,083	17,549		1,500	1,095,951	1,321,710
Purchased Professional/Technical Services	816	13,588						14,404
Cleaning, Repair and Maintenance							853	853
Contracted Services	54,170	6,437,278						6,491,448
Other Purchased Services			28,805					28,805
Insurance	3,368							3,368
Miscellaneous Purchased Services	1,455							1,455
Supplies and Materials	25,963	9,850	19,900		663	346		47,490
Energy	826		45,957					46,783
Telephone/Communications/Postage	2,083	711	4,540			10		7,344
Travel						779		779
Cost of Sales - Program	184,229							184,229
Cost of Sales - Non-program	1,176							1,176
Miscellaneous	471	1,114					809	2,394
Other	6,840							6,840
Depreciation	1,018	116	17,632			5,295		24,908
Total Operating Expenses	481,129	6,662,984	463,225	32,965	26,773	54,272	3,423,045	11,190,250
Operating (Loss) Income	(381,589)	52,623	10,667	(32,965)	(26,773)	(10,599)	(12,285)	(599,656)
Nonoperating Revenues:								
Local Sources:								
Interest on Investments		341						341
State Sources:								
State School Lunch Program		3,879						3,879
Federal Sources:								
National School Lunch Program								202,931
School Breakfast Program								100,066
Food Donation Program								35,574
Total Nonoperating Revenues	342,791							342,791
(Loss) Income Before Transfers	(38,798)	52,623	10,667	(32,965)	(26,773)	(10,599)	(12,285)	(56,865)
Transfers in							12,285	67,285
Change in Net Position	16,202	52,623	10,667	(32,965)	(26,773)	(10,599)	-	10,420
Total Net Position (Deficit) - Beginning	69,601	(6)	(613)	70,357	40,727	353,682	-	548,497
Total Net Position - Ending	\$ 85,803	\$ 52,617	\$ 10,054	\$ 37,392	\$ 13,954	\$ 343,083	\$ 16,014	\$ 598,917

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year ended June 30, 2020

Major Enterprise Funds

	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Clinic Parent	Community Resources	Special Aides	Chuck's Place	Total
Cash Flows From Operating Activities:									
Receipts from Customers	\$ 99,540	\$ 5,858,851	\$ 602,552	\$ (9,790)	\$ (26,470)	\$ 56,676	\$ 4,390,678	\$ 47,122	\$ 11,035,399
Payments to Employees	(154,224)	(131,170)	(255,908)	(9,790)	(26,470)	(51,273)	(2,327,114)	(1,371,710)	(2,955,949)
Payments for Employee Benefits	(46,490)	(69,157)	(91,083)	(17,549)	(663)	(1,500)	(1,095,931)	(45,730)	(1,321,710)
Payments to Suppliers	(396,002)	(5,150,989)	(99,699)	(5,650)	(663)	(1,135)	(5,399)	(45,730)	(5,703,243)
Net Cash (Used In) / Provided By Operating Activities	(497,176)	487,535	155,842	(32,965)	(27,133)	2,768	964,234	1,392	1,054,497
Cash Flows From Noncapital Financing Activities:									
Cash Received From State and Federal Reimbursements	408,184	(480,598)	(155,842)				(964,234)		408,184
Advances from other funds	55,000	(480,598)	(155,842)				(964,234)		(1,545,674)
Net Cash Provided By / (Used In) Noncapital Financing Activities	463,184	(480,598)	(155,842)				(964,234)		(1,157,490)
Cash Flows From Capital and Related Financing Activity-									
Purchase of Capital Assets - Equipment									
Net Cash (Used In) Capital and Related Financing Activities									
Cash Flows From Investing Activity-									
Interest Income	341								341
Net Cash Provided By Investing Activities	341								341
Net (Decrease) Increase in Cash and Cash Equivalents	(33,651)	-	-	(32,965)	(27,133)	2,768	1,392	1,392	(89,589)
Cash and Cash Equivalents, Beginning of Year	76,785			70,357	41,087	324,415	8,659	8,659	521,303
Cash and Cash Equivalents, End of Year	43,134			37,392	13,954	327,183	-	10,051	431,714
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:									
Operating (Loss) Income	\$ (381,589)	\$ 52,623	\$ 10,667	\$ (32,965)	\$ (26,773)	\$ (10,599)	\$ (12,285)	\$ 1,265	\$ (599,656)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:									
Depreciation	1,018	116	17,032			5,295		1,447	24,908
Changes in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(176)	(876,756)	128,640			13,003	979,918		244,629
(Decrease) Increase in Inventory	(6,729)		(497)			(4,931)	(3,399)		(6,729)
(Decrease) Increase in Accounts Payable	(109,700)	1,311,552	(497)		(360)	(4,931)	(3,399)	(1,320)	1,191,345
Net Cash (Used In) / Provided By Operating Activities	(497,176)	487,535	155,842	(32,965)	(27,133)	2,768	964,234	1,392	1,054,497
Noncash Noncapital Financing Activities									
The District received \$36,868 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2020.									

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 217,520	\$ 345,355
Total Assets	<u>\$ 217,520</u>	<u>\$ 345,355</u>
Liabilities		
Payroll Deductions and Withholdings		\$ 324,642
Accounts Payable	15,446	
Due to Student Groups		20,713
Total Liabilities	<u>15,446</u>	<u>\$ 345,355</u>
Net Position		
Held in Trust for Scholarships and Other Purposes	\$ 6,588	
Held in Trust for Unemployment Claims	195,486	
	<u>\$ 202,074</u>	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2020

	Trust Funds
Additions	
Interest Income	\$ 664
Employee Contributions	67,950
Federal Contributions	20,392
Other Contributions	2,954
Total Additions	<u>91,960</u>
Deductions	
Scholarship Payments	3,229
Medical Payments	19,508
Unemployment Benefit Payments	39,111
Total Deductions	<u>61,848</u>
Change in Net Position	30,112
Net Position - Beginning of Year	171,962
Net Position - End of Year	<u>\$ 202,074</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2020

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, 2020 of 520 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, 2020

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, 2020

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, 2020

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, 2020

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. There are no pensionable employees in the enterprise funds and as such the General Fund is responsible for all pension contribution expenditures. 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, 2020

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, 2020 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, 2020

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, 2020, the unused U.S.D.A. Food Donation Program Commodities of \$5,961 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, 2020

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, 2020, a liability existed for compensated absences in the government-wide financial statements in the amount of \$1,816,795 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, 2020.

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. 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, 2020

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 two items that qualify for reporting in this category, deferred amounts related to pensions and advance of tax levy.

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, 2020

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 \$11,070,731 of fund balance in the General Fund, \$569,100 of encumbrances is assigned to other purposes, \$5,005,565 has been restricted in the capital reserve account, \$1,992,801 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$3,503,265 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. 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, 2020

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 \$1,938,972 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 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. Due to the COVID-19 pandemic, the effective date has been postponed by one year. 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. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has determined that is Statement did not impact the District's financial statements.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

1. Summary of Significant Accounting Policies (continued)

The GASB issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. The requirements of this Statement are effective for periods beginning after December 15, 2020. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the Statement on the financial statements.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2020 through January 27, 2021, the date that the financial statements were issued for possible disclosure and recognition in the financial statements.

As of June 30, 2020, District operations and the ways in which education is provided have been disrupted by the outbreak of the novel coronavirus COVID-19. Going forward, COVID-19 could further limit the District's operations, including unexpected deferrals of tax payments from the County, delayed payments or reduction in tuition from sending Districts, or an increase in expenses associated with this or any other potential infectious disease outbreak. District management cannot reasonably predict how long the Pandemic in New Jersey is expected to last and how the outbreak may impact the financial condition or operations of the District. District management continues to monitor the Pandemic and plans to take action to address any significant impact on future operations.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

The details of this \$1,828,286 difference are as follows:

Compensated absences	\$	1,816,795
Capital leases		11,491
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	\$	<u>1,828,286</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 (“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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

3. Deposits and Investments (continued)

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, 2020, the District's carrying amount of deposits was \$3,529,340 and the bank balance was \$5,491,752. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2020 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act. (GUDPA) covered the bank balance of \$4,871,212. \$370,540 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

3. Deposits and Investments (continued)

Investments

New Jersey statutes permit the Board to purchase the following types of investments:

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank which have a maturity date not greater than twelve months from the date of purchase.
- c. State of New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

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

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2020, 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, 2020, 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

3. Deposits and Investments (continued)

or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2020, the District's balance was \$7,316,869 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.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2020:

	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress		\$ 642,811		\$ 642,811
Total capital assets, not being depreciated	-	642,811	-	642,811
Capital assets, being depreciated:				
Site improvements	\$ 746,296	42,545		788,841
Buildings & building improvements	55,075,127	-		55,075,127
Machinery and equipment	3,191,475	107,707	\$ (2,129)	3,297,053
Total capital assets, being depreciated	59,012,898	150,252	(2,129)	59,161,021
Less accumulated depreciation for:				
Site improvements	(451,435)	(28,135)		(479,570)
Buildings & building improvements	(22,866,256)	(1,175,759)		(24,042,015)
Machinery and equipment	(1,092,520)	(268,138)	958	(1,359,700)
Total accumulated depreciation	(24,410,211)	(1,472,032)	958	(25,881,285)
Total capital assets, being depreciated, net	34,602,687	(1,321,780)	(1,171)	33,279,736
Governmental activities capital assets, net	\$34,602,687	\$ (678,969)	\$ (1,171)	\$33,922,547

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

4. Capital Assets (continued)

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

Special education instruction	\$ 811,730
School sponsored instruction	1,050
Student and instruction related services	394,916
School administrative services	57,327
General administrative services	13,363
Central services	35,565
Administrative information technology	23,398
Plant operations and maintenance	131,837
Pupil transportation	2,846
	<u>\$ 1,472,032</u>

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2020:

	Beginning Balance	Increases	Ending Balance
Business-type activities:			
Capital assets being depreciated:			
Site Improvements	\$ 13,100		\$ 13,100
Equipment	326,344	\$ 6,937	333,281
Building and Building Improvements	298,823		298,823
Less accumulated depreciation	<u>(409,917)</u>	<u>(24,908)</u>	<u>(434,825)</u>
Total business-type activities			
Capital assets, net	<u>\$ 228,350</u>	<u>\$(17,971)</u>	<u>\$ 210,379</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

5. Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 1,641,305	\$ 290,387	\$ 114,897	\$ 1,816,795	\$ 178,276
Capital leases	22,409		10,918	11,491	11,491
Subtotal	1,663,714	290,387	125,815	1,828,286	189,767
Net pension liability	22,359,851		2,858,634	19,501,217	
Total governmental activities long-term liabilities	<u>\$24,023,565</u>	<u>\$ 290,387</u>	<u>\$ 2,984,449</u>	<u>\$21,329,503</u>	<u>\$ 189,767</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, 2020, the District had no bonds payable and no authorized but not issued bonds.

Capital Leases

The District has commitments to lease various machinery and equipment under capital leases that expires in fiscal year 2021. 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 \$66,872. Total capital lease payments, including interest, made during the year ended June 30, 2020 were \$12,094 and the final payment due in the 2021 fiscal year is \$11,491 for principal and \$603 for interest.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

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. Employee contribution rates for TPAF and PERS are 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

During the year ended June 30, 2020, the State of New Jersey contributed \$4,200,428 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 \$1,125,426 during the year ended June 30, 2020 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, 2020, 2019 and 2018 were \$1,052,754, \$1,129,578, and \$1,085,322, 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, 2020, the District reported a liability of \$19,501,217 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2018, which was rolled forward to June 30, 2019. 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

districts, actuarially determined. At June 30, 2019, the District's proportion was 0.1082289623 percent, which was a decrease of .0053333077 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized full accrual pension expense of \$477,796 in the government-wide financial statements. At June 30, 2020, 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	\$ 350,021	\$ 86,148
Changes of assumptions	1,947,268	6,768,811
Net difference between projected and actual earnings on pension plan investments		307,834
Changes in proportion and differences between District contributions and proportionate share of contributions	1,430	1,503,481
District contributions subsequent to the measurement date	<u>1,121,355</u>	
	<u>\$ 3,420,074</u>	<u>\$ 8,666,274</u>

\$1,121,355 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:	
2021	\$ (925,098)
2022	(2,274,596)
2023	(2,016,488)
2024	(1,027,461)
2025	(123,912)
2026	<u>\$ (6,367,555)</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00 - 6.00%
	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. 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 Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

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, 2019) 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. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019 and 5.66% as of June 30, 2018. 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 3.50% as of June 30, 2019 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

fiscal year. The State employer contributed 70% 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 June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 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, 2019, 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 (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	At 1% Decrease (5.28%)	At Current Discount Rate (6.28%)	At 1% Increase (7.28%)
District's proportionate share of the net pension liability	\$ 24,633,206	\$ 19,501,217	\$ 15,176,789

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, 2019 are as follows:

Collective deferred outflows of resources	\$ 3,149,522,616
Collective deferred inflows of resources	\$ 7,645,087,574
Collective net pension liability	\$ 18,143,832,135

District's Proportion 0.1082289623%

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 is \$974,471,686.

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, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

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, 2019 was \$84,793,898. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. 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, 2019, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1381661952 percent, which was a decrease of 0.0009607454 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$1,938,972 for contributions incurred by the State.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

Actuarial assumptions

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	1.55 - 4.45%
	based on years of service
Thereafter	2.75 - 5.65%
	based on years of service
Investment rate of return	7.00%

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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, 2019) 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

6. Pension Plans (continued)

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 by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019 and 4.86% as of June 30, 2018. 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 3.50% as of June 30, 2019 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 70% 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 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, 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, 2020

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, 2019 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, 4.60 percent, or 1-percentage-point higher, 6.60 percent, than the current rate:

	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
State's proportionate share of the net pension liability associated with the District	\$ 99,990,773	\$ 84,793,898	\$ 72,185,290

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, 2019 are as follows:

Deferred outflows of resources	\$ 10,077,460,797
Deferred inflows of resources	\$ 17,525,379,167
Net pension liability	\$ 61,370,943,870

State's proportionate share associated with the District	0.1381661952%
---	---------------

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2019 is \$3,642,191,152.

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, 2019, 2018, 2017, 2016, 2015, and 2014 is 8.04, 8.29, 8.30, 8.30, 8.30, and 8.50 years, respectively.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits

Plan Description and Benefits Provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health benefits) for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in or retires in a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of health care coverage in retirement provided that they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement coverage.

Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. In Fiscal Year 2019, the State paid PRM benefits for 153,893 State and local retirees. The total nonemployer OPEB liability does not include certain other postemployment obligations that are provided by the local education employers.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

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, 2020, 2019 and 2018 were \$1,136,094, \$1,258,408, and \$1,355,421, respectively, which equaled the required contributions for each year.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay-as-you-go" contributions have remained consistent with Fiscal Year 2018 amounts. The State has appropriated \$1.612 billion in Fiscal Year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in Fiscal Year 2018.

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Total OPEB Liability

The total non-employer (State) OPEB liability from New Jersey's plan is \$41,729,081,045.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Changes in Total OPEB Liability

Below represents the changes in the District's total OPEB liability for the year ended June 30, 2020:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2018	\$ 95,981,336
Changes for the year:	
Service cost	2,755,244
Interest	3,772,750
Differences between expected and actual experiences	(16,550,550)
Changes in assumptions or other inputs	1,262,865
Member contributions	77,071
Benefit payments	(2,599,998)
Net changes	(11,282,618)
Ending Total OPEB Liability, June 30, 2019	\$ 84,698,718

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education Group</u>	<u>June 30, 2019</u>
Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	364,943

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 LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective total OPEB liability on the Statement of Net Position. The State's proportionate share of the total OPEB liability associated with the District as of June 30, 2020 was \$84,698,718. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Actuarial assumptions and other inputs

The total nonemployer OPEB liability in the June 30, 2019 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:

	TPAF	PERS
Inflation rate:	2.50%	2.50%
Salary increases:		
Through 2026	1.55 - 3.05%	2.00-6.00%
	based on years of service	based on years of service
Thereafter	1.55-3.05%	3.00-7.00%
	based on years of service	based on years of service

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the actual experience studies for the periods July 1, 2015 – June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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

The following presents the non-employer OPEB liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	At 1% decrease (2.50%)	At current discount rate (3.50%)	At 1% increase (4.50%)
Total OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 100,062,657	\$ 84,698,718	\$ 72,494,447

The following represents sensitivity of the Total Nonemployer OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate

The following presents the non-employer OPEB liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	At 1% decrease	At Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 69,787,968	\$ 84,698,718	\$ 104,437,489

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

7. Post-Retirement Benefits (continued)

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

For the year ended June 30, 2020, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$482,698 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2019 are as follows:

Deferred outflow of resources	\$	1,921,145,183
Deferred inflow of resources	\$	20,887,639,826
Collective OPEB expense	\$	1,015,664,874
District's Proportion		0.20%

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.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

8. Risk Management (continued)

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 compensation trust fund for the past three years:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Federal Contributions</u>	<u>Interest on Investments</u>	<u>Amount Paid or Accrued</u>
2019-20	\$ 48,466	\$ 20,392	\$ 664	\$ 39,111
2018-19	47,326		956	74,731
2017-18	45,433		553	29,355

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

9. Deferred Compensation (continued)

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, 2020, 2019 and 2018 were \$1,028,143, \$1,130,944, and \$1,018,340, respectively. The District does not contribute to these plans on behalf of plan members.

10. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District are as follows at June 30, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,632,018	
Special Revenue Fund		\$ 146,411
Regional Day School Enterprise Fund		173,027
Special Aides Enterprise Fund		1,036,850
Cooperative Transportation Enterprise Fund		275,730
	<u>\$ 1,632,018</u>	<u>\$ 1,632,018</u>

The interfund receivable of \$1,632,018 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$146,411, the Regional Day School Enterprise Fund for \$173,027, the Special Aides Enterprise Fund for \$1,036,850, and the Cooperative Transportation Enterprise Fund for \$275,730, 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2020

12. Contingent Liabilities (continued)

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 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, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance, July 1, 2019	\$ 5,229,928
Decreased by:	
Appropriated 19-20 capital projects	(1,400,000)
Increased by:	
June 2020 resolution	800,000
Unspent proceeds returned to Capital Reserve	310,848
Interest earnings	64,789
Ending balance, June 30, 2020	<u>\$ 5,005,565</u>

Of the balance of \$5,005,565 at June 30, 2020, \$250,000 has been appropriated in the 2020-2021 approved budget. At June 30, 2020, 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, 2020

13. Capital Reserve Account (continued)

The District has contractual commitments at June 30, 2020 to various vendors, which are recorded in the General Fund as fund balance assigned to other purposes in the amount of \$569,100.

14. Restricted Assets

The District has \$5,005,565 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.

15. 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.

16. Transfer-Reconciliation

The following represents a reconciliation of transfers made during the 2020 fiscal year:

Fund	In	Out
General Fund		\$ 67,285
Food Service Enterprise Fund	\$ 55,000	
Special Aides Enterprise Fund	12,285	
	<u>\$ 67,285</u>	<u>\$ 67,285</u>

The transfers from the General Fund to the Food Service Enterprise Fund and Special Aides Enterprise Fund were to fund deficits in the respective funds.

17. Liquidity, Management Plans and Intentions

Due to the COVID-19 Pandemic, the District closed its schools on March 16, 2020 and continued to provide online instruction to its students through the end of the school year. The Pandemic did not have a significant impact on the financial statements of the District for the year ended June 30, 2020. Management has taken steps to reduce certain expenses related to operating the District and also plans to utilize existing funds to balance its budget for the 2020-21 fiscal year, if needed. Management believes that the unassigned fund balance available as of June 30, 2020 and the anticipated revenues will be sufficient to meet the District's financial needs for one year from the date of the issuance of this report.

Required Supplementary Information
Part II

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

Last Ten Fiscal Years

	Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset) - Local Group	0.1092289623%	0.1135623000%	0.1159094572%	0.1171888494%	0.118691368%	0.1179801087%	0.1186951973%	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 19,501,217	\$ 22,339,851	\$ 26,995,832	\$ 34,707,976	\$ 26,497,421	\$ 22,085,103	\$ 22,684,628	n/a	n/a	n/a
District's covered-employee payroll	\$ 7,392,879	\$ 7,748,061	\$ 7,885,994	\$ 7,945,602	\$ 7,926,175	\$ 7,907,079	\$ 8,012,451	\$ 8,035,394	\$ 8,055,127	\$ 8,441,389
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	263.78%	288.59%	342.33%	436.82%	334.30%	279.36%	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	56.27%	53.60%	48.10%	40.14%	47.93%	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 accompanying notes to Required Supplementary Information

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

Last Ten Fiscal Years

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,052,754	\$ 1,129,578	\$ 1,085,322	\$ 1,041,089	\$ 1,014,820	\$ 961,925	\$ 894,329	\$ 900,516	\$ 1,014,658	\$ 1,013,517
Contributions in relation to the contractually required contribution	(1,052,754)	(1,129,578)	(1,085,322)	(1,041,089)	(1,014,820)	(961,925)	(894,329)	(900,516)	(1,014,658)	(1,013,517)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employees payroll	\$ 7,089,650	\$ 7,392,879	\$ 7,748,061	\$ 7,885,994	\$ 7,945,602	\$ 7,926,175	\$ 7,907,079	\$ 8,012,451	\$ 8,033,594	\$ 8,055,127
Contributions as a percentage of covered-employee payroll	14.85%	15.28%	14.01%	13.20%	12.77%	12.14%	12.17%	11.16%	11.21%	12.60%

See accompanying 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,				
	2016	2017	2018	2019	2020
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.1544821417%	0.1503928033%	0.1503884484%	0.1391269406%	0.1381661952%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 97,639,310	\$ 118,308,555	\$ 101,397,315	\$ 88,509,571	\$ 84,795,898
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 97,639,310</u>	<u>\$ 118,308,555</u>	<u>\$ 101,397,315</u>	<u>\$ 88,509,571</u>	<u>\$ 84,795,898</u>
Plan fiduciary net position as a percentage of the total pension liability	28.71%	22.33%	25.41%	26.49%	26.95%

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 accompanying 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,			
	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.20%	0.21%	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	\$ 84,698,718	\$ 95,981,336	\$ 115,412,079	\$ 124,776,914
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 84,698,718</u>	<u>\$ 95,981,336</u>	<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%	0.00%	0.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 **</u>
Total OPEB Liability				
Service cost	\$ 2,755,244	\$ 3,345,522	\$ 4,016,607	
Interest cost	3,772,750	4,207,559	3,634,183	
Differences between expected and actual experiences	(16,550,550)	(13,491,681)	-	
Changes of assumptions	1,262,865	(11,014,339)	(14,440,870)	
Member contributions	77,071	88,703	98,434	
Gross benefit payments	<u>(2,599,998)</u>	<u>(2,566,507)</u>	<u>(2,673,189)</u>	
Net change in total OPEB liability	(11,282,618)	(19,430,743)	(9,364,835)	
Total OPEB liability - beginning	<u>95,981,336</u>	<u>115,412,079</u>	<u>124,776,914</u>	
Total OPEB liability - ending	<u>\$ 84,698,718</u>	<u>\$ 95,981,336</u>	<u>\$ 115,412,079</u>	
Covered-employee payroll	<u>\$ 21,719,259</u>	<u>\$ 22,503,208</u>	<u>\$ 22,581,804</u>	
Total OPEB liability as a percentage of covered-employee payroll	389.97%	426.52%	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 accompanying notes to Required Supplementary Information

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2020

PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019.

TEACHERS PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019.

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 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Required Supplementary Information
Part III

Budgetary Comparison Schedules

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 3,111,482		\$ 3,111,482	\$ 3,111,482	
Tuition from other LEAs within the State	31,421,332		31,421,332	31,235,769	\$ 185,563
Tuition from other sources	3,561,400		3,561,400	3,876,867	(315,467)
Non-Resident Fees	100,000		100,000	156,672	(56,672)
Interest Earned on Capital Reserve Funds	15,000	\$ (12,000)	3,000	64,789	(61,789)
Interest Earned - Other	4,000	(3,000)	1,000	54,223	(53,223)
Unrestricted Miscellaneous Revenues	365,500	14,000	379,500	403,285	(23,785)
Total - Local Sources	38,578,714	(1,000)	38,577,714	38,903,087	(325,373)
State Sources:					
On-Behalf TPAF Pension Contributions				3,062,399	3,062,399
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				1,136,094	1,136,094
TPAF Non-contributory Insurance (On-Behalf, Non-Budgeted)				1,935	1,935
Reimbursed TPAF Social Security				1,125,426	1,125,426
Total State Sources				5,325,854	5,325,854
Federal Sources:					
Medical Assistance Program	250,000		250,000	402,755	152,755
Total - Federal Sources	250,000		250,000	402,755	152,755
Total Revenues	38,828,714	(1,000)	38,827,714	44,631,696	5,803,982

EXPENDITURES:

SPECIAL EDUCATION - INSTRUCTION

Behavioral Disabilities					
Salaries of Teachers	548,070	216,238	764,308	764,300	8
Other Salaries for Instruction	297,260	68,783	366,043	366,043	
Other Purchased Services	15,000	(15,000)			
General Supplies	22,750	2,665	25,415	25,263	152
Other Objects	3,750	(833)	2,917	2,917	
Total Behavioral Disabilities	886,830	271,853	1,158,683	1,158,523	160
Multiple Disabilities					
Salaries of Teachers	3,673,557	272,223	3,945,780	3,945,315	465
Other Salaries for Instruction	1,862,588	(83,616)	1,778,972	1,776,509	2,463
Other Purchased Services	78,825	(18,160)	60,665	60,665	
General Supplies	123,875	913	124,788	121,601	3,187
Textbooks	700	(700)			
Other Objects	6,100	(2,177)	3,923	3,923	
Total Multiple Disabilities	5,745,645	168,483	5,914,128	5,908,013	6,115

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Autism:					
Salaries of Teachers	\$ 2,617,222	\$ 411,707	\$ 3,028,929	\$ 3,028,928	\$ 1
Other Salaries for Instruction	1,562,491	257,939	1,820,430	1,820,362	68
General Supplies	37,000	(5,825)	31,175	29,651	1,524
Other Objects	3,100	(328)	2,772	2,560	212
Total Autism	<u>4,219,813</u>	<u>663,493</u>	<u>4,883,306</u>	<u>4,881,501</u>	<u>1,805</u>
Preschool Disabilities - Full-Time					
Salaries of Teachers	448,021	(240,272)	207,749	207,749	
Other Salaries for Instruction	311,902	(202,225)	109,677	109,677	
General Supplies	6,500	(400)	6,100	5,755	345
Other Objects	200	(150)	50	50	
Total Preschool Disabilities - Full-Time	<u>766,623</u>	<u>(443,047)</u>	<u>323,576</u>	<u>323,231</u>	<u>345</u>
Extended School Year					
Salaries of Teachers	1,855,000	(217,446)	1,637,554	1,637,554	
Salaries of Supervisors of Instruction	150,000	(17,386)	132,614	132,614	
Other Salaries for Instruction	630,500	32,437	662,937	662,937	
Other Purchased Services	100,900	97,776	198,676	198,676	
Total Extended School Year	<u>2,736,400</u>	<u>(104,619)</u>	<u>2,631,781</u>	<u>2,631,781</u>	
Cognitive-Severe					
Salaries of Teachers	631,477	(54,117)	577,360	577,326	34
Other Salaries for Instruction	476,090	55,844	531,934	531,758	176
General Supplies	14,750	(1,055)	13,695	13,250	445
Other Objects	1,150	(98)	1,052	380	672
Total Cognitive Severe	<u>1,123,467</u>	<u>574</u>	<u>1,124,041</u>	<u>1,122,714</u>	<u>1,327</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>15,478,778</u>	<u>556,737</u>	<u>16,035,515</u>	<u>16,025,763</u>	<u>9,752</u>
School-Spon. Athletics					
Other Objects	3,000		3,000	1,275	1,725
Total School-Spon. Athletics	<u>3,000</u>		<u>3,000</u>	<u>1,275</u>	<u>1,725</u>
Other Instructional Programs - Instruction					
Salaries	36,170	(4,500)	31,670	12,876	18,794
Supplies and Materials	18,800		18,800	6,617	12,183
Other Objects	430		430		430
Total Instructional Programs - Instruction	<u>55,400</u>	<u>(4,500)</u>	<u>50,900</u>	<u>19,493</u>	<u>31,407</u>
TOTAL INSTRUCTION	<u>15,537,178</u>	<u>552,237</u>	<u>16,089,415</u>	<u>16,046,531</u>	<u>42,884</u>

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Health Services					
Salaries	\$ 568,966	\$ 36,848	\$ 605,814	\$ 605,812	\$ 2
Purchased Professional and Technical Services	74,100	(10,598)	63,502	57,717	5,785
Other Purchased Services	1,610	(20)	1,590	1,590	
Supplies and Materials	24,950	(3,135)	21,815	21,769	46
Total Undistributed Expenditures - Health Services	669,626	23,095	692,721	686,888	5,833
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	4,536,259	109,552	4,645,811	4,643,595	2,216
Purchased Professional - Educational Services	130,000	172,686	302,686	260,225	42,461
Supplies and Materials	26,800	(786)	26,014	25,067	947
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	4,693,059	281,452	4,974,511	4,928,887	45,624
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	1,087,822	55,133	1,142,955	1,142,955	
Supplies and Materials	1,750		1,750	1,713	37
Total Undist. Expend. - Child Study Teams	1,089,572	55,133	1,144,705	1,144,668	37
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	181,274	(7,083)	174,191	165,520	8,671
Salaries of Other Professional Staff	3,500	(3,500)			
Salaries of Secretarial and Clerical Assistants	164,404	(3,571)	160,833	156,787	4,046
Unused Vac Payment to Term/Ret Staff		9,425	9,425	9,425	
Psychology Services	25,000	(25,000)			
Other Purchased Services	75,600	(8,944)	66,656	35,892	30,764
Supplies and Materials	6,400		6,400	5,031	1,369
Other Objects	3,000	(3,000)			
Total Undist. Expend. - Improvement of Inst. Serv.	459,178	(41,673)	417,505	372,655	44,850

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Finnl to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 159,058	\$ 2,119	\$ 161,177	\$ 161,177	
Supplies and Materials	5,300		5,300	5,029	\$ 271
Total Undist. Expend. - Edu. Media Serv./Sch. Library	164,358	2,119	166,477	166,206	271
Undist. Expend. - Instructional Staff Training Serv.					
Other Salaries	750	(154)	596	575	21
Other Purchased Prof. and Tech. Services	18,000		18,000	15,050	2,950
Other Purchased Services	12,000	11,200	23,200	13,503	9,697
Supplies and Materials	17,000	(11,700)	5,300	4,532	768
Total Undist. Expend. - Instructional Staff Training Serv.	47,750	(654)	47,096	33,660	13,436
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	75,000	(15,000)	60,000	54,375	5,625
Legal Services	85,000		85,000	67,130	17,870
Audit Fees	65,000		65,000	63,640	1,360
Architectural/Engineering Services	5,000		5,000	5,000	0
Purchased Technical Services	5,000		5,000	4,190	810
Communications/Telephone	47,500	34	47,534	43,114	4,420
Travel	100		100	100	0
Board of Education Other Purchased Services	2,000		2,000	682	1,318
Miscellaneous Purchased Services	34,500		34,500	20,621	13,879
General Supplies	2,500		2,500	1,764	736
Judgements Against the School District	3,000		3,000	3,000	0
Miscellaneous Expenditures	4,500		4,500	2,591	1,909
Board of Education Dues and Fees	7,500		7,500	6,121	1,379
Total Undist. Expend. - Supp. Serv. - General Admin.	336,600	(14,966)	321,634	264,228	57,406
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	349,410	(1,592)	347,818	345,678	2,140
Salaries - Other Professional Staff	397,994	1,446	399,440	393,992	5,448
Salaries of Secretarial and Clerical Assistants	350,160	(29,053)	321,107	314,977	6,130
Other Salaries	5,000	2,500	7,500	7,500	0
Unused Vacation Payment to Terminated/Retired Staff		10,210	10,210	10,210	0
Other Purchased Services	37,500	1,803	39,303	32,242	7,061
Supplies and Materials	28,250	(907)	27,343	23,347	3,996
Other Objects	7,500	(176)	7,324	5,620	1,704
Total Undist. Expend. - Support Serv. - School Admin.	1,175,814	(15,769)	1,160,045	1,133,566	26,479
Undist. Expend. - Central Services					
Salaries	700,218	(93,359)	606,859	598,026	8,833
Purchased Technical Services	62,823	(1,125)	61,698	58,836	2,862
Misc Purchased Services	10,200	17,347	27,547	24,395	3,152
Supplies and Materials	9,500	1,000	10,500	10,310	190
Interest on Current Loans	1,200	(20)	1,180	1,171	9
Miscellaneous Expenditures	12,000	(1,300)	10,700	10,504	196
Total Undist. Expend. - Central Services	795,941	(77,457)	718,484	703,242	15,242
Undist. Expend. - Technology Admin.					
Salaries	241,914	(12,057)	229,857	213,747	16,110
Purchased Professional Services	5,000		5,000	759	4,241
Other Purchased Services	750		750	305	445
Supplies and Materials	127,700		127,700	104,078	23,622
Other Objects	150,000		150,000	143,768	6,232
Total Undist. Expend. - Technology Admin.	525,364	(12,057)	513,307	462,657	50,650
Undist. Expend. - Required Maint. for Sch. Facil.					
Cleaning, Repair and Maintenance Services	81,042	151	81,193	69,387	11,806
Lead Testing of Drinking Water	10,000	9,171	19,171	10,207	8,964
Total Undist. Expend. - Required Maint. for Sch. Facil.	91,042	9,322	100,364	79,014	21,350

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$ 1,159,839	\$ (84,611)	\$ 1,075,228	\$ 1,028,080	\$ 47,148
Unused Vacation Payment to Terminated/Retired Staff		2,370	2,370	2,369	1
Cleaning, Repair and Maintenance Services	404,500	33,350	437,850	277,554	160,296
Other Purchased Property Services	54,400	(12,200)	42,200	39,311	2,889
Insurance	177,000	(1,623)	175,377	175,377	
Travel	500	(1)	499	192	307
Miscellaneous Purchased Services	1,800	(1,800)			
General Supplies	200,000	(24,394)	175,606	167,655	7,951
Natural Gas	181,500	(12,764)	168,736	105,348	63,388
Electricity	631,800	76,111	707,911	700,316	7,595
Other Objects	1,500		1,500	1,303	197
Total Undist. Expend. - Custodial Services	2,812,839	(25,562)	2,787,277	2,497,505	289,772
Undist. Expend. - Security					
Purchased Professional & Technical Services	65,000		65,000	36,670	28,330
Cleaning, Repair & Maintenance Services	5,000		5,000	4,335	665
General Supplies	15,000		15,000	1,478	13,522
Total Undist. Expend. - Security	85,000		85,000	42,483	42,517
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. Other than Between Home & School	20,000		20,000	15,618	4,382
Cleaning, Repair & Maintenance Services	2,000	4,672	6,672	3,400	3,272
Contracted Services (Other than Between Home and School) - Vendors	48,500	(10,000)	38,500	15,167	23,333
Miscellaneous Purchased Services - Transportation	19,250		19,250	19,250	
Transportation Supplies	5,500	(1,672)	3,828	2,849	979
Total Undist. Expend. - Student Transportation Serv.	95,250	(7,000)	88,250	56,284	31,966
Special Programs- Instruction - Employee Benefits:					
Social Security Benefits	175,000		175,000	175,000	
Health Benefits	650,000	106,804	756,804	756,804	
Total Special Programs-Instruction-Employee	825,000	106,804	931,804	931,804	
TOTAL ALLOCATED BENEFITS	825,000	106,804	931,804	931,804	
Unallocated Benefits					
Social Security Contributions	610,000		610,000	578,403	31,597
TPAF Contributions ERIP	50,000		50,000	45,989	4,011
Other Retirement Contributions - PERS	1,320,000	(74,296)	1,245,704	1,072,492	173,212
Unemployment Compensation	5,000		5,000		5,000
Workmen's Compensation	1,180,308	(37,493)	1,142,815	1,055,795	87,020
Health Benefits	7,502,000	1,165	7,503,165	6,829,217	673,948
Tuition Reimbursement	65,000	9,500	74,500	39,620	34,880
Other Employee Benefits	398,500	16,985	415,485	391,855	23,630
Unused Vac. Payment to Term/Ret. Staff	100,000		100,000	82,729	17,271
Total Unallocated Benefits	11,230,808	(84,139)	11,146,669	10,096,100	1,050,569
On-Behalf TPAF Pension Contributions				3,062,399	(3,062,399)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				1,136,094	(1,136,094)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,935	(1,935)
Reimbursed TPAF Social Security				1,125,426	(1,125,426)
Total On-behalf Contributions				5,325,854	(5,325,854)
TOTAL UNDISTRIBUTED EXPENDITURES	25,097,201	198,648	25,295,849	28,925,701	(3,629,852)
TOTAL GENERAL CURRENT EXPENSE	40,634,379	750,885	41,385,264	44,972,232	(3,586,968)

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Increase in Capital Reserve					
Interest Deposit to Capital Reserve	\$ 1,000		\$ 1,000		\$ 1,000
Equipment					
Multiple Disabilities	45,000	\$ (2,400)	42,600	\$ 27,175	15,425
Autism	3,000		3,000	3,000	
Preschool Disabilities-Full Time	2,500		2,500	2,494	6
Undist Expend- Support services- Related & Extraord		2,700	2,700	2,627	73
Undist Expend - Central Services	20,000		20,000		20,000
Undist Expend - Admin Info Tech	25,000		25,000	19,621	5,379
Maintenance	61,000		61,000	54,248	6,752
Total Equipment	<u>156,500</u>	<u>300</u>	<u>156,800</u>	<u>109,165</u>	<u>47,635</u>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	150,000	5,347	155,347	64,750	90,597
Construction Services	1,263,000		1,263,000	574,261	688,739
Total Facilities Acquisition and Construction Services	<u>1,413,000</u>	<u>5,347</u>	<u>1,418,347</u>	<u>639,011</u>	<u>779,336</u>
TOTAL CAPITAL OUTLAY	<u>1,570,500</u>	<u>5,647</u>	<u>1,576,147</u>	<u>748,176</u>	<u>827,971</u>
TOTAL EXPENDITURES	<u>42,204,879</u>	<u>756,532</u>	<u>42,961,411</u>	<u>45,720,408</u>	<u>(2,758,997)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(3,376,165)</u>	<u>(757,532)</u>	<u>(4,133,697)</u>	<u>(1,088,712)</u>	<u>3,044,985</u>
Other Financing (Uses):					
Transfer Out				(67,285)	(67,285)
Total Other Financing (Uses)				<u>(67,285)</u>	<u>(67,285)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Uses	<u>(3,376,165)</u>	<u>(757,532)</u>	<u>(4,133,697)</u>	<u>(1,155,997)</u>	<u>2,977,700</u>
Fund Balance, July 1	<u>12,226,728</u>		<u>12,226,728</u>	<u>12,226,728</u>	
Fund Balance, June 30	<u>\$ 8,850,563</u>	<u>\$ (757,532)</u>	<u>\$ 8,093,031</u>	<u>\$ 11,070,731</u>	<u>\$ 2,977,700</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 5,005,565	
Assigned to:					
Designated for Subsequent Year's Expenditures				1,992,801	
Year End Encumbrances				569,100	
Unassigned Fund Balance				3,503,265	
Fund balance per Government Funds (GAAP)				<u>\$ 11,070,731</u>	

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

**Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2020**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 186,544	\$ 98,784	\$ 285,328	\$ 251,633	\$ (33,695)
Federal sources		28,208	28,208	19,641	(8,567)
Local sources	208,022	23,225	231,247	229,776	(1,471)
Total revenues	<u>394,566</u>	<u>150,217</u>	<u>544,783</u>	<u>501,050</u>	<u>(43,733)</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries:					
Salaries of teachers		27,451	27,451	18,992	8,459
General supplies		7,572	7,572	6,102	1,470
Total instruction		<u>35,023</u>	<u>35,023</u>	<u>25,094</u>	<u>9,929</u>
Support services:					
Salaries	394,566	30,674	425,240	400,336	24,904
Personal services--employee benefits		68,686	68,686	65,534	3,152
Communications		2,633	2,633	2,133	500
Travel		8,341	8,341	3,912	4,429
Supplies and materials		4,860	4,860	4,041	819
Total support services		<u>115,194</u>	<u>509,760</u>	<u>475,956</u>	<u>33,804</u>
Total expenditures	<u>394,566</u>	<u>150,217</u>	<u>544,783</u>	<u>501,050</u>	<u>43,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020

	Projects Adult County	Case Management - Special Child Health Services State	County	Early Hearing Detection and Intervention	Clinic Project Program Child	First Day School Grant	CHF Supplies	Garden Grant	Pre-Employment Transition Services	Totals
Revenues:										
State Sources		\$ 208,000		\$ 43,633						\$ 251,633
Federal Sources	\$ 100,000		\$ 104,345		\$ 19,329	\$ 2,059	\$ 3,000	\$ 1,043	\$ 19,641	19,641
Local Sources	\$ 100,000	\$ 208,000	\$ 104,345	\$ 43,633	\$ 19,329	\$ 2,059	\$ 3,000	\$ 1,043	\$ 19,641	229,776
Total Revenues	\$ 100,000	\$ 208,000	\$ 104,345	\$ 43,633	\$ 19,329	\$ 2,059	\$ 3,000	\$ 1,043	\$ 19,641	\$ 501,050
Expenditures:										
Instruction:										
Other Salaries										
Supplies and Materials										
Total Instruction						\$ 2,059	\$ 3,000	\$ 1,043	\$ 18,992	\$ 25,094
Support Services:										
Salaries	\$ 90,503	\$ 180,107	\$ 77,562	\$ 33,035	\$ 19,329					400,336
Personal Services - Employee Benefits	7,444	26,160	26,806	4,475					649	65,534
Communications		1,407		726						2,133
Travel	129	176		3,607						3,912
Supplies and Materials	1,924	150	177	1,790						4,041
Total Support Services	100,000	208,000	104,345	43,633	19,329				649	475,956
Total Expenditures	\$ 100,000	\$ 208,000	\$ 104,345	\$ 43,633	\$ 19,329	\$ 2,059	\$ 3,000	\$ 1,043	\$ 19,641	\$ 501,050

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, 2020

Revenues	
County Sources	\$ 991,148
Total Revenues	<u>991,148</u>
Expenditures	
Construction Services	63,642
Land and Improvements	
Total expenditures	<u>63,642</u>
Excess of revenues over expenditures	927,506
Fund Balance, July 1	252,607
Fund Balance, June 30	<u>\$ 1,180,113</u>
 <u>Reconciliation to GAAP Financial statements</u>	
Fund Balance, June 30, 2020 - Budgetary Basis	\$ 1,180,113
GAAP Basis Revenues Not Recognized - County/Local	<u>(1,180,113)</u>
Fund Balance, June 30, 2020 - 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, 2020

	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	4,067	1,092,514	1,194,447
Land Improvements	230,293		230,293	230,293
Total Expenditures	<u>1,318,740</u>	<u>4,067</u>	<u>1,322,807</u>	<u>1,424,740</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 106,000</u>	<u>\$ (4,067)</u>	<u>\$ 101,933</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	474,240
Revised Authorized Cost	1,424,740

Percentage Increase over Original

Authorized Cost	50%
Percentage Completion	92.85%
Original Target Completion Date	November 2011
Revised Target Completion Date	June 2021

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: Sink Hole Site Work

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 175,000	\$ (440)	\$ 174,560	\$ 174,560
Total Revenues	<u>175,000</u>	<u>(440)</u>	<u>174,560</u>	<u>174,560</u>
Expenditures and Other Financing Sources:				
Construction Services	174,560		174,560	174,560
Total Expenditures	<u>174,560</u>		<u>174,560</u>	<u>174,560</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 440</u>	<u>\$ (440)</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	\$ 175,000
Additional Authorized Cost	(440)
Revised Authorized Cost	174,560
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2017
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: HVAC Univents

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 225,000		\$ 225,000	\$ 225,000
Total Revenues	<u>225,000</u>		<u>225,000</u>	<u>225,000</u>
Expenditures and Other Financing Sources:				
Construction Services	<u>93,020</u>		<u>93,020</u>	<u>225,000</u>
Total Expenditures	<u>93,020</u>		<u>93,020</u>	<u>225,000</u>
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	<u>\$ 131,980</u>	<u>\$ -</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 2020
Revised Target Completion Date	June 2021

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Security Upgrades

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 100,000	\$ (957)	\$ 99,043	\$ 99,043
Total Revenues	<u>100,000</u>	<u>(957)</u>	<u>99,043</u>	<u>99,043</u>
Expenditures and Other Financing Sources:				
Construction Services	85,813	13,230	99,043	99,043
Total Expenditures	<u>85,813</u>	<u>13,230</u>	<u>99,043</u>	<u>99,043</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 14,187</u>	<u>\$ (14,187)</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	\$ 100,000
Decrease in Authorized Cost	(957)
Revised Authorized Cost	99,043
Percentage Increase over Original Authorized Cost	-1%
Percentage Completion	100.00%
Original Target Completion Date	August 2019
Revised Target Completion Date	Completed

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Reed School: Piping and Unit Ventilators

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 650,000	\$ 650,000	\$ 650,000
Total Revenues		650,000	650,000	650,000
Expenditures and Other Financing Sources:				
Construction Services		3,800	3,800	650,000
Total Expenditures		3,800	3,800	650,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		\$ 646,200	\$ 646,200	\$ -

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	\$ 650,000
Additional Authorized Cost	-
Revised Authorized Cost	650,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0.58%
Original Target Completion Date	June 2021
Revised Target Completion Date	June 2021

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Playground Repair at JFC

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 42,545	\$ 42,545	\$ 42,545
Total Revenues		42,545	42,545	42,545
Expenditures and Other Financing Sources:				
Construction Services		42,545	42,545	42,545
Total Expenditures		42,545	42,545	42,545
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	\$ 48,000
Additional Authorized Cost	(5,455)
Revised Authorized Cost	42,545
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2020
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)

IT Network Upgrades

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 155,000	\$ 155,000	\$ 155,000
Total Revenues		155,000	155,000	155,000
Expenditures and Other Financing Sources:				
Construction Services				155,000
Total Expenditures				155,000
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures		\$ 155,000	\$ 155,000	\$ -

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 155,000
Additional Authorized Cost	-
Revised Authorized Cost	155,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0.00%
Original Target Completion Date	June 2021
Revised Target Completion Date	June 2021

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: Library

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 25,000	\$ 25,000	\$ 25,000
Total Revenues		25,000	25,000	25,000
Expenditures and Other Financing Sources:				
Construction Services				25,000
Total Expenditures				25,000
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures		\$ 25,000	\$ 25,000	\$ -

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 25,000
Additional Authorized Cost	-
Revised Authorized Cost	25,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0.00%
Original Target Completion Date	September 2020
Revised Target Completion Date	September 2020

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Regional Day School Doors

Year ended June 30, 2020

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 120,000	\$ 120,000	\$ 120,000
Total Revenues		120,000	120,000	120,000
Expenditures and Other Financing Sources:				
Construction Services				120,000
Total Expenditures				120,000
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures		\$ 120,000	\$ 120,000	\$ -

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 120,000
Additional Authorized Cost	-
Revised Authorized Cost	120,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0.00%
Original Target Completion Date	June 2021
Revised Target Completion Date	June 2021

Fiduciary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Trust				Agency		
	Private- Purpose Scholarship	AFLAC	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets:							
Cash and Cash Equivalents	\$ 6,454	\$ 134	\$ 210,932	\$ 217,520	\$ 20,713	\$ 324,642	\$ 345,355
Total Assets	6,454	134	210,932	217,520	20,713	324,642	345,355
Liabilities:							
Payroll Deductions and Withholdings			15,446	15,446			
Accounts Payable							
Due to Student Groups							
Total Liabilities			15,446	15,446			
Net Position:							
Held in Trust for Unemployment Claims	6,454	134	195,486	195,486			
Held in Trust for Scholarships and Other Purposes	\$ 6,454	\$ 134	\$ 195,486	\$ 202,074	\$ 20,713	\$ 324,642	\$ 345,355
Total Net Position							

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2020

	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
Capello	\$ 2,342	\$ 1,494	\$ 937	\$ 2,899
High School	12,561	15,725	16,944	11,342
Elementary	6,019	6,334	5,881	6,472
Total	<u>\$ 20,922</u>	<u>\$ 23,553</u>	<u>\$ 23,762</u>	<u>\$ 20,713</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2020

	Balance July 1, 2019	Cash Receipts	Cash Disbursements	Balance June 30, 2020
Assets				
Cash and Cash Equivalents	\$ 224,689	\$ 32,367,623	\$ 32,267,670	\$ 324,642
Total Assets	<u>\$ 224,689</u>	<u>\$ 32,367,623</u>	<u>\$ 32,267,670</u>	<u>\$ 324,642</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 224,689	\$ 32,367,623	\$ 32,267,670	\$ 324,642
Total Liabilities	<u>\$ 224,689</u>	<u>\$ 32,367,623</u>	<u>\$ 32,267,670</u>	<u>\$ 324,642</u>

Long-Term Debt

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year ended June 30, 2020

Description	Date of Lease	Term of Lease	Interest Rate	Amount of Original Issue	Balance	
					July 1, 2019	June 30, 2020
2018 Ford Truck	3/9/2018	3 years	5.128%	\$ 32,783	\$ 22,409	\$ 10,918
						\$ 11,491

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Net Investment in Capital Assets	\$ 39,417,476	\$ 38,822,787	\$ 38,046,878	\$ 37,556,142	\$ 37,242,158	\$ 37,059,204	\$ 36,041,421	\$ 35,595,718	\$ 34,602,687	\$ 33,911,056
Restricted	750,824	1,151,066	1,551,784	2,393,633	2,851,151	3,094,454	3,811,962	4,384,724	5,229,928	5,005,565
Unrestricted	5,812,175	6,649,120	5,513,720	4,028,166	(15,314,922)	(14,084,873)	(21,493,464)	(21,787,902)	(21,110,644)	(21,620,401)
Total Government Activities Net Position	\$ 45,980,475	\$ 46,622,973	\$ 45,112,382	\$ 43,977,941	\$ 24,778,387	\$ 26,068,785	\$ 18,359,919	\$ 18,192,540	\$ 18,721,971	\$ 17,296,220
Business-Type Activities:										
Investment in Capital Assets	\$ 372,482	\$ 362,945	\$ 341,717	\$ 309,756	\$ 285,403	\$ 275,629	\$ 247,648	\$ 251,242	\$ 228,350	\$ 210,379
Unrestricted	2,167,994	2,083,546	1,544,319	1,188,070	1,097,383	1,073,731	938,205	759,111	320,147	348,538
Total Business-Type Activities Net Position	\$ 2,540,476	\$ 2,446,491	\$ 1,886,036	\$ 1,497,826	\$ 1,382,786	\$ 1,349,360	\$ 1,185,853	\$ 1,010,353	\$ 548,497	\$ 558,917
Government-Wide:										
Net Investment in Capital Assets	\$ 39,789,958	\$ 39,185,732	\$ 38,388,595	\$ 37,865,898	\$ 37,527,561	\$ 37,334,833	\$ 36,289,069	\$ 35,846,960	\$ 34,831,037	\$ 34,121,435
Restricted	750,824	1,151,066	1,551,784	2,393,633	2,851,151	3,094,454	3,811,962	4,384,724	5,229,928	5,005,565
Unrestricted	7,980,169	8,732,666	7,058,039	5,216,236	(14,217,539)	(13,011,142)	(20,555,259)	(21,028,791)	(20,790,497)	(21,271,863)
Total Government-Wide Net Position	\$ 48,520,951	\$ 49,069,464	\$ 46,998,418	\$ 45,475,767	\$ 26,161,173	\$ 27,418,145	\$ 19,545,772	\$ 19,202,893	\$ 19,270,468	\$ 17,855,137

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
(ACCURAL BASIS OF ACCOUNTING)
UNAUDITED

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities:										
Instruction:										
Social Education	\$ 23,108,085	\$ 23,171,728	\$ 23,437,196	\$ 23,079,131	\$ 26,157,918	\$ 28,568,929	\$ 30,845,335	\$ 31,487,365	\$ 27,124,289	\$ 27,432,086
Other Special Education	50,187	44,438	51,177	53,306	68,673	58,218	70,474	80,304	74,104	34,561
Support Services:										
Student and Instruction Related Services	10,695,312	9,851,565	10,565,290	10,132,663	11,682,237	11,904,674	13,442,373	13,707,139	12,571,652	12,866,224
General Administration	449,249	335,027	344,767	345,575	350,894	378,694	360,232	442,185	445,296	314,467
School Administrative Services	1,417,875	1,462,521	1,724,486	1,735,911	1,952,019	1,703,450	1,998,839	2,144,190	1,972,152	1,911,052
Central Administrative Services	883,952	842,546	1,044,154	1,237,868	1,268,737	1,377,548	1,571,339	1,540,650	1,271,731	1,144,284
Administrative Information Technology	429,035	438,483	467,688	491,039	538,884	537,750	674,279	615,227	673,204	650,991
Plant Operations and Maintenance	2,943,122	2,829,339	2,661,320	2,966,316	3,211,854	3,337,049	3,658,509	3,491,534	3,455,972	3,435,867
Pupil Transportation	68,936	19,774	16,594	71,917	21,366	27,000	38,392	61,316	93,182	69,721
Interest on Long-Term Debt								535	1,883	1,177
Total Governmental Activities Expenses	40,043,673	38,981,461	40,332,872	40,133,726	45,332,582	47,891,312	52,665,812	53,570,493	47,695,345	47,840,530
Business-Type Activities:										
Food Service	472,240	466,037	492,515	535,018	546,225	565,591	547,927	532,086	604,296	481,129
Mercer County Cooperative Transportation System	6,577,813	6,047,738	5,674,532	6,741,427	6,767,232	6,915,352	6,539,252	5,528,019	6,382,308	6,662,984
NJ State Regional Day School at Hamilton	2,257,360	2,207,361	2,521,195	2,411,332	1,476,116	441,799	514,635	488,724	655,306	463,225
Integrated Preschool	160,782	231,902	62,298	60,707	59,982	62,176	61,123	77,500	92,501	52,965
Assisted Augmentative Technology	34,813	24,685	20,936	9,956	2,811	492	398	4,647	24,206	26,775
Clinic Parent	37,904	26,366	7,728	172,061	51,703	71,098	89,383	53,420	99,450	54,272
Community Resources	274,074	80,279	148,491	64,742	68,271	77,560	67,394	80,910	74,315	45,837
Chuck's	82,129	72,387	65,123	64,742	68,271	77,560	67,394	80,910	74,315	45,837
Special Aides	1,737,379	1,743,632	2,085,488	2,370,250	3,026,205	3,021,915	3,026,594	3,402,532	3,386,565	3,423,045
Total Business-Type Activities Expenses	11,634,494	10,900,587	11,078,306	12,365,485	11,898,565	11,156,023	10,866,706	10,167,838	11,318,945	11,190,230
Total District Expenses	\$ 51,680,167	\$ 49,882,048	\$ 51,411,178	\$ 52,499,219	\$ 57,231,147	\$ 59,047,335	\$ 63,532,518	\$ 63,738,331	\$ 58,012,490	\$ 59,030,660

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

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues:										
Charges for Services										
Tuition - LEAs	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352	\$ 502,352
Special Education	895,492	895,492	895,492	895,492	895,492	895,492	895,492	895,492	895,492	895,492
Student and Instruction Related Services	38,274	38,274	38,274	38,274	38,274	38,274	38,274	38,274	38,274	38,274
Capital Grants and Contributions	1,534,118	1,534,118	1,534,118	1,534,118	1,534,118	1,534,118	1,534,118	1,534,118	1,534,118	1,534,118
Total Governmental Activities Program Revenues	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118	\$ 1,434,118
Business-Type Activities:										
Charge for Services:										
Food Service	97,432	97,432	97,432	97,432	97,432	97,432	97,432	97,432	97,432	97,432
Mercer County Cooperative Transportation System	6,378,015	6,378,015	6,378,015	6,378,015	6,378,015	6,378,015	6,378,015	6,378,015	6,378,015	6,378,015
NJ State Regional Day School at Hamilton	2,113,580	2,113,580	2,113,580	2,113,580	2,113,580	2,113,580	2,113,580	2,113,580	2,113,580	2,113,580
Integrated Preschool	328,636	328,636	328,636	328,636	328,636	328,636	328,636	328,636	328,636	328,636
Assisted Augmentative Technology	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354	24,354
Clinic Parent	29,550	29,550	29,550	29,550	29,550	29,550	29,550	29,550	29,550	29,550
Community Resources	245,104	245,104	245,104	245,104	245,104	245,104	245,104	245,104	245,104	245,104
Chick's Place	83,197	83,197	83,197	83,197	83,197	83,197	83,197	83,197	83,197	83,197
Special Aids	1,737,379	1,737,379	1,737,379	1,737,379	1,737,379	1,737,379	1,737,379	1,737,379	1,737,379	1,737,379
Operating Grants and Contributions:										
Food Service	342,975	342,975	342,975	342,975	342,975	342,975	342,975	342,975	342,975	342,975
Total Business-Type Activities Program Revenues	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012	\$ 11,578,012
Total District Program Revenues	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130	\$ 13,012,130
Net (Expense)/Revenue:										
Governmental Activities	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)	\$ (7,517,243)
Business-Type Activities	677,435	677,435	677,435	677,435	677,435	677,435	677,435	677,435	677,435	677,435
Total Government-wide Net (Expense)/Revenue	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)	\$ (6,839,808)

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

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Assets:										
Governmental Activities-										
County Appropriation Taxes	\$ 2,870,529	\$ 2,870,529	\$ 2,870,529	\$ 2,874,529	\$ 2,874,529	\$ 2,874,529	\$ 2,932,020	\$ 2,990,660	\$ 3,050,473	\$ 3,111,482
Nonresident Fees	170,013	182,485	174,791	156,155	178,474	175,250	151,248	160,816	167,524	156,672
Interest Earned on Investments	14,253	7,821	13,924	5,033	3,782	10,481	22,126	49,302	119,077	119,012
Miscellaneous Income	355,192	287,045	323,450	327,583	319,247	421,701	326,528	256,121	303,996	336,000
Federal and State Aid Not Restricted	2,818,167	3,052,318	3,747,855	3,081,095	7,707,492	8,809,956	11,912,493	14,568,676	9,856,345	7,914,185
Special Item - Transfer									(886,929)	
Total Governmental Activities	6,228,136	6,401,786	7,130,509	6,444,415	11,083,524	12,291,877	15,544,415	18,025,575	12,620,486	10,737,351
Business-Type Activities:										
Interest Earned on Investments	127	51	21	-	13	19	16	62	437	341
Miscellaneous Income									886,929	67,285
Special Item - Transfer										
Total Business-Type Activities	127	51	21	-	13	19	16	62	886,929	67,285
Total Government-wide	\$ 59,824,344	\$ 38,467,191	\$ 57,654,273	\$ 37,934,584	\$ 47,984,909	\$ 48,203,490	\$ 44,378,965	\$ 52,279,867	\$ 48,526,869	\$ 10,804,977
Changes in Net Position:										
Governmental Activities	\$ 648,064	\$ (478,507)	\$ (6,633,679)	\$ (9,133,968)	\$ (3,692,677)	\$ (4,789,027)	\$ (1,815,539)	\$ 5,526,298	\$ 529,431	\$ (1,425,751)
Business-Type Activities	(271,637)	(1,847,612)	(21,261)	727,489	255,884	535,344	113,614	1,319,627	(461,856)	10,420
Total District	\$ 376,427	\$ (2,326,119)	\$ (6,654,940)	\$ (8,406,479)	\$ (3,436,793)	\$ (4,253,683)	\$ (1,701,925)	\$ 6,845,925	\$ 67,575	\$ (1,415,331)

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Restricted	\$ 750,824	\$ 1,151,066	\$ 1,551,784	\$ 2,393,653	\$ 2,079,965	\$ 2,883,893	\$ 3,652,078	\$ 4,384,724	\$ 5,229,928	\$ 5,005,565
Assigned	1,359,823	3,736,862	5,417,142	755,595	873,790	6,509,359	2,103,047	1,910,604	2,729,509	2,561,901
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	4,267,291	3,503,265
Total General Fund	\$ 8,670,653	\$ 10,018,571	\$ 9,388,133	\$ 8,473,042	\$ 11,646,188	\$ 14,096,467	\$ 9,826,876	\$ 11,032,053	\$ 12,226,728	\$ 11,070,731
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.

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,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
County Appropriation/Taxes	\$ 2,908,803	\$ 3,122,650	\$ 3,167,196	\$ 3,428,173	\$ 2,955,756	\$ 2,874,529	\$ 2,932,020	\$ 2,990,660	\$ 3,050,473	\$ 3,111,482
Tuition - LEA's	33,595,981	32,065,344	30,503,695	31,490,189	36,911,372	35,911,594	29,034,534	34,254,030	35,019,017	35,112,656
Nonresident Fees	170,013	183,483	174,791	156,155	178,474	175,230	151,248	160,816	167,524	156,672
Interest Earned on Investment	14,235	7,821	13,924	5,053	3,782	10,481	22,126	49,302	119,077	119,012
Miscellaneous	355,192	287,643	323,430	327,583	319,247	421,701	326,528	256,121	303,996	409,285
State Sources	3,269,005	3,322,120	4,039,891	3,221,612	3,735,607	4,291,762	4,459,703	4,771,163	5,293,128	5,577,487
Federal Sources	434,942	343,865	367,458	146,866	674,461	421,120	567,326	462,037	514,340	422,596
Other Sources	510,064	291,051	231,898	223,674	223,235	317,641	265,793	843,778	341,812	293,418
Total Revenues	41,238,235	39,623,939	38,822,281	38,992,283	45,001,914	44,424,058	37,752,278	43,789,909	44,809,367	45,196,588
Expenditures:										
Current:										
Special Education Instruction	14,975,700	15,049,479	15,164,909	15,111,117	15,477,872	15,921,752	15,370,395	15,310,737	14,651,921	16,050,857
Other Special Instruction	36,001	31,495	37,908	39,796	45,603	38,641	43,177	47,407	48,043	20,768
Support Services and Undistributed Costs:										
Student and Instruction Related Services	7,592,838	7,028,694	7,091,331	6,919,887	6,959,270	7,001,739	6,999,605	6,952,537	7,051,692	7,808,920
General Administration	317,327	296,246	292,161	294,708	261,845	301,874	262,703	333,217	330,221	264,238
School Administration	1,006,395	990,978	1,130,417	1,157,838	1,129,048	980,913	1,018,627	1,065,208	1,079,223	1,133,566
Central Services	613,412	594,996	683,844	829,811	747,070	792,047	806,137	790,947	725,445	703,242
Administrative Information Technology	332,388	344,075	338,370	362,991	363,751	355,388	421,727	373,122	478,034	462,657
Plant Operations and Maintenance	2,450,992	2,401,436	2,155,718	2,474,912	2,527,708	2,451,927	2,533,285	2,408,051	2,481,981	2,606,907
Pupil Transportation	32,795	35,745	32,548	33,637	33,873	40,804	36,712	38,581	77,469	56,284
Unallocated Benefits	11,599,832	11,065,267	12,154,781	11,918,838	12,592,500	13,512,810	14,347,199	14,548,004	15,390,428	16,353,758
Capital Outlay	273,632	437,630	368,732	770,841	931,131	1,136,509	239,979	839,931	426,838	811,818
Debt Service:										
Principal										
Interest										
Total Expenditures	39,241,330	38,276,041	39,452,719	39,914,376	41,091,671	42,534,404	42,079,346	42,744,616	42,760,546	46,285,100
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	2,016,885	1,347,918	(630,438)	(913,091)	3,910,243	1,889,654	(4,320,268)	1,045,293	2,048,821	(1,088,712)
Other Financing Sources/(Uses):										
Transfers In										
Transfers Out										
Special Item - Transfer					1,114,530			157,248		
Capital Lease Proceeds					(1,114,530)			(157,248)		
Total Other Financing Sources/(Uses)										
Net Change in Fund Balances	2,016,885	1,347,918	(630,438)	(913,091)	2,829,802	1,889,654	(4,320,268)	1,045,293	1,194,675	(1,153,997)

Source: District CAFR 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.									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Tuition - LEA's	\$ 33,595,981	\$ 30,503,693	\$ 31,490,169	\$ 31,490,169	\$ 36,911,372	\$ 35,911,594	\$ 29,034,534	\$ 34,254,030	\$ 35,019,017	\$ 35,112,636
Nonresident Fees	170,013	183,485	174,791	156,155	178,474	175,230	151,248	160,816	167,524	156,672
Interest Earned on Investments	14,235	13,924	5,053	5,053	3,782	10,481	22,126	49,302	119,077	119,012
County Appropriation	2,870,529	2,870,529	2,870,529	2,874,529	2,874,529	2,874,529	2,932,020	2,990,660	3,050,473	3,111,482
Rentals	267,317	257,011	290,000							
Miscellaneous	87,875	66,419	33,430	377,583	319,247	421,701	326,528	256,121	303,996	403,285
Total	\$ 37,005,950	\$ 33,893,061	\$ 34,863,972	\$ 34,853,489	\$ 40,287,404	\$ 39,393,535	\$ 32,466,456	\$ 37,710,929	\$ 38,660,087	\$ 38,903,087

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
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%
2019	369,811	24,534,371,173	66,343	3.70%
2020	367,430	25,479,065,920	69,344	3.20%

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction:										
Special Education	109.8	111.7	254.2	234.9	234.5	232.7	220.8	216.4	222.6	214.0
Support Services:										
Student and Instruction Related Services	250.0	250.4	76.5	73.4	76.8	76.6	74.9	74.4	80.9	84.4
General Administration	4.0	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
School Administrative Services	15.9	20.5	14.0	13.0	14.0	13.0	13.0	13.0	13.0	13.0
Other Administrative Services	5.0	5.0	4.0	3.5	3.5	3.6	3.5	3.2	3.0	4.0
Central Services	35.6	31.5	32.0	29.6	34.0	33.8	32.5	27.4	26.8	26.7
Total	420.2	423.1	381.7	355.4	363.8	360.7	345.7	335.4	347.3	343.1

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
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	40,140,540	59,415	1.47%	235	2.88	675.60	606.90	1.21%	89.83%
2015	682.60	40,140,540	58,805	-1.03%	235	2.90	682.60	616.70	1.04%	90.35%
2016	627.04	41,839,567	66,726	13.47%	233	2.69	627.04	562.59	-8.14%	89.72%
2017	579.09	41,839,567	72,251	8.28%	216	2.68	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%
2019	555.99	42,314,457	76,107	2.26%	223	2.48	556.00	496.45	-1.22%	89.29%
2020	560.00	45,720,408	81,644	7.28%	214	2.61	520.15	483.34	-6.45%	92.92%

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	141	141	125	139	128	114	88	101	92	90
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	242	208	205	186	213	219	201	185	205	207
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	319	319
Enrollment	271	279	278	265	279	275	263	293	259	252
Other:										
Regional Day School (1984)										
Square Feet	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411	25,411
Capacity (Students)	60	60	60	60	60	60	60	60	60	60
Enrollment	47	42	46	45	32	12	9	9	11	11

Number of Schools at June 30, 2020
 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
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
2019	26,221	20,940	25,294	9,822	82,277
2020	21,062	20,735	25,288	11,929	79,014
Total School Facilities	\$ 291,680	\$ 246,570	\$ 295,652	\$ 118,560	\$ 952,462

Source: District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2020
 UNAUDITED

	Coverage	Deductible
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 175,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	20,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	20,000,000	
Pollution Legal Liability	3,000,000	25,000
Mold		100,000
Cyber Liability	15,000,000	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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2021.

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) as a basis for designing 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 financial statements. 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

January 27, 2021
Florham Park, 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, 2020. 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 our 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 of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

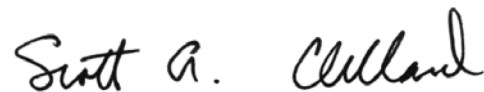
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

January 27, 2021
Florham Park, New Jersey

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFTA Number	Federal Award Identification Number	Program or Award Amount	Grant Period From To	Unearned Revenue	Balance, June 30, 2019 (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year's Balances	(Accounts Receivable)	Balance, June 30, 2020 Unearned Revenue	Due to Grantor
U.S. Department of Health and Human Services - Passed - Through State Department of Education:														
General Fund:														
Medical Assistance Program - SEVI Program	93.778	200NUSMAP	\$ 402,755	07/01/19 06/30/20				\$ 402,755	\$ (402,755)					
Total General Fund			\$ 402,755					\$ 402,755	\$ (402,755)					
U.S. Department of Labor - Passed - Through N.J. Department of Labor:														
Special Revenue Fund:														
Employment Transition Services	84.126A	Not Available	28,405	04/01/19 03/31/20		\$ (196)		19,837	(19,641)					
Total Special Revenue Fund			28,405			\$ (196)		19,837	(19,641)					
U.S. Department of Agriculture:														
Pass-Through State Department of Agriculture:														
Enterprise Fund:														
Child Nutrition Program Cluster:														
School Breakfast Program	10.553	20INJ04N1099	90,082	07/01/19 06/30/20				90,082	(90,082)					
School Breakfast Program	10.553	19INJ04N1099	143,419	07/01/18 06/30/19		(27,835)		27,835						
COVID-19 Unanticipated School Closures 2019-20	10.553	20INJ04N1099	9,384	07/01/19 06/30/20				3,212	(9,984)		\$ (6,772)			
National School Lunch Program	10.555	19INJ04N1099	278,099	07/01/18 06/30/19		(53,341)		5,726						
National School Lunch Program	10.555	20INJ04N1099	187,246	07/01/19 06/30/20				187,029	(187,246)		(217)			
COVID-19 Unanticipated School Closures 2019-20	10.555	20INJ04N1099	13,885	07/01/19 06/30/20				5,059	(14,685)		(10,626)			
Food Donation Program (NC)	10.553	19INJ04N1099	35,569	07/01/18 06/30/19				36,868	(30,907)					
Food Donation Program (NC)	10.553	20INJ04N1099	36,868	07/01/19 06/30/20		(81,176)		403,426	(338,571)			\$ 5,961		
Total Child Nutrition Program Cluster and Enterprise Fund								\$ 4,667	\$ (81,176)			\$ (17,615)	\$ 5,961	
U.S. Department of Labor:														
Pass-Through State Department of Labor and Workforce Development:														
Unemployment Compensation Trust Fund:														
COVID-19 Unemployment Relief	17.000	Not Available	20,392	04/01/20 06/30/20				20,392	(20,392)					
Total Expenditures of Federal Awards			\$ 402,755			\$ (196)		\$ 402,755	\$ (402,755)			\$ (17,615)	\$ 5,961	
NC - non-cash expenditures								\$ 886,410	\$ (781,359)			\$ (17,615)	\$ 5,961	

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
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year ended June 30, 2020

State Grants/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2019		Cash Received	Budgetary Expenditures	Adjustments	Reversions of Prior Years Balance	Balance, June 30, 2020		Memo
			From	To	Unexpended Revenue	Due to Grantor					Unexpended Revenue	Due to Grantor	
State Department of Education													
General Fund:													
On-Behalf TPAF Pension Contributions	495-034-5995-002	\$ 3,062,399	07/01/19	06/30/20			\$ 3,062,399	\$ (3,062,399)			\$ -	\$ -	\$ (3,062,399)
On-Behalf TPAF Post Retirement Medical Contributions - Insurance	495-034-5995-001	1,136,094	07/01/19	06/30/20			1,136,094	(1,136,094)					(1,136,094)
On-Behalf TPAF Non-contributor - Insurance	495-034-5995-004	1,935	07/01/19	06/30/20			1,935	(1,935)					(1,935)
Reimbursed TPAF Social Security Contributions	495-034-5994-003	1,018,976	07/01/18	06/30/19			49,861						
Reimbursed TPAF Social Security Contributions	495-034-5994-003	1,125,426	07/01/19	06/30/20			1,071,139	(1,135,426)			\$ (54,287)	\$ -	(1,175,426)
Total General Fund					\$ (49,861)		\$ (2,921,428)	\$ (5,325,854)			\$ (54,287)	\$ -	\$ (5,380,141)
State Department of Health													
Social Revenue Fund:													
Care Management - SCIS	4571-128-0146-2080	208,600	07/01/19	06/30/20			165,727	(208,000)			(42,673)	\$ -	(208,000)
Care Management - SCIS	4572-128-0146-2080	198,962	07/01/18	06/30/19			18,687						
Early Warning Detection and Intervention (EWDI)	DFHS17EHD002	30,482	04/01/19	03/31/20			46,679	(40,292)			(13,411)	\$ -	(40,292)
Early Warning Detection and Intervention (EWDI)	DFHS18EHD002	33,233	04/01/20	03/31/21			230,033	(231,633)			(46,031)	\$ -	(231,633)
Total Social Revenue Fund													
State Department of Agriculture													
Enterprise Fund:													
COVID-19 Unanticipated School Closures 2019-20	100-010-3356-023	252	07/01/19	06/30/20			81	(252)			(171)	\$ -	(252)
State School Lunch Program	100-010-3356-023	2,200	07/01/19	06/30/20			3,649	(3,627)				\$ -	(3,627)
State School Lunch Program	100-010-3356-023	2,506	07/01/18	06/30/19			1,639					\$ -	
Total Enterprise Fund							\$ 4,727	\$ (3,879)			(171)	\$ -	(3,879)
Total State Financial Assistance													
					\$ (75,984)		\$ 5,566,878	\$ (5,981,366)			\$ (100,472)	\$ -	\$ (5,981,838)
State Financial Assistance Not Subject to Single Audit Determination:													
On-Behalf TPAF Pension Contributions	495-034-5995-002	3,062,399	07/01/19	06/30/20			3,062,399	(3,062,399)					(3,062,399)
On-Behalf TPAF Post Retirement Medical Contributions - Insurance	495-034-5995-001	1,136,094	07/01/19	06/30/20			1,136,094	(1,136,094)					(1,136,094)
On-Behalf TPAF Non-contributor - Insurance	495-034-5995-004	1,935	07/01/19	06/30/20			1,935	(1,935)					(1,935)
Total State Financial Assistance Subject to Single Audit Determination							\$ 1,356,429	\$ (1,380,938)			\$ (100,472)	\$ -	\$ (1,380,938)

Mercer County Special Services School District

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

Year ended June 30, 2020

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal award and state financial assistance activity under programs of the federal and state government for the year ended June 30, 2020. The District is defined in Note 1 to the District'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.

The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements. Because the schedules present only selected portions of the operations of the District, they are not intended to and do not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies

The expenditures reported on the accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and New Jersey OMB Circular 15-08, wherein certain types of expenditures are allowable or are limited as to reimbursement. These bases of accounting are described in Note 1 to the District's basic financial statements.

Mercer County Special Services School District

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

Year ended June 30, 2020

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.

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.

Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ 402,755	\$ 5,325,854	\$ 5,728,609
Special Revenue Fund	19,641	251,633	271,274
Food Service Enterprise Fund	338,571	3,879	342,450
Unemployment Trust Fund	20,392		20,392
Total award revenues	<u>\$ 781,359</u>	<u>\$ 5,581,366</u>	<u>\$ 6,362,725</u>

4. Relationship to Federal and State Financial Reports

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

Mercer County Special Services School District

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

Year ended June 30, 2020

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, 2020.

The post retirement pension and medical benefits and insurance received on-behalf of the District for the year ended June 30, 2020, amounted to \$4,200,428. 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 Cost Rate

The District has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

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>
93.778	2005NJ5MAP	Medical Assistance Program Cluster

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, 2020

Part I - Summary of Auditors' Results (continued)

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:

GMIS/Program Number	Name of State Program or Cluster
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

Year ended June 30, 2020

Part II – Schedule of Financial Statement Findings

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

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

Year ended June 30, 2020

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

No federal award or state financial assistance program internal control over compliance or compliance findings or questioned costs were noted that are required to be reported in accordance with 2 CFR 200 Section 516(a) or New Jersey State OMB Circular 15-08.

Mercer County Special Services School District
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2020

Not applicable as there were no prior year audit findings identified.