



County of Mercer
Board of Education
New Jersey

*Annual Comprehensive Financial Report
For the Year Ended
June 30, 2022*

Mercer County Special Services School District

**Mercer County Special Services School District
Hamilton
Mercer County, New Jersey**

Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Prepared by
Business Office

Mercer County Special Services School District

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Introductory Section



Matthew C. Carey
Superintendent

Deborah Donnelly
School Business Administrator/Board Secretary

March 7, 2023

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 Annual Comprehensive Financial Report of the Mercer County Special Services School District (“District”) for the fiscal year ended June 30, 2022, 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, and each major fund at June 30, 2022, 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 Annual Comprehensive 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 2022 fiscal year with an average daily enrollment of 459.4 students, which is 33.1 students less than the previous year’s average daily enrollment. The following details the changes in the average daily enrollment of the District over the last ten (10) years.

<u>Fiscal</u> <u>Year Ending</u>	<u>Average Daily Enrollment</u> <u>Enrollment</u>	<u>Percent</u> <u>Change</u>
2021-2022	459.4	(6.72)%
2020-2021	492.5	(5.32)%
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)%

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

The district continues to increase staff professional development in de-escalation and verbal intervention utilizing CPI Nonviolent Crisis Intervention training. Furthermore, the district continues to transition to the Frontline IEP platform for IEP development, communication with sending districts, and compliance. The district is committed to continuing training for staff to ensure the platform is utilized to its fullest capacity. Lastly, a major initiative for MCSSSD is to review and assess current board approved curriculums.

The District’s buildings range in age from 17 years to 38 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, HVAC unit upgrades and other site improvements. In the upcoming school year, the district plans to construct a maintenance garage for storage of district vehicles, equipment and supplies and repair and upgrade the existing playgrounds.

3) ECONOMY AND ECONOMIC OUTLOOK:

Mercer County is home to a wide range of industries including education, health, and social services. The top five industries, based on the number of employees, include: Government; Professional, Scientific, and Technical Services; Health Care and Social Assistance; Educational Services; and Retail Trade.

The county’s unemployment rate was 3.1% in June 2022, which is slightly lower than the national average of 3.6%. The overall Mercer County labor force is expected to increase by 8.25% from 2019 to 2034. Future job growth for the county 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 leaders with an anticipated gain of 7,800 jobs or 31.9 percent.

2

The District had an decrease in enrollment during the 2021-2022 school year. The District cannot accurately forecast future enrollment. While the District does not anticipate a significant change in enrollment for the 2022-2023 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 2021-22 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 adequate internal controls are 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, 2022.

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, 2022.

8) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of PKF O'Connor Davies, 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 annual comprehensive financial report for the fiscal years ended June 30, 2012 through 2021 and was granted the award. In order to be awarded this certificate, the District published an

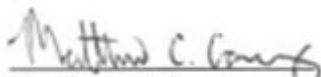
easily readable and efficiently organized annual comprehensive financial report and satisfied both generally accepted accounting principles and applicable legal requirements.

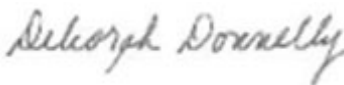
We believe that our current annual comprehensive financial report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2021-2022 award.

9) ACKNOWLEDGEMENTS:

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

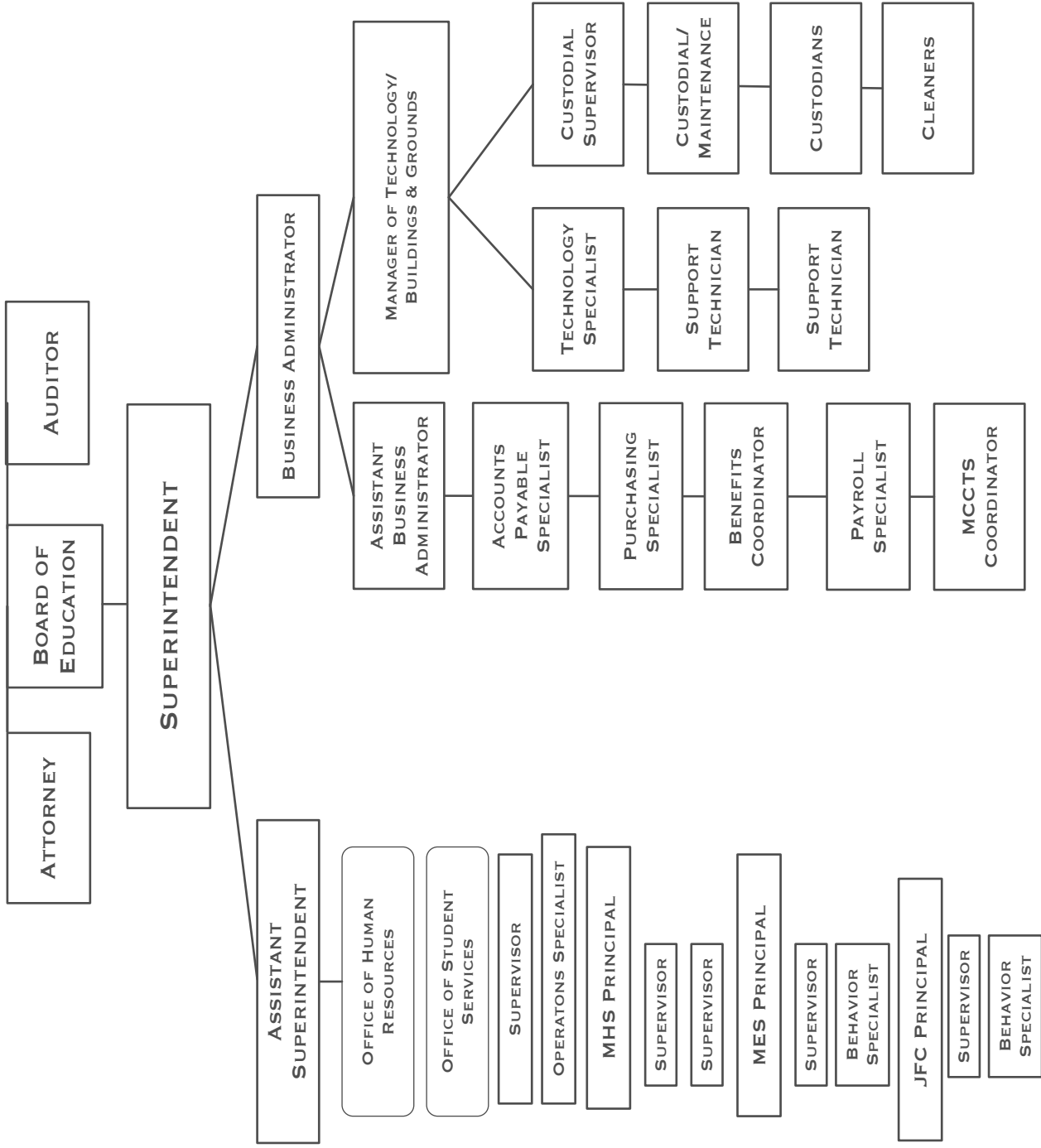
Respectfully Submitted,


Matthew C. Carey
Superintendent



Deborah Donnelly
School Business Administrator/Board Secretary

Mercer County Special Services School District
 Organizational Chart
 2021-2022



Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2022

	Term Expires
<u>Members of the Board of Education</u>	
Stacy Morgan Santo, President	2023
Lisa Vena, Vice President	2022
Jan Lewis	2023
Gerald Stockman	2023
Kimberly Smith	2024
Dr. David Angwenyi	2025
Yasmin Hernandez-Manno, Interim Executive County Superintendent (Ex-Officio)	Through 4/2022
Roger Jinks, Interim County Superintendent of Schools (Ex-Officio)	4/2022-5/2022
Dr. Daryl Minus-Vincent, Interim Executive County Superintendent (Ex-Officio)	Began 5/2022
<u>Other Officials</u>	
Dr. James Fazzino, Interim Superintendent of Schools	Ended 6/30/22
Dr. Matthew Carey, Superintendent	Began 7/1/22
Deborah Donnelly, Business Administrator/ Board Secretary	
Ashlee Caldwell, 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

PKF O'Connor Davies, LLP
20 Commerce Drive, Suite 301
Cranford, New Jersey 07016

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 Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2021.**

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.



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

William A. Sutter
President

A handwritten signature in black ink, appearing to read '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**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the of the Mercer County Special Services School District, County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 (Government Auditing Standards). Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal

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**Honorable President and
Members of the Board of Education
Mercer County Special Services School District**

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control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

**Honorable President and
Members of the Board of Education
Mercer County Special Services School District**

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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, 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, are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining and individual fund financial statements, and the schedules of expenditures of federal awards and state

**Honorable President and
Members of the Board of Education
Mercer County Special Services School District**

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financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report for the year ended June 30, 2022. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2023 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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
March 7, 2023

Scott A. Clelland

Scott A. Clelland, CPA
Licensed Public School Accountant, No. 1049

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, 2022

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, 2022. 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 2021-2022 fiscal year include the following:

- The District's average daily enrollment decreased 6.72% from 492.5 in 2021 to 459.4 in 2022.
- The District's governmental activities net position increased \$4,588,659 or 28.15% primarily due to the increase in state sources from TPAF pension contributions in FY 22.
- The District followed the requirements of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2022 fiscal year resulting in the recording of additional revenue and expense in the amount of \$4,218,796 related to post-employment health benefits.

Using this Annual Comprehensive Financial Report (ACFR)

This ACFR 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 ACFR 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 2021/22?" 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 2021-22 Annual Comprehensive 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 two categories: governmental funds and proprietary 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 \$6,775,590 while total fund balance was \$10,947,427. 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 14.9% of the total general fund expenditures while total fund balance represents 24.1% of that same amount. During the current fiscal year, the fund balance of the District's general fund balance increased by \$1,288,103. The increase in fund balance is primarily attributable to the increase in revenue from tuition.

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 \$156,095 in state financial assistance, \$249,555 in federal awards and \$217,867 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 \$309,380, which was expenditures for piping and unit ventilators for the Alfred Reed School.

Enterprise Funds

The District maintains seven (7) 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, 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.

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 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 2022 and 2021:

**Net Position
June 30, 2022 and 2021**

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 11,479,372	\$ 10,098,096	\$ 677,297	\$ 364,664	\$ 12,156,669	\$ 10,462,760
Capital assets, net	32,509,238	33,180,748	166,897	187,835	32,676,135	33,368,583
Total assets	43,988,610	43,278,844	844,194	552,499	44,832,804	43,831,343
Deferred Outflow of Resources	1,378,298	2,565,052			1,378,298	2,565,052
Current liabilities and other	1,826,299	1,721,513	96,099	18,606	1,922,398	1,740,119
Net pension liability	11,602,945	16,715,885			11,602,945	16,715,885
Long-term liabilities	1,496,160	1,922,716			1,496,160	1,922,716
Total liabilities	14,925,404	20,360,114	96,099	18,606	15,021,503	20,378,720
Deferred Inflow of Resources	9,553,248	9,184,185			9,553,248	9,184,185
Net position:						
Investment in Capital Assets	32,509,238	33,180,748	166,897	187,835	32,676,135	33,368,583
Restricted	4,088,893	4,994,066			4,088,893	4,994,066
Unrestricted (deficit)	(15,709,875)	(21,875,217)	581,198	346,058	(15,128,677)	(21,529,159)
Total net position	\$ 20,888,256	\$ 16,299,597	\$ 748,095	\$ 533,893	\$ 21,636,351	\$ 16,833,490

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 by \$1,693,909 of which \$457,781 is attributed to an increase in cash and cash equivalents and \$120,425 is attributed to a increase in accounts receivable. This increase in cash and cash equivalents and accounts receivable is mostly a result of a increase in transportation revenue for the District. Accounts payable increased by 115,980 and 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 increased by \$4,802,861, or 28% due to the increase in revenues for all Enterprise funds, notably Mercer Cooperative Transportation System and Special Aides. Additionally, the increase in governmental revenues and net pension liability contributed to the increase in the net position of the District.

The following table provides a comparison analysis of government-wide changes in net position from fiscal years 2022 and 2021:

Changes in Net Position Years ended June 30, 2022 and 2021

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 34,375,834	\$ 32,424,239	\$ 11,976,468	\$ 6,096,669	\$ 46,352,302	\$ 38,520,908
Operating grants and contributions	623,517	518,853	786,786	358,535	1,410,303	877,388
Capital grants and contributions	309,380	58,815			309,380	58,815
General revenues:						
County Appropriation	3,173,712	3,111,482			3,173,712	3,111,482
Nonresident Fees	158,784	118,800			158,784	118,800
State and Federal Sources	9,823,682	12,017,551			9,823,682	12,017,551
Interest Earnings	6,356	4,506	15	16	6,371	4,522
Miscellaneous	381,850	382,367			381,850	382,367
Total revenues	48,853,115	48,636,613	12,763,269	6,455,220	61,616,384	55,091,833
Expenses:						
Instructional services	24,880,685	28,161,065	2,413,121	2,035,875	27,293,806	30,196,940
Support services	19,383,771	21,749,824	9,430,610	4,112,822	28,814,381	25,862,646
Operation of non-instructional services			705,336	276,547	705,336	276,547
Total expenses	44,264,456	49,910,889	12,549,067	6,425,244	56,813,523	56,336,133
Change in net position before transfer	4,588,659	(1,274,276)	214,202	29,976	4,802,861	(1,244,300)
Transfers	-	55,000		(55,000)		
Change in net position	4,588,659	(1,219,276)	214,202	(25,024)	4,802,861	(1,244,300)
Net position – Beginning	16,299,597	17,518,873	533,893	558,917	16,833,490	18,077,790
Net position – Ending	\$ 20,888,256	\$ 16,299,597	\$ 748,095	\$ 533,893	\$ 21,636,351	\$ 16,833,490

Governmental-type Activities

At June 30, 2022, Governmental-Type Activities net position accounted for 96.5% of the District's total net position.

The Governmental-Type Activities net position increased \$4,588,659 from \$16,299,597 at June 30, 2021 to \$20,888,256 at June 30, 2022, mostly as a result of an increase in revenues.

Program revenues and instructional and support services increased due to a return to normal enrollment levels after COVID.

In FY 2022, Governmental-Type Activities revenues were \$44,648,547 or 77.7% of total revenues, of which the County Appropriation of \$3,173,712 made up 5.5%, and Tuition from LEA's of \$31,091,625 made up 54.1%.

In FY 2022, the District's Governmental-Type Activities expenses were \$40,059,888 compared to \$49,910,889 for FY 2021, a decrease of \$9,851,001. This is primarily attributable to a decrease in special education and student and instruction related services.

Business-type Activities

At June 30, 2022, Business-Type Activities net position accounted for 3.4% of the District's total net position.

Business-Type Activities net position increased \$214,202 from \$533,893 at June 30, 2021 to \$748,095 at June 30, 2022.

In FY 2022, Business-Type Activities revenues were \$12,763,269. Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$12,763,254 in FY 2022 compared to \$6,455,204 in FY 2021, a 98.6% increase, which is largely attributable to the Mercer Cooperative Transportation System program. The Mercer Cooperative Transportation System experienced an increase in operations due to the ending of remote instruction after the COVID-19 pandemic.

Expenses for Business-Type Activities were \$12,549,067 in FY 2022 compared to \$6,425,244 in FY 2021, a 95.3% increase. The increase was mainly related to an increase 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, 2022, and the amount and percentage of increases in relation to prior year revenues.

**Revenues
Year Ended June 30, 2022**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase From 2021</u>	<u>Percent of Increase From 2021</u>
Local sources	\$ 38,317,714	81.1%	\$ 2,047,010	5.6%
State sources	8,298,207	17.6%	1,915,544	30.0%
Federal sources	620,008	1.3%	157,021	33.9%
Total	\$ 47,235,929	100.0%	\$ 4,119,575	9.6%

The increase in local sources is mainly attributed to a increase in tuition 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 increased due to COVID-19 grant awards.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2022, and the amounts and percentage of increases and decreases in relation to prior year expenditures.

**Expenditures
Year Ended June 30, 2022**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) Increase From 2021</u>	<u>Percent (Decrease) Increase From 2021</u>
Current:				
Instruction	\$ 14,678,753	31.95%	\$ 337,978	2.4%
Support services	30,801,358	67.04%	1,040,019	3.5%
Capital outlay	461,865	1.01%	(203,907)	-30.6%
Debt service	-	0.00%	(12,094)	-100.0%
Total	\$ 45,941,976	100.0%	\$ 1,161,996	2.6%

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 decrease in capital outlay is mainly due to a decrease in capital equipment purchases in the current year.

General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Throughout the year, budget transfers were effectuated between budget accounts to realign the FY 2022 budget to meet the District's needs. The final budgetary basis revenue estimate was \$38,841,330, which was \$119,793 less than the original budget estimate, attributed to lower enrollment for the extended school year program than initially estimated.

The District received \$8,142,112 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 \$40,814,622, which was \$68,499 more than the original budget estimate, mainly due to the increase in appropriations related to the extended school year program offset by appropriations carried over from the prior year related to construction services.

A schedule showing the District's original and final budget compared with actual operating results is provided in Section C of the ACFR, 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 \$371,030 less than what was budgeted in terms of revenues and \$3,616,198 better in terms of expenditures before the adjustment for \$8,142,112 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 2022 and 2021, the District had \$32,509,238 and \$33,180,748, 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 depreciation of depreciable assets for the year. The table below shows the net book value of governmental activities capital assets at the end of 2022 and 2021 fiscal years:

Capital Assets (Net of Depreciation)

	<u>2022</u>	<u>2021</u>
Construction in Progress	\$ 1,772,391	\$ 1,047,766
Site Improvements	254,018	280,480
Buildings and Building Improvements	28,946,237	30,122,630
Machinery and Equipment	1,536,592	1,729,872
Total	<u>\$ 32,509,238</u>	<u>\$ 33,180,748</u>

During the current fiscal year, \$773,745 of capital assets were capitalized as additions, of which \$724,625 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, 2022 and 2021 in the amount of \$166,897 and \$187,835, respectively.

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

Debt Administration

At June 30, 2022, the District had \$13,289,866 of outstanding long-term liabilities. Of this amount, \$11,602,945 represents the District's net pension liability and \$1,686,921 is for compensated absences. 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 2021-22 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 2022-23 budget was adopted on March 31, 2022. The District anticipates a slight increase in enrollment for the 2022-23 fiscal year. The District cannot accurately forecast future enrollment. If the District were to experience a significant decrease in enrollment with no appreciable increase in the County Tax Levy for future budgets, the District will be faced with the following alternatives: (a) limiting programs and services; (b) increasing tuition rates for the sending districts; or (c) increasing other related fees.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Matthew C. Carey, 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, 2022.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 8,483,004	\$ 672,601	\$ 9,155,605
Internal Balances	2,502,352	(2,502,352)	-
Accounts Receivable	494,016	2,478,951	2,972,967
Inventories		28,097	28,097
Capital Assets, Non-Depreciable	1,772,391		1,772,391
Capital Assets, Depreciable, Net	30,736,847	166,897	30,903,744
Total Assets	43,988,610	844,194	44,832,804
Deferred Outflow of Resources			
Pension deferrals	1,378,298		1,378,298
	1,378,298		1,378,298
Liabilities			
Accounts Payable	1,594,105	57,608	1,651,713
Accrued Liabilities		26,730	26,730
Unearned Revenue	41,433	11,761	53,194
Noncurrent Liabilities:			
Due Within One Year	190,761		190,761
Due Beyond One Year	1,496,160		1,496,160
Net Pension Liability	11,602,945		11,602,945
Total Liabilities	14,925,404	96,099	15,021,503
Deferred Inflow of Resources			
Pension deferrals	9,553,248		9,553,248
	9,553,248		9,553,248
Net Position			
Investment in Capital Assets	32,509,238	166,897	32,676,135
Restricted For:			
Capital reserve	3,907,828		3,907,828
Unemployment Reserve	149,781		149,781
Scholarships	6,162		6,162
Student Activities	25,122		25,122
Unrestricted (deficit)	(15,709,875)	581,198	(15,128,677)
Total Net Position	\$ 20,888,256	\$ 748,095	\$ 21,636,351

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Special Education	\$ 24,786,442	\$ 23,071,564			\$ (1,714,878)	\$	\$ (1,714,878)
School Sponsors/Other Instructional Support Services:	94,243				(94,243)		(94,243)
Student and Instruction Related Services	12,144,501	11,304,270	\$ 623,517		(216,714)		(216,714)
General Administrative Services	352,883				(352,883)		(352,883)
School Administrative Services	1,762,369				(1,762,369)		(1,762,369)
Central Administrative Services	1,104,187				(1,104,187)		(1,104,187)
Administrative Information Technology	586,811				(586,811)		(586,811)
Plant Operations and Maintenance	3,378,734		\$ 309,380		(3,069,354)		(3,069,354)
Pupil Transportation	54,286				(54,286)		(54,286)
Total Governmental Activities	44,264,456	34,375,834	623,517	309,380	(8,955,725)		(8,955,725)
Business-type Activities:							
Food Service	649,137	55,729	786,786		\$ 193,378		193,378
Mercer Cooperative Transportation System	8,152,135	8,227,133			74,998		74,998
NJ State Regional Day School	272,600	267,928			(4,672)		(4,672)
Community Resources	36,570	30,578			(5,992)		(5,992)
Special Aides	3,382,426	3,352,141			(30,285)		(30,285)
Clinic Parent	7,675	4,211			(3,464)		(3,464)
Chuck's Place	48,524	38,748			(9,776)		(9,776)
Total Business-type Activities	12,549,067	11,976,468	786,786		214,187		214,187
Total Primary Government	\$ 56,813,523	\$ 46,352,302	\$ 1,410,303	\$ 309,380	(8,955,725)	214,187	(8,741,538)

General Revenues:

County appropriation/taxes	3,173,712						3,173,712
Nonresident Fees	158,784						158,784
State and Federal Sources	9,823,682						9,823,682
Interest Earnings	6,356				15		6,371
Miscellaneous	381,850						381,850
Total General Revenues	13,544,384				15		13,544,399
Change in net position	4,588,659				214,202		4,802,861
Net Position - Beginning	16,299,597				533,893		16,833,490
Net Position - Ending	\$ 20,888,256	\$ 748,095				\$	\$ 21,636,351

See accompanying notes to the basic financial statements.

Fund Financial Statements

Governmental Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2022

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 8,451,720	\$ 31,284		\$ 8,483,004
Interfund Receivable	2,577,660			2,577,660
Accounts Receivable:				
State	51,981	12,966		64,947
Federal	80,054	50,465		130,519
Other	254,152	30,918	\$ 13,480	298,550
Total Assets	<u>\$ 11,415,567</u>	<u>\$ 125,633</u>	<u>\$ 13,480</u>	<u>\$ 11,554,680</u>
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable		\$ 61,828	\$ 13,480	\$ 75,308
Accounts Payable	\$ 185,810	26,171		211,981
Payroll Deductions and Withholdings Payable	225,516			225,516
Unemployment Compensation Claims	16,362			16,362
Unearned Revenue	40,452	981		41,433
Other Liabilities		5,369		5,369
Total Liabilities	<u>468,140</u>	<u>94,349</u>	<u>13,480</u>	<u>575,969</u>
Fund Balances:				
Restricted for:				
Capital Reserve	3,907,828			3,907,828
Unemployment Compensation Reserve	149,781			149,781
Scholarships		6,162		6,162
Student Activities		25,122		25,122
Assigned to:				
Other Purposes	114,228			114,228
Unassigned	6,775,590			6,775,590
Total Fund Balances	<u>10,947,427</u>	<u>31,284</u>		<u>10,978,711</u>
Total Liabilities and Fund Balances	<u>\$ 11,415,567</u>	<u>\$ 125,633</u>	<u>\$ 13,480</u>	

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 \$61,292,119 and the accumulated depreciation is \$28,782,881 (See Note 4).	32,509,238
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(8,174,950)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(11,602,945)
Accrued pension contributions for the June 30, 2022 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.	(1,134,877)
Long-term liabilities, including compensated absences and financed purchase liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Fund (See Note 5).	<u>(1,686,921)</u>
Net Position of Governmental Activities	<u>\$ 20,888,256</u>

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2022

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 3,173,712			\$ 3,173,712
Tuition from Other Districts	31,091,625			31,091,625
Other Tuition	3,284,209			3,284,209
Non-Resident Fees	158,784			158,784
Interest	9,667			9,667
Miscellaneous	381,850	\$ 217,867	\$ 309,380	909,097
Total - Local Sources	38,099,847	217,867	309,380	38,627,094
State Sources	8,142,112	156,095		8,298,207
Federal Sources	370,453	249,555		620,008
Total Revenues	46,612,412	623,517	309,380	47,545,309
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	14,599,700			14,599,700
School Sponsored/Other Instructional	26,606	52,447		79,053
Support Services:				
Student and Instruction Related Services	6,897,042	565,220		7,462,262
General Administration	294,928			294,928
School Administration	1,043,026			1,043,026
Central Services	697,363			697,363
Administrative Information Technology	443,518			443,518
Plant Operations and Maintenance	2,464,202			2,464,202
Security	67,145			67,145
Pupil Transportation	51,555			51,555
Unallocated Benefits	10,135,247			10,135,247
On-behalf TPAF Benefits	8,142,112			8,142,112
Capital Outlay	461,865		309,380	771,245
Total Expenditures	45,324,309	617,667	309,380	46,251,356
Net change in fund balances	1,288,103	5,850	-	1,293,953
Fund Balance, July 1	9,659,324	25,434	-	9,684,758
Fund Balance, June 30	\$ 10,947,427	\$ 31,284	\$ -	\$ 10,978,711

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).

See accompanying notes to the basic financial statements.

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, 2022

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 1,293,953

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

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

Depreciation Expense	\$ (1,441,947)	
Capital Asset Additions	773,745	
Loss on disposal of assets	<u>(3,308)</u>	(671,510)

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. 3,569,284

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.

396,932

Change in Net Position of Governmental Activities (A-2) \$ 4,588,659

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2022

	Major Enterprise Funds							Totals
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Clinic Parent	Community Resources	Special Aides	Chuck's Place	
Assets								
Current Assets:								
Cash and Cash Equivalents	\$ 307,615			\$ 38,558	\$ 326,428		\$	672,601
Accounts Receivable:								
State	896							896
Federal	56,896							56,896
Other	6,208	\$ 1,841,050			4,717	\$ 569,184	\$	2,421,159
Inventories	25,561							28,097
Total Current Assets	397,176	1,841,050		38,558	331,145	569,184	2,536	3,179,649
Capital Assets								
Site Improvements			\$ 13,100					13,100
Equipment	172,360	6,937	55,930		73,224		14,430	322,881
Building and Building Improvements			298,823					298,823
Accumulated Depreciation	(172,058)	(2,891)	(212,515)		(69,246)		(11,197)	(467,907)
Total Capital Assets, Net	302	4,046	155,338		3,978		3,233	166,897
Total Assets	397,478	1,845,096	155,338	38,558	335,123	569,184	5,769	3,346,546
Liabilities								
Current:								
Interfund Payable		1,783,804	142,485			572,367	3,696	2,502,352
Accounts Payable	54,225	104	2,907			372		57,608
Accrued Liability						26,730		26,730
Unearned Revenue	11,761							11,761
Total Current Liabilities	65,986	1,783,908	145,392	-	-	599,469	3,696	2,598,451
Net Position								
Investment in Capital Assets								
Unrestricted (deficit)	302	4,046	155,338		3,978		3,233	166,897
Total Net Position	331,190	57,142	(145,392)	38,558	331,145	(30,285)	(1,160)	581,198
	\$ 331,492	\$ 61,188	\$ 9,946	\$ 38,558	\$ 335,123	\$ (30,285)	\$ 2,073	\$ 748,095

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2022

	Major Enterprise Funds							Totals
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Clinic Parent	Community Resources	Special Aides	Chuck's Place	
Operating Revenues:								
Local Sources								
Daily Sales - Reimbursable Programs	5,677							5,677
Daily Sales - Non-Reimbursable Programs	50,052							50,052
Special event income		8,227,133		4,211	30,578	3,352,141	38,748	8,227,133
Transportation Fees			267,928					267,928
Miscellaneous								3,425,678
Tuition			267,928	4,211	30,578	3,352,141	38,748	267,928
Total Operating Revenues	55,729	8,227,133	267,928	4,211	30,578	3,352,141	38,748	11,976,468
Operating Expenses:								
Salaries and Benefits	264,902	229,314	177,828	7,528	30,061	3,382,426		4,092,059
Purchased Professional/Technical Services		11,955						11,955
Cleaning, Repair and Maintenance							340	340
Contracted Services		7,872,781						7,872,781
Other Purchased Services	55,795		19,804					75,599
Insurance	5,243		3,000					8,243
Miscellaneous Purchased Services	1,055							1,055
Supplies and Materials	47,324	10,004	16,874		258		47,101	121,561
Energy	847		36,546					37,393
Telephone/Communications/Postage	2,475	1,716	4,922					9,113
Travel					957			957
Cost of Sales - Program	261,388							261,388
Miscellaneous	544	24,977		147			610	26,278
Other	9,407							9,407
Depreciation	157	1,388					473	20,938
Total Operating Expenses	649,137	8,152,135	272,600	7,675	36,570	3,382,426	48,524	12,549,067
Operating (Loss) Income	(593,408)	74,998	(4,672)	(3,464)	(5,992)	(30,285)	(9,776)	(572,599)
Nonoperating Revenues:								
Local Sources:								
Interest on Investments	15							15
Slate Sources:								
State School Lunch Program	12,239							12,239
Federal Sources:								
National School Lunch Program	495,087							495,087
School Breakfast Program	229,218							229,218
COVID-19 Pandemic Electronic Benefit Transfer	628							628
Food Donation Program	49,614							49,614
Total Nonoperating Revenues	786,801							786,801
Change in Net Position	193,393	74,998	(4,672)	(3,464)	(5,992)	(30,285)	(9,776)	214,202
Total Net Position (Deficit) - Beginning	138,099	(13,810)	14,618	42,022	341,115	-	11,849	533,893
Total Net Position (Deficit) - Ending	\$ 331,492	\$ 61,188	\$ 9,946	\$ 38,558	\$ 335,123	\$ (30,285)	\$ 2,073	\$ 748,095

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year ended June 30, 2022

	Major Enterprise Funds										Total
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Clinic Patient	Community Resources	Special Aides	Chuck's Place				
Cash Flows From Operating Activities:											
Receipts from Customers	\$ 55,729	\$ 7,264,459	\$ 287,928	\$ 4,211	\$ 27,153	\$ 3,461,078	\$ 38,748	\$	\$	\$	\$ 11,119,306
Payments to Employees	(206,597)	(146,293)	(160,676)	(7,798)	(30,061)	(2,252,445)					(2,803,870)
Payments for Employee Benefits	(58,305)	(83,021)	(17,152)		(1,129,981)						(1,288,459)
Payments to Suppliers	(331,407)	(7,922,857)	(83,638)	(147)	(1,216)	(428)	(45,780)				(9,385,475)
Net Cash (Used In) / Provided By Operating Activities	(540,580)	(887,712)	6,462	(3,734)	(4,124)	78,224	(7,032)				(1,358,496)
Cash Flows From Noncapital Financing Activities:											
Cash Received From State and Federal Reimbursements	851,833										851,833
Transfer out	(3,653)										(3,653)
Advances from other funds	848,180	887,712	(6,462)			(78,224)					803,026
Net Cash Provided By / (Used In) Noncapital Financing Activities		887,712	(6,462)			(78,224)					1,651,206
Cash Flows From Investing Activity-											
Interest Income	15										15
Net Cash Provided By Investing Activity	15										15
Net Increase (Decrease) in Cash and Cash Equivalents	307,615	-	-	(3,734)	(4,124)	-	(7,032)				292,725
Cash and Cash Equivalents, Beginning of Year	-	-	-	42,292	330,552	-	7,032				379,876
Cash and Cash Equivalents, End of Year	\$ 307,615	\$ -	\$ -	\$ 38,558	\$ 326,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 672,601
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:											
Operating (Loss) Income	\$ (593,408)	\$ 74,998	\$ (4,672)	\$ (3,464)	\$ (5,992)	\$ (30,285)	\$ (9,776)	\$	\$	\$	(572,599)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:											
Depreciation	157	1,388	13,626		5,294		473				20,938
Changes in Assets and Liabilities:											
(Increase) Decrease in Accounts Receivable	(1,023)	(962,674)			(3,426)	82,207	3,696				(881,220)
Increase in Inventory	(531)						(1,425)				(1,956)
Increase (Decrease) in Accounts Payable	54,225	(1,424)	(2,492)	(270)	26,302						76,341
Net Cash (Used In) / Provided By Operating Activities	(540,580)	(887,712)	6,462	(3,734)	(4,124)	78,224	(7,032)				(1,358,496)

Noncash Noncapital Financing Activities

The District received \$50,767 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2022.

See accompanying notes to the basic financial statements.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2022

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, 2022 of 459 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, 2022

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 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 and proprietary funds. 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 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 as they are both measurable and available. Revenues are considered to be available when

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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, 2022

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.

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.

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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a County is required to remit to the school district the entire balance of taxes in the amount certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The County Board of Taxation is responsible for the assessment of properties. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County Office for approval and are approved by the Board of School Estimate. Budgets are prepared using the modified accrual basis of accounting, except the Special Revenue Fund. The legal level of budgetary control is established at line-item accounts within each fund. Line -item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23.

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.

Except for student activity and scholarship funds, 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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, 2022, which have not been recorded, are not determinable.

G. Interfund Receivables/Payables

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

H. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expense during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market using the first-in, first-out (FIFO) and purchase method. At June 30, 2022, the unused U.S.D.A. Food Donation Program Commodities of \$11,761 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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

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, 2022, a liability existed for compensated absences in the government-wide financial statements in the amount of \$1,686,921 and no liability existed for compensated absences in the proprietary fund types.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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, 2022.

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

M. Long-Term Obligations

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

Bonds are authorized in accordance with State law by the County Commissioners 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

- Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
 - 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
 - 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
 - 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, 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 \$10,947,427 of fund balance in the General Fund, \$114,228 of encumbrances is assigned to other purposes, \$3,907,828 has been restricted in the capital reserve account, \$149,781 has been restricted in the unemployment compensation reserve, and the remaining \$6,775,590 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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.

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 decreased by \$4,246,372 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. 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 June 15, 2021. Management has reviewed the requirements of GASB Statement No. 87 and deemed the impact immaterial to the financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 99, *Omnibus 2022* in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 101, *Compensated Absences* in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. 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, 2022 through March 7, 2023, the date that the financial statements were available for issuance for possible disclosure and recognition in the financial statements.

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 are not due and payable in the current period and therefore are not reported in the funds. As of June 30, 2022, the net adjustment of \$1,686,921 to reduce fund balance – total governmental funds to arrive at net position – governmental activities is all related to compensated absences.

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 are 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

3. Deposits and Investments (continued)

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 funds in the State of New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

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

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

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

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

3. Deposits and Investments (continued)

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2022, the District's carrying amount of deposits was \$4,686,401 and the bank balance was \$5,716,927. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2022 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act. (GUDPA) covered the bank balance of \$5,194,117. \$272,810 held in the District's agency accounts are not covered by GUDPA.

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

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

Investments

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

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

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

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

3. Deposits and Investments (continued)

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2022, 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, 2022, other than in the New Jersey Cash Management Fund.

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund (“NJCMF”) as an investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The fair value of the District’s portion in the pool is the same as the fair value of the pool shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2022, the District’s balance was \$4,469,143 and is classified as cash equivalents due to its short-term nature.

All investments in the Fund are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. The debt instruments in the New Jersey Cash Management fund are rated by three national rating agencies.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2022:

	Beginning Balance	Increases	Transfers/ Dispositions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	\$ 1,047,766	\$ 724,625		\$ 1,772,391
Total capital assets, not being depreciated	1,047,766	724,625		1,772,391
Capital assets, being depreciated				
Site improvements	788,841			788,841
Buildings and building improvements	55,346,596			55,346,596
Machinery and equipment	3,339,063	49,120	\$ (3,892)	3,384,291
Total capital assets being depreciated	59,474,500	49,120	(3,892)	59,519,728
Less accumulated depreciation for:				
Site improvements	(508,361)	(26,462)		(534,823)
Buildings and building improvements	(25,223,966)	(1,176,393)		(26,400,359)
Machinery and equipment	(1,609,191)	(239,092)	584	(1,847,699)
Total accumulated depreciation	(27,341,518)	(1,441,947)	584	(28,782,881)
Total capital assets being depreciated, net	32,132,982	(1,392,827)	(3,308)	30,736,847
Governmental activities capital assets, net	<u>\$33,180,748</u>	<u>\$ (668,202)</u>	<u>\$ (3,308)</u>	<u>\$ 32,509,238</u>

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

Special education instruction	\$ 773,892
Other instructional program	4,190
Student and instruction related services	395,555
School administrative services	15,633
General administrative services	55,288
Central services	36,965
Administrative information technology	23,510
Plant operations and maintenance	134,180
Pupil transportation	2,734
	<u>\$ 1,441,947</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

4. Capital Assets (continued)

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2022:

	Beginning Balance	Increases	Ending Balance
Business-type activities			
Capital assets, being depreciated:			
Site Improvements	\$ 13,100		\$ 13,100
Equipment	322,881		322,881
Building and Building Improvements	298,823		298,823
Less accumulated depreciation	(446,969)	\$ (20,938)	(467,907)
Total business-type activities capital assets, net	<u>\$ 187,835</u>	<u>\$ (20,938)</u>	<u>\$ 166,897</u>

5. Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Reductions	Ending Balance	Due within One Year
Governmental activities:				
Compensated absences	\$ 2,083,853	\$ 396,932	\$ 1,686,921	\$ 190,761
Net pension liability	16,715,885	5,112,940	11,602,945	
Total governmental activities long-term liabilities	<u>\$ 18,799,738</u>	<u>\$ 5,509,872</u>	<u>\$ 13,289,866</u>	<u>\$ 190,761</u>

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

Bonds Payable and Bonds Authorized but Not Issued

As of June 30, 2022, the District had no bonds payable and no authorized but not issued bonds.

The gross amount of assets acquired under a financed purchase, included in equipment, totals \$66,872. Total payments, including interest, made during the year ended June 30, 2022 were \$12,094 which represented the final payment on the lease.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

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. District employees employed by the Enterprise Funds are not eligible for pension benefits. Employees in the Food Service Enterprise Fund are employees of the Food Service Management Company and therefore not eligible for pension benefits. Employees of the remaining Enterprise Funds are either part-time or stipend employees and are therefore not eligible for pension benefits.

Teachers' Pension and Annuity Fund

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

6. Pension Plans (continued)

Public Employees' Retirement System

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

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. 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, 2022, the State of New Jersey contributed \$7,087,918 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 \$1,054,194 during the year ended June 30, 2022 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

6. Pension Plans (continued)

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2022, 2021 and 2020 were \$1,147,039, \$1,121,355, and \$1,052,754, 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 Employees' Retirement System (PERS)

At June 30, 2022, the District reported a liability of \$11,602,945 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2020, which was rolled forward to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.0979440789 percent, which was a decrease of .0045609211 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized full accrual pension benefit of \$(2,422,246) in the government-wide financial statements. At June 30, 2022, 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
Changes of assumptions	\$ 60,428	\$ 4,130,723
Difference between expected and actual experience	182,993	83,063
Net difference between projected and actual earnings on pension plan investments		3,056,520
Changes in proportion and differences between District contributions and proportionate share of contributions		2,282,942
District contributions subsequent to the measurement date	1,134,877	
	<u>\$ 1,378,298</u>	<u>\$ 9,553,248</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

6. Pension Plans (continued)

\$1,134,877 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:		
2023	\$	(3,653,587)
2024		(2,667,170)
2025		(1,755,411)
2026		(1,212,886)
2027		(20,773)
	\$	<u>(9,309,827)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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, 2020 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

6. Pension Plans (continued)

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-2021.

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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	100.00%	

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine 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, 2021, 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	At 1% decrease (6.00%)	At current discount rate (7.00%)	At 1% increase (8.00%)
State's proportionate share of the net pension liability associated with the District	\$ 696,177	\$ 11,602,945	\$ 928,236
<i>Pension Plan Fiduciary Net Position</i>			

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, 2021 are as follows:

Deferred outflows of resources	\$ 1,164,738,169
Deferred inflows of resources	\$ 8,339,123,762
Net pension liability	\$11,972,782,878
District's Proportion	0.09794408%

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2020 is \$407,705,399.

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, 2021, 2020, 2019, 2018, 2017, and 2016 is 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 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, 2021 was \$63,641,398. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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, 2021, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1323788835 percent, which was a decrease of 0.00478525647 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized on-behalf pension benefit and revenue in the government-wide financial statements of \$4,246,372 for contributions incurred by the State.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

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-2021.

The actuarial assumptions used in the July 1, 2020 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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

6. Pension Plans (continued)

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real estate	8.00%	9.15%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 100% of the actuarially determined contributions for the State. 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. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments determining the total pension liability.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

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, 2021 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, 6.00 percent, or 1-percentage-point higher, 8.00 percent, than the current rate:

	At 1% decrease (6.00%)	At current discount rate (7.00%)	At 1% increase (8.00%)
State's proportionate share of the net pension liability associated with the District	\$ 56,988,413,045	\$ 48,165,991,182	\$ 40,755,711,186

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, 2021 are as follows:

Deferred outflows of resources	\$ 6,356,228,800
Deferred inflows of resources	\$27,175,330,929
Net pension liability	\$48,075,188,642
District's Proportion	0.0347143287%

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2021 is \$1,159,039,411.

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, 2021, 2020, 2019, 2018, 2017, 2016, and 2015 is 7.93, 8.04, 8.29, 8.30, 8.30 and 8.30, years, respectively.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

7. Post-Retirement Benefits

General Information about the OPEB Plan

The State Health Benefit State Retired Employees Plan (State Retired OPEB Plan) is a single-employer defined benefit OPEB plan with a special funding situation. The State Retired OPEB Plan 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. The State Retired OPEB Plan covers the State, State colleges and universities, the Palisades Interstate Park Commission, and the New Jersey Building Authority (referred to collectively as “the employers”) for which the State is legally obligated to pay for benefits. The State Retired OPEB Plan is treated as a cost-sharing multiple employer plan with a special funding situation for allocating the total OPEB liability and related OPEB amounts since each employer mentioned above is required to issue stand-alone financial statements. The State Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of the employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

In accordance with N.J.S.A. 52:14-17.32, the State is required to pay the premiums or periodic charges for health benefits of State employees who retire with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Judicial Retirement System (JRS), the State Police Retirement System (SPRS), the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen’s Retirement System (PFRS), and the Alternate Benefit Program (ABP). In addition, N.J.S.A. 52:14-17.26 provides that for purposes of the State Retired OPEB Plan, an employee of Rutgers, the State University of New Jersey, and New Jersey Institute of Technology shall be deemed to be an employee of the State. Further, P.L.1966, c.302, addresses the other State colleges and universities, whereas while these institutions were provided autonomy from the State, their employees retained any and all rights to health benefits within the State Retired OPEB Plan and are therefore classified as State employees.

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired OPEB Plan) is a multiple-employer defined benefit OPEB plan with a special funding situation. The Local Education Retired OPEB Plan 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. The Local Education Retired OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

7. Post-Retirement Benefits (continued)

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to this law, 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 on a disability pension from, one or more of the following plans: TPAF, PERS, PFRS, or ABP.

Pursuant to P.L.2011, c.78, future retirees eligible for postemployment 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 their health care coverage in retirement provided 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 benefit and level of coverage.

The State is legally required to pay for the OPEB benefit coverage for the participating local education employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. The State, as a non-employer contributing entity, reported a Fiscal Year 2021 total OPEB liability of \$67,809,962,608 for this special funding situation.

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, 2022, 2021 and 20120 were \$1,342,003, \$1,228,877, and \$1,136,094, respectively, which equaled the required contributions for each year.

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. 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.

Additional information on Pensions and OPEB can be accessed at state.nj.us/treasury/pensions/financial-reports.shtml.

Total OPEB Liability

The net OPEB liability from New Jersey's plan is \$60,007,650,970.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

7. Post-Retirement Benefits (continued)

Changes in Total Non-employer OPEB Liability

Below represents the changes in the District's total OPEB liability for the year ended June 30, 2022:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2020	\$ 137,767,761
Changes for the year:	
Service cost	4,848,617
Interest	3,104,055
Changes of benefit terms	(127,361)
Differences between expected and actual experiences	(23,687,322)
Changes in assumptions or other inputs	118,052
Member contributions	79,355
Benefit payments	<u>(2,445,126)</u>
Net changes	<u>(18,109,730)</u>
Ending Total OPEB Liability, June 30, 2021	<u>\$ 119,658,031</u>

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education Group</u>	<u>June 30, 2021</u>
Active Plan Members	213,901
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	150,427
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	<u>-</u>
Total Plan Members	<u>364,328</u>

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective 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, 2021 was \$119,658,031. Additional information can be obtained from the State of New Jersey's annual comprehensive financial report.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
 Year ended June 30, 2022

7. Post-Retirement Benefits (continued)

Actuarial assumptions and other inputs

The total non-employer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021 and included in the June 30, 2021 audited financial statements of the State Health Benefit Local Education Retired Employees Plan. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increases:		
Through 2026	1.55 - 4.45%	2.00 - 6.00%
	based on years of service	based on years of service
Thereafter	2.75 - 5.65 %	3.00 - 7.00%
	based on years of service	based on years of service

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-2021. 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-2021. 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-2021 for current disabled retirees. Future disabled retirees was based on the Pub-2010 "General" (PERS) and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2020 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.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
 Year ended June 30, 2022

7. Post-Retirement Benefits (continued)

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.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.50% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.50% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreases to 4.50% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

The following represents sensitivity of total non-employer OPEB liability to changes in the discount rate and health care cost rate

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2021 calculated using a 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 (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	At 1% decrease (1.16%)	At Current discount rate (2.16%)	At 1% increase (3.16%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 143,331,537	\$ 119,658,031	\$ 101,016,566

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

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2021 calculated using a healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

7. Post-Retirement Benefits (continued)

	At 1% decrease	At Healthcare Cost Trend Rate	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 96,863,565	\$ 119,658,031	\$ 150,269,314

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

For the year ended June 30, 2022, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$4,218,796 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2021 are as follows:

Deferred outflows of resource	\$ 21,546,947,255
Deferred inflows of resources	\$ 26,769,148,209
Collective OPEB Expense	\$ 3,527,672,060
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 Annual Comprehensive Financial Report.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2022

8. Risk Management (continued)

New Jersey Unemployment Compensation Insurance

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

The District's withholdings are recorded in the Unemployment Compensation Reserve in the general fund.

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 reserve 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>	<u>Ending Balance</u>
2021-2022	\$ 44,672	\$ -	\$ 91	\$ 105,626	\$ 149,781
2020-2021	40,148	-	27	25,017	210,644
2019-2020	48,466	20,392	664	39,111	195,486

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
- Educator's Legal Liability
- Environmental / 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

9. Deferred Compensation

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

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

The plan members' contributions to the deferred compensation plans for the years ended June 30, 2022, 2021 and 2020 were \$926,268, \$915,292, and \$1,028,143, 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, 2022:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,577,660	
Special Revenue Fund		\$ 61,828
Capital Projects Fund		13,480
Chucks Place Enterprise Fund		3,696
Regional Day School Enterprise Fund		142,485
Special Aides Enterprise Fund		572,367
Cooperative Transportation Enterprise Fund		1,783,804
	<u>\$ 2,577,660</u>	<u>\$ 2,577,660</u>

The interfund receivable of \$2,577,660 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$61,828, the Capital Projects Fund for \$13,480, the Chucks Place for \$3,696, the Regional Day School Enterprise Fund for \$142,485, the Special Aides Enterprise Fund for \$572,367, and the Cooperative Transportation Enterprise Fund for \$1,783,804, 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

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 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, 2022 may be impaired. As a result of the impact of COVID-19, the District has received funding under the Elementary and Secondary School Emergency Relief (ESSER) Fund and American Rescue Plan Elementary and Secondary School Emergency Relief Funds (ARP ESSER) . To the extent that the District has not complied with the rules and regulations governing the ESSER, money may be required to be returned. In the opinion of the District's management, there are no significant contingent liabilities relating to compliance with rules and regulations or final eligible cost requirements governing the respective grant 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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2022

13. Capital Reserve Account (continued)

The activity of the capital reserve for the July 1, 2021 to June 30, 2022 fiscal year is as follows:

Beginning balance July 1, 2021	\$ 4,757,988
Decreased by:	
Appropriated 21-22 capital projects	(885,000)
Increased by Deposits:	
Unspent capital outlay funds not utilized in 2021-22	25,646
Interest earned on capital reserve funds	9,194
Ending balance, June 30, 2022	<u>\$ 3,907,828</u>

Of the balance of \$3,907,828 at June 30, 2022, \$845,160 has been appropriated in the 2022-2023 approved budget. At June 30, 2022, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan. The District has contractual commitments at June 30, 2022 to various vendors, which are recorded in the General Fund as fund balance assigned to other purposes in the amount of \$114,228.

14. 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.

15. Deficit Fund Balance

The District had a deficit net position of \$30,285 in the Special Aids Enterprise Fund as of June 30, 2022 as reported in the fund financial statements. The District has instituted a plan to fund this deficit from the General Fund budget over the next year.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset) - Local Group	0.0979440789%	0.1025050000%	0.1082289623%	0.1135623000%	0.1159694392%	0.1171888494%	0.1180391368%	0.1179801087%	0.1186931975%	n/a
District's proportionate share of the net pension liability (asset)	\$ 11,605,945	\$ 16,715,885	\$ 19,501,217	\$ 22,359,851	\$ 26,995,832	\$ 34,707,976	\$ 26,497,421	\$ 22,089,103	\$ 22,684,628	n/a
District's covered-employee payroll	\$ 6,895,093	\$ 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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	168.32%	235.78%	263.78%	288.59%	342.33%	436.82%	334.30%	279.36%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,147,039	\$ 1,121,355	\$ 1,052,754	\$ 1,129,578	\$ 1,085,322	\$ 1,041,089	\$ 1,014,820	\$ 961,925	\$ 894,329	\$ 900,516
Contributions in relation to the contractually required contribution	(1,147,039)	(1,121,355)	(1,052,754)	(1,129,578)	(1,085,322)	(1,041,089)	(1,014,820)	(961,925)	(894,329)	(900,516)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,783,553	\$ 6,895,093	\$ 7,089,650	\$ 7,392,879	\$ 7,748,061	\$ 7,885,994	\$ 7,945,602	\$ 7,926,175	\$ 7,907,079	\$ 8,012,451
Contributions as a percentage of covered-employee payroll	16.91%	16.26%	14.85%	15.28%	14.01%	13.20%	12.77%	12.14%	12.17%	11.16%

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*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.1323788835%	0.1371614482%	0.1381661952%	0.1391269406%	0.1503884484%	0.1503926033%	0.1544821417%	0.1617187713%	0.1707681799%	N/A
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 63,641,388	\$ 90,319,163	\$ 84,793,898	\$ 88,509,571	\$ 101,397,315	\$ 118,308,555	\$ 97,639,310	\$ 86,433,420	\$ 86,304,685	N/A
Total proportionate share of the net pension liability (asset) associated with the District	\$ 63,641,388	\$ 90,319,163	\$ 84,793,898	\$ 88,509,571	\$ 101,397,315	\$ 118,308,555	\$ 97,639,310	\$ 86,433,420	\$ 86,304,685	N/A
Plan fiduciary net position as a percentage of the total pension liability	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%	N/A

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 Employees' Retirement System and Teachers' Pension and Annuity Fund
 Required Supplementary Information

Last Ten Fiscal Years*

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.20%	0.00%	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	\$ 119,658,031	\$ 137,767,761	\$ 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>\$ 119,658,031</u>	<u>\$ 137,767,761</u>	<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%	0.00%	0.00%
Total OPEB Liability						
Service cost	\$ 4,848,617	\$ 2,653,631	\$ 2,755,244	\$ 3,345,522	\$ 4,016,607	
Interest cost	3,104,055	3,016,982	3,772,750	4,207,559	3,634,183	
Changes in benefit terms	(127,361)					
Differences between expected and actual experiences	(23,687,322)	24,558,721	(16,550,550)	(13,491,681)	-	
Changes of assumptions	118,052	25,165,436	1,262,865	(11,014,339)	(14,440,870)	
Member contributions	79,355	72,696	77,071	88,703	98,434	
Gross benefit payments	(2,445,126)	(2,398,423)	(2,599,998)	(2,566,507)	(2,673,189)	
Net change in total OPEB liability	<u>(18,109,730)</u>	<u>53,069,043</u>	<u>(11,282,618)</u>	<u>(19,430,743)</u>	<u>(9,364,835)</u>	
Total OPEB liability - beginning	137,767,761	84,698,718	95,981,336	115,412,079	124,776,914	
Total OPEB liability - ending	<u>\$ 119,658,031</u>	<u>\$ 137,767,761</u>	<u>\$ 84,698,718</u>	<u>\$ 95,981,336</u>	<u>\$ 115,412,079</u>	
Covered-employee payroll	\$ 22,296,558	\$ 7,392,879	\$ 21,719,259	\$ 22,503,208	\$ 22,581,804	
Total OPEB liability as a percentage of covered-employee payroll	536.67%	1863.52%	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, 2022

1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION

Benefit Changes

There were none.

Changes of Assumptions

There were none.

2. TEACHERS' PENSION AND ANNUITY FUND - PENSION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.40% as of June 30, 2020 to 7.00% as of June 30, 2021.

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

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

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, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 3,173,712		\$ 3,173,712	\$ 3,173,712	
Tuition from other LEAs within the State	31,778,561		31,778,561	31,091,625	\$(686,936)
Tuition from other sources	3,241,750	\$(119,793)	3,121,957	3,284,209	162,252
Non-Resident Fees	95,000		95,000	158,784	63,784
Interest Earned on Capital Reserve Funds	2,500		2,500	9,194	6,694
Interest Earned - Other	2,000		2,000	473	\$(1,527)
Unemployment - Contributions				53,346	53,346
Unrestricted Miscellaneous Revenues	417,600		417,600	328,504	\$(89,096)
Total - Local Sources	38,711,123	\$(119,793)	38,591,330	38,099,847	\$(491,483)
State Sources:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				5,743,882	5,743,882
TPAF Post Retirement Medical				1,342,003	1,342,003
TPAF Non-contributory Insurance (On-Behalf, Non-Budgeted)				2,033	2,033
Reimbursed TPAF Social Security				1,054,194	1,054,194
Total State Sources				8,142,112	8,142,112
Federal Sources:					
COVID-19 - Non PPHF: Epidemiology and Lab Capacity - ARP LEA Testing				692	692
Medical Assistance Program	250,000		250,000	369,761	119,761
Total - Federal Sources	250,000		250,000	370,453	120,453
Total Revenues	38,961,123	\$(119,793)	38,841,330	46,612,412	7,771,082
EXPENDITURES:					
SPECIAL EDUCATION - INSTRUCTION					
Emotional Regulation Impairment					
Salaries of Teachers	445,085	49,416	494,501	491,512	2,989
Other Salaries for Instruction	242,955	9,398	252,353	217,977	34,376
Other Purchased Services	6,500	8,000	14,500	1,296	13,204
General Supplies	24,000	(2,000)	22,000	19,644	2,356
Other Objects	3,500		3,500	315	3,185
Total Emotional Regulation Impairment	722,040	64,814	786,854	730,744	56,110
Multiple Disabilities					
Salaries of Teachers	3,905,454	(116,537)	3,788,917	3,635,350	153,567
Other Salaries for Instruction	1,478,594	38,410	1,517,004	1,514,452	2,552
Other Purchased Services	54,400	(14,783)	39,617	27,573	12,044
General Supplies	113,500	(2,000)	111,500	93,512	17,988
Other Objects	6,500		6,500	738	5,762
Total Multiple Disabilities	5,558,448	(94,910)	5,463,538	5,271,625	191,913
Autism					
Salaries of Teachers	3,017,013	103,092	3,120,105	3,120,104	1
Other Salaries for Instruction	1,446,953	(22,877)	1,424,076	1,421,214	2,862
Other Purchased Services		8,000	8,000		8,000
General Supplies	35,000		35,000	30,808	4,192
Other Objects	2,600	(57)	2,543	58	2,485
Total Autism	4,501,566	88,158	4,589,724	4,572,184	17,540
Preschool Disabilities - Full-Time					
Salaries of Teachers	181,300	86,007	267,307	267,307	
Other Salaries for Instruction	86,954	78,117	165,071	165,071	
General Supplies	6,000		6,000	5,992	8
Other Objects	300		300		300
Total Preschool Disabilities - Full-Time	274,554	164,124	438,678	438,370	308

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Extended School Year					
Salaries of Teachers	\$ 1,825,000	\$ (229,324)	\$ 1,595,676	\$ 1,595,676	
Salaries of Supervisors of Instruction	125,000	6,511	131,511	131,511	
Other Salaries for Instruction	451,750	174,221	625,971	625,971	
Other Purchased Services	80,000	8,550	88,550	88,550	
Total Extended School Year	2,481,750	(40,042)	2,441,708	2,441,708	
Intellectual Disability-Severe					
Salaries of Teachers	571,994	94,524	666,518	637,291	\$ 29,227
Other Salaries for Instruction	530,377	(31,140)	499,237	498,018	1,219
Other Purchased Services		8,000	8,000		8,000
General Supplies	14,000	(2,116)	11,884	9,760	2,124
Other Objects	1,050		1,050		1,050
Total Intellectual Disability-Severe	1,117,421	69,268	1,186,689	1,145,069	41,620
TOTAL SPECIAL EDUCATION - INSTRUCTION	14,655,779	251,412	14,907,191	14,599,700	307,491
School-Spon. Athletics					
Other Objects	2,000		2,000	600	1,400
Total School-Spon. Athletics	2,000		2,000	600	1,400
Other Instructional Programs - Instruction					
Salaries	36,000		36,000	16,733	19,267
Supplies and Materials	17,500		17,500	9,273	8,227
Total Instructional Programs - Instruction	53,500		53,500	26,006	27,494
TOTAL INSTRUCTION	14,711,279	251,412	14,962,691	14,626,306	336,385
Undist. Expend. - Health Services					
Salaries	627,769	1,858	629,627	586,867	42,760
Purchased Professional and Technical Services	64,255	2,300	66,555	57,925	8,630
Other Purchased Services	1,595	(99)	1,496	1,496	
Supplies and Materials	23,000	(2,502)	20,498	17,855	2,643
Total Undistributed Expenditures - Health Services	716,619	1,557	718,176	664,143	54,033
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	4,680,950	(184,842)	4,496,108	4,416,074	80,034
Purchased Professional - Educational Services	265,000	55,951	320,951	251,712	69,239
Supplies and Materials	22,750	(9,416)	13,334	7,679	5,655
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	4,968,700	(138,307)	4,830,393	4,675,465	154,928
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	978,265	125,743	1,104,008	1,085,984	18,024
Supplies and Materials	2,050		2,050	1,614	436
Total Undist. Expend. - Child Study Teams	980,315	125,743	1,106,058	1,087,598	18,460
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	223,500	(50,834)	172,666	134,120	38,546
Salaries of Other Professional Staff		45,834	45,834	40,627	5,207
Salaries of Secretarial and Clerical Assistants	157,514	(10,000)	147,514	126,463	21,051
Other Purchased Services	27,500		27,500	15,524	11,976
Supplies and Materials	4,000	2,290	6,290	5,133	1,157
Other Objects	1,750		1,750	1,100	650
Total Undist. Expend. - Improvement of Inst. Serv.	414,264	(12,710)	401,554	322,967	78,587
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	142,539	1,934	144,473	127,938	16,535
Supplies and Materials	4,900	(2,000)	2,900	1,534	1,366
Total Undist. Expend. - Edu. Media Serv./Sch. Library	147,439	(66)	147,373	129,472	17,901
Undist. Expend. - Instructional Staff Training Serv.					
Other Salaries	600	(300)	300		300
Other Purchased Prof. and Tech. Services	15,000		15,000	8,339	6,661
Other Purchased Services	15,500		15,500	9,058	6,442
Supplies and Materials	5,000	(3,790)	1,210		1,210
Total Undist. Expend. - Instructional Staff Training Serv.	36,100	(4,090)	32,010	17,397	14,613

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	\$ 71,502	\$ (7,150)	\$ 64,352	\$ 64,352	
Legal Services	85,000	(9,244)	75,756	65,038	\$ 10,718
Audit Fees	66,200	(1,300)	64,900	64,900	
Architectural/Engineering Services	5,000	726	5,726	5,725	1
Purchased Technical Services	4,300	(10)	4,290	4,290	
Communications/Telephone	45,250	13,027	58,277	50,243	8,034
Board of Education Other Purchased Services	2,000	(2,000)			
Miscellaneous Purchased Services	26,600	(2,291)	24,309	24,007	302
General Supplies	2,000	345	2,345	2,344	1
Miscellaneous Expenditures	3,500	4,408	7,908	7,908	
Board of Education Dues and Fees	6,300	(178)	6,122	6,121	1
Total Undist. Expend. - Supp. Serv. - General Admin.	317,652	(3,667)	313,985	294,928	19,057
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	377,512	(24,766)	352,746	352,745	1
Salaries - Other Professional Staff	338,617	(18,477)	320,140	319,843	297
Salaries of Secretarial and Clerical Assistants	356,191	(21,014)	335,177	332,134	3,043
Other Salaries	5,000		5,000	5,000	
Other Purchased Services	37,400	(2,237)	35,163	11,828	23,335
Supplies and Materials	22,750		22,750	14,812	7,938
Other Objects	6,850		6,850	6,664	186
Total Undist. Expend. - Support Serv. - School Admin.	1,144,320	(66,494)	1,077,826	1,043,026	34,800
Undist. Expend. - Central Services					
Salaries	710,855	(66,721)	644,134	562,387	81,747
Purchased Technical Services	95,731	(22,599)	73,132	68,385	4,747
Misc Purchased Services	27,000	13,957	40,957	39,235	1,722
Supplies and Materials	7,000	1,055	8,055	7,954	101
Miscellaneous Expenditures	14,000	6,241	20,241	19,402	839
Total Undist. Expend. - Central Services	854,586	(68,067)	786,519	697,363	89,156
Undist. Expend. - Technology Admin.					
Salaries	255,500	(12,330)	243,170	182,135	61,035
Purchased Professional Services	7,000		7,000	631	6,369
Other Purchased Services	750		750		750
Supplies and Materials	180,888		180,888	151,056	29,832
Other Objects	125,000		125,000	109,696	15,304
Total Undist. Expend. - Technology Admin.	569,138	(12,330)	556,808	443,518	113,290
Undist. Expend. - Required Maint. for Sch. Facil.					
Cleaning, Repair and Maintenance Services	81,042	6,942	87,984	85,706	2,278
Lead Testing of Drinking Water	7,500	140	7,640	7,640	
Total Undist. Expend. - Required Maint. for Sch. Facil.	88,542	7,082	95,624	93,346	2,278
Undist. Expend. - Custodial Services					
Salaries	1,171,718	(22,526)	1,149,192	1,084,460	64,732
Unused Vacation Payment to Terminated/Retired Staff		13,262	13,262	13,262	
Cleaning, Repair and Maintenance Services	333,892	80,401	414,293	210,307	203,986
Other Purchased Property Services	45,000		45,000	37,323	7,677
Insurance	193,500	3,661	197,161	197,161	
Travel	750		750	448	302
General Supplies	207,500	(15,000)	192,500	151,501	40,999
Natural Gas	202,000		202,000	147,015	54,985
Electricity	760,323	(8,784)	751,539	528,504	223,035
Other Objects	1,500		1,500	875	625
Total Undist. Expend. - Custodial Services	2,916,183	51,014	2,967,197	2,370,856	596,341
Undist. Expend. - Security					
Purchased Professional & Technical Services	57,000		57,000	47,850	9,150
Cleaning, Repair and Maintenance Services	3,500	15,765	19,265	18,588	677
General Supplies	5,000		5,000	707	4,293
Total Undist. Expend. - Security	65,500	15,765	81,265	67,145	14,120

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. Other than Between Home & School	\$ 20,000		\$ 20,000		\$ 20,000
Cleaning, Repair & Maintenance Services	4,500		4,500	\$ 3,695	805
Contracted Services (Other than Between Home and School) - Vendors	35,000	\$ (272)	34,728	19,294	15,434
Miscellaneous Purchased Services - Transportation	19,750	7,036	26,786	26,786	
Transportation Supplies	3,000	272	3,272	1,780	1,492
Total Undist. Expend. - Student Transportation Serv.	82,250	7,036	89,286	51,555	37,731
Special Programs- Instruction - Employee Benefits:					
Social Security Benefits	160,000	9,956	169,956	169,956	
Health Benefits	600,000	(89,706)	510,294	510,294	
Total Special Programs-Instruction-Employee Benefits	760,000	(79,750)	680,250	680,250	
TOTAL ALLOCATED BENEFITS	760,000	(79,750)	680,250	680,250	
Unallocated Benefits					
Group Insurance					
Social Security Contributions	525,000	5,925	530,925	521,597	9,328
TPAF Contributions ERIP	48,000	4,871	52,871	52,871	
Other Retirement Contributions - PERS	1,180,000	6,204	1,186,204	1,116,748	69,456
Workmen's Compensation	1,135,000	7,295	1,142,295	1,103,546	38,749
Health Benefits	7,531,500	(148,720)	7,382,780	6,177,733	1,205,047
Tuition Reimbursement	65,000		65,000	16,915	48,085
Other Employee Benefits	387,236	(31,710)	355,526	304,816	50,710
Unused Vac. Payment to Term/Ret. Staff	100,000	60,771	160,771	160,771	
Total Unallocated Benefits	10,971,736	(95,364)	10,876,372	9,454,997	1,421,375
TPAF Pension Contributions (On-behalf - Non-Budgeted)				5,743,882	(5,743,882)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				1,342,003	(1,342,003)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				2,033	(2,033)
Reimbursed TPAF Social Security				1,054,194	(1,054,194)
Total On-behalf Contributions				8,142,112	(8,142,112)
TOTAL UNDISTRIBUTED EXPENDITURES	25,033,344	(272,648)	24,760,696	30,236,138	(5,475,442)
TOTAL GENERAL CURRENT EXPENSE	39,744,623	(21,236)	39,723,387	44,862,444	(5,139,057)

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2022

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Multiple Disabilities	\$ 13,500		\$ 13,500		\$ 13,500
Autism	1,750		1,750		1,750
Preschool Disabilities-Full Time	1,750		1,750		1,750
Undist Expend- Support services- Related & Extraord	3,000		3,000	\$ 2,286	714
Undist Expend - Central Services	10,000		10,000	7,763	2,237
Undist Expend - Admin Info Tech	12,500		12,500	2,235	10,265
Maintenance	74,000		74,000	36,836	37,164
Total Equipment	116,500		116,500	49,120	67,380
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	60,000		60,000	54,500	5,500
Construction Services	825,000	\$ 89,735	914,735	358,245	556,490
Total Facilities Acquisition and Construction Services	885,000	89,735	974,735	412,745	561,990
TOTAL CAPITAL OUTLAY	1,001,500	89,735	1,091,235	461,865	629,370
TOTAL EXPENDITURES	40,746,123	68,499	40,814,622	45,324,309	(4,509,687)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(1,785,000)	(188,292)	(1,973,292)	1,288,103	3,261,395
Fund Balance, July 1	9,659,324		9,659,324	9,659,324	
Fund Balance, June 30	\$ 7,874,324	\$ (188,292)	\$ 7,686,032	\$ 10,947,427	\$ 3,261,395
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve			\$ 3,907,828		
Unemployment Compensation Reserve			149,781		
Assigned to:					
Year End Encumbrances			114,228		
Unassigned Fund Balance			6,775,590		
Fund balance per Governmental Funds (GAAP)			<u>\$ 10,947,427</u>		

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

**Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2022**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
State sources	\$ 199,633	\$ 41,600	\$ 241,233	\$ 156,095	\$ (85,138)
Federal sources	177,914	82,393	260,307	260,473	166
Local sources	178,939	20,716	199,655	217,867	18,212
Total revenues	<u>556,486</u>	<u>144,709</u>	<u>701,195</u>	<u>634,435</u>	<u>(66,760)</u>
Expenditures					
Current expenditures:					
Instruction:					
General supplies		79,243	79,243	63,365	15,878
Total instruction	-	<u>79,243</u>	<u>79,243</u>	<u>63,365</u>	<u>15,878</u>
Support services:					
Salaries	550,091	(108,764)	441,327	392,662	48,665
Personal services—employee benefits	4,123	96,558	100,681	85,066	15,615
Communications	272	329	601	314	287
Travel	1,500	3,997	5,497	1,208	4,289
Purchased property services		12,966	12,966	12,966	
Supplies and materials	500	60,380	60,880	55,120	5,760
Scholarships				1,536	(1,536)
Student Activities				16,348	(16,348)
Total support services	<u>556,486</u>	<u>65,466</u>	<u>621,952</u>	<u>565,220</u>	<u>56,732</u>
Total expenditures	<u>556,486</u>	<u>144,709</u>	<u>701,195</u>	<u>628,585</u>	<u>72,610</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	5,850	5,850
Fund Balance, July 1				<u>25,434</u>	<u>25,434</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,284</u>	<u>\$ 31,284</u>
Recapitulation:					
Restricted:					
Scholarships				\$ 6,162	
Student Activities				25,122	
Total Fund Balance				<u>\$ 31,284</u>	

**Mercer County Special Services School District
Note to Required Supplementary Information**

Budget to GAAP Reconciliation

Year ended June 30, 2022

	<u>Special Revenue Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-2)	\$ 634,435
Differences - Budgetary to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Current year encumbrances	<u>(10,918)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 623,517</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-2)	\$ 628,585
Differences - Budgetary to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	
Current year encumbrances	<u>(10,918)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 617,667</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, 2022

	Projects Adult County		Case Management - Special Child Health Services		Early Hearing Detection and Intervention	Clinic Project Program Child	COVID-19 CRRSA Non Title I LEA ESSER		COVID-19 ARP Non Title I LEA ESSER		SDA Emergent Needs & Capital Maintenance	Scholarship Fund	Student Activity Fund	Totals
	Federal	State	State	County										
Revenues:														
State Sources														
Federal Sources	\$ 70,459		\$ 143,129	\$ 104,345	\$ 32,622	\$ 19,329	\$ 116,920	\$ 46,060			\$ 12,966		\$ 23,734	\$ 156,095
Local Sources	\$ 70,459		\$ 143,129	\$ 104,345	\$ 32,622	\$ 19,329	\$ 116,920	\$ 46,060			\$ 12,966		\$ 23,734	\$ 280,473
Total Revenues	\$ 70,459		\$ 143,129	\$ 104,345	\$ 32,622	\$ 19,329	\$ 116,920	\$ 46,060			\$ 12,966		\$ 23,734	\$ 634,435
Expenditures:														
Instruction:														
Supplies and Materials														
Total Instruction							\$ 63,365							\$ 63,365
Support Services:														
Salaries	\$ 59,048		\$ 116,262	\$ 76,265	\$ 26,866	\$ 19,269		\$ 30,081						\$ 392,662
Personal Services - Employee Benefits	10,420		26,543	28,080	4,044			15,979						85,066
Purchased Property Services														12,966
Communications			314											314
Travel			10											1,208
Supplies and Materials	991				1,198	60	53,555							55,120
Other Objects					514									1,536
Student Activities														16,348
Total Support Services	\$ 70,459		\$ 143,129	\$ 104,345	\$ 32,622	\$ 19,329	\$ 53,555	\$ 46,060			\$ 12,966		\$ 16,348	\$ 16,348
Total Expenditures	\$ 70,459		\$ 143,129	\$ 104,345	\$ 32,622	\$ 19,329	\$ 116,920	\$ 46,060			\$ 12,966		\$ 16,348	\$ 628,585
(Deficiency) Excess of Revenues (under) over expenditures														
Fund Balance, July 1														5,850
Fund Balance, June 30														25,434
														\$ 31,284

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, 2022

Revenues

County Sources	\$ (155,000)
Total Revenues	<u>(155,000)</u>

Expenditures

Construction Services	<u>309,380</u>
Total expenditures	<u>309,380</u>

Deficiency of revenues under expenditures	(464,380)
--	-----------

Fund Balance, July 1	<u>884,500</u>
Fund Balance, June 30	<u><u>\$ 420,120</u></u>

Reconciliation to GAAP Financial statements

Fund Balance, June 30, 2022 - Budgetary Basis	\$ 420,120
GAAP Basis Revenues Not Recognized - County/Local	<u>(420,120)</u>
Fund Balance, June 30, 2022 - GAAP Basis	<u><u>\$ -</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)

Reed School: Piping and Unit Ventilators

Year ended June 30, 2022

	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	40,500	\$ 309,380	349,880	650,000
Total Expenditures	40,500	309,380	349,880	650,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 609,500	\$ (309,380)	\$ 300,120	\$ -

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	53.83%
Original Target Completion Date	June 2021
Revised Target Completion Date	December 2022

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, 2022

	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	November 2022

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, 2022

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 120,000		\$ 120,000	\$ 120,000
Total Revenues	<u>120,000</u>		<u>120,000</u>	<u>120,000</u>
Expenditures and Other Financing Sources:				
Construction Services				<u>120,000</u>
Total Expenditures				<u>120,000</u>
Excess/(Deficiency) of Revenues				
Over/(Under) Expenditures	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</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	\$ 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 2023

**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 annual comprehensive financial reports (ACFR) 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,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities:										
Investment in Capital Assets	\$ 38,046,878	\$ 37,556,142	\$ 37,242,158	\$ 37,059,204	\$ 36,041,421	\$ 35,595,718	\$ 34,602,687	\$ 33,911,056	\$ 33,180,748	\$ 32,509,238
Restricted	1,551,784	2,393,633	2,851,151	3,094,454	3,811,962	4,384,724	5,229,928	5,005,565	4,994,066	4,088,893
Unrestricted (deficit)	5,513,720	4,028,166	-15,314,922	(14,084,873)	(21,493,464)	(21,787,902)	(21,110,644)	(21,620,401)	(21,875,217)	(15,709,875)
Total Government Activities Net Position	\$ 45,112,382	\$ 43,977,941	\$ 24,778,387	\$ 26,068,785	\$ 18,359,919	\$ 18,192,540	\$ 18,721,971	\$ 17,296,220	\$ 16,299,597	\$ 20,888,256
Business-Type Activities:										
Investment in Capital Assets	\$ 341,717	\$ 309,756	\$ 285,403	\$ 275,629	\$ 247,648	\$ 251,242	\$ 228,350	\$ 210,379	\$ 187,835	\$ 166,897
Unrestricted	1,544,319	1,188,070	1,097,383	1,073,731	938,205	759,111	320,147	348,538	346,058	581,198
Total Business-Type Activities Net Position	\$ 1,886,036	\$ 1,497,826	\$ 1,382,786	\$ 1,349,360	\$ 1,185,853	\$ 1,010,353	\$ 548,497	\$ 556,917	\$ 533,893	\$ 748,095
Government-Wide:										
Investment in Capital Assets	\$ 38,388,595	\$ 37,865,898	\$ 37,527,561	\$ 37,334,833	\$ 36,289,069	\$ 35,845,960	\$ 34,831,037	\$ 34,121,435	\$ 33,368,583	\$ 32,676,135
Restricted	1,551,784	2,393,633	2,851,151	3,094,454	3,811,962	4,384,724	5,229,928	5,005,565	4,994,066	4,088,893
Unrestricted (deficit)	7,058,039	5,216,236	-14,217,539	(13,011,142)	(20,555,259)	(21,028,791)	(20,790,497)	(21,271,863)	(21,529,159)	(15,128,677)
Total Government-Wide Net Position	\$ 46,998,418	\$ 45,475,767	\$ 26,161,173	\$ 27,418,145	\$ 19,545,772	\$ 19,202,893	\$ 19,270,468	\$ 17,855,137	\$ 16,833,490	\$ 21,636,351

Source: ACFR Schedule A-1 and District records.

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.

GASB 84 was implemented during the 2021 fiscal year, which required a retroactive adjustment of beginning net position in the amount of \$222,653. This amount is not reflected in the June 30, 2020 Net Position, above.

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

	Year ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses:										
Governmental Activities:										
Instruction:										
Special Education	23,457,196	23,079,131	26,157,918	28,568,929	30,845,335	31,487,365	27,124,389	27,432,086	28,159,600	24,786,442
Other Special Education	51,177	53,306	68,673	58,216	70,474	80,304	74,104	34,561	1,465	94,243
Support Services:										
Student and Instruction Related Services	10,565,290	10,152,663	11,682,237	11,904,674	13,442,373	13,707,139	12,571,632	12,866,224	13,828,964	12,144,501
General Administration	344,767	345,575	330,894	376,694	360,252	442,185	445,296	314,467	356,176	352,883
School Administrative Services	1,724,486	1,735,911	1,952,019	1,703,450	1,998,859	2,144,190	1,972,152	1,911,052	2,110,793	1,762,369
Central Administrative Services	1,044,154	1,237,868	1,268,737	1,377,548	1,577,339	1,540,650	1,271,731	1,144,284	1,130,855	1,104,187
Administrative Information Technology	467,688	491,039	538,884	557,750	674,279	615,227	673,204	630,991	685,520	586,811
Plant Operations and Maintenance	2,661,520	2,966,316	3,311,854	3,337,049	3,665,599	3,491,594	3,465,972	3,435,867	3,598,302	3,378,734
Pupil Transportation	16,594	71,917	21,366	27,000	36,392	61,316	93,182	69,721	28,611	54,286
Interest on Long-Term Debt							1,883	1,177	603	
Total Governmental Activities Expenses	40,332,872	40,133,726	45,332,582	47,891,312	52,665,812	53,570,495	47,693,545	47,840,430	49,910,889	44,284,456
Business-Type Activities:										
Food Service	482,515	535,018	546,225	565,591	547,927	532,086	604,296	481,129	254,974	649,137
Mercer County Cooperative Transportation System	5,674,532	6,741,427	6,767,252	6,915,392	6,559,252	5,528,019	6,382,308	6,662,984	3,254,765	8,152,135
NJ State Regional Day School at Hamilton	2,521,195	2,411,332	1,476,116	441,799	514,635	488,724	655,306	463,225	332,066	272,600
Integrated Preschool	62,298	60,707	59,982	62,176	61,123	77,500	92,501	32,965		
Assisted Argumentative Technology	20,936									
Clinic Parent	7,728	9,956	2,811	492	388	4,647	24,206	26,773	15,400	7,675
Community Resources	148,491	172,061	51,703	71,098	88,383	53,420	99,450	54,272	32,812	36,570
Chuck's	65,123	64,742	68,271	77,860	67,394	80,910	74,313	45,857	6,173	48,524
Special Aides	2,085,488	2,370,250	3,026,205	3,021,915	3,026,594	3,402,552	3,386,565	3,423,045	2,529,054	3,382,426
Total Business-Type Activities Expenses	11,078,306	12,365,483	11,998,565	11,156,023	10,866,706	10,167,658	11,318,945	11,190,250	6,425,244	12,549,067
Total District Expenses	\$ 51,411,178	\$ 52,499,219	\$ 57,331,147	\$ 59,047,335	\$ 63,532,518	\$ 63,738,153	\$ 59,012,490	\$ 59,030,680	\$ 56,336,133	\$ 56,813,523

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

	Year ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Program Revenues:										
Charges for Services										
Tuition - LEAs	\$ 30,503,693	\$ 31,490,169	\$ 36,911,372	\$ 35,911,594	\$ 29,034,534	\$ 34,254,030	\$ 35,019,017	\$ 35,112,636	\$ 32,424,239	\$ 34,375,834
Operating Grants and Contributions:										
Special Education	218,546	25,382	23,102	26,329	17,410	19,454	1,555	25,094	489	489
Student and Instruction Related Services	672,866	485,675	493,949	480,858	486,186	482,776	465,335	475,956	518,364	623,517
Capital Grants and Contributions	296,667	553,644	305,709	471,052	74,401	621,281	116,583	63,642	58,815	309,380
Total Governmental Activities Program Revenues	31,691,772	32,554,870	37,734,132	36,889,833	29,612,531	35,377,541	35,602,490	35,677,328	33,001,907	35,308,731
Business-Type Activities:										
Charges for Services:										
Food Service	76,413	110,074	126,761	124,727	125,741	131,427	145,282	98,540	3,719	55,729
Mercer County Cooperative Transportation System	5,674,330	6,741,427	6,767,252	6,915,391	6,559,252	5,528,019	6,382,302	6,715,607	3,188,338	8,227,133
NJ State Regional Day School at Hamilton	2,087,454	2,186,112	1,418,563	472,627	411,558	368,921	365,630	473,892	336,630	267,928
Integrated Preschool										
Assisted Augmentative Technology										
Chinic Parent	18,775	17,400	9,300	9,075	6,825	5,075	48,962	43,673	6,076	4,211
Community Resources	117,655	72,150	42,238	75,838	92,420	52,784	70,201	47,122	30,844	30,578
Chuck's Place	72,967	70,445	74,829	76,489	70,840	75,005	2,499,636	3,410,760	2,008	38,748
Special Aides	2,086,195	2,369,543	3,026,205	3,021,915	3,026,594	3,402,552	2,499,636	3,410,760	2,529,054	3,352,141
Operating Grants and Contributions:										
Food Service	384,041	410,132	418,364	426,515	409,953	428,513	457,730	342,450	358,535	786,786
Total Business-Type Activities Program Revenues	10,517,830	11,977,283	11,883,512	11,122,577	10,703,183	9,992,296	9,969,723	11,133,044	6,455,204	12,763,254
Total District Program Revenues	\$ 42,209,602	\$ 44,532,153	\$ 49,617,644	\$ 48,012,410	\$ 40,315,714	\$ 45,369,837	\$ 45,572,213	\$ 46,810,372	\$ 39,457,111	\$ 48,071,985
Net (Expense)/Revenue:										
Governmental Activities	\$ (8,441,954)	\$ (12,777,712)	\$ (10,157,180)	\$ (15,775,979)	\$ (23,957,984)	\$ (12,316,004)	\$ (12,237,940)	\$ (12,163,102)	\$ (16,908,982)	\$ (8,955,725)
Business-Type Activities	(1,847,663)	(21,282)	727,489	255,871	535,325	(1,326,649)	(1,220,527)	(57,206)	29,960	214,187
Total Government-wide Net (Expense)/Revenue	\$ (10,289,617)	\$ (12,796,994)	\$ (9,429,691)	\$ (15,520,108)	\$ (23,422,659)	\$ (13,642,653)	\$ (13,458,467)	\$ (12,220,308)	\$ (16,879,022)	\$ (8,741,538)

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

	Year ended June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Assets:										
Governmental Activities-										
County Appropriation Taxes	2,870,529	2,874,529	2,874,529	2,874,529	2,932,020	2,990,660	3,050,473	3,111,482	3,111,482	3,173,712
Nonresident Fees	174,791	156,165	178,474	175,230	151,248	160,816	167,524	156,672	118,800	158,784
Interest Earned on Investments	13,924	5,053	3,762	10,461	22,126	49,302	119,077	119,012	4,566	6,356
Miscellaneous Income	323,430	327,583	319,247	421,701	326,528	286,121	303,986	336,000	437,367	381,850
Federal and State Aid Not Restricted	3,747,835	3,081,095	7,707,492	8,809,836	11,912,493	14,568,676	9,866,345	7,014,185	12,017,551	9,823,682
Special Item -- Transfer							(886,929)			
Total Governmental Activities	7,130,509	6,444,415	11,063,524	12,291,877	15,944,415	18,025,675	12,620,466	10,737,351	15,689,706	13,544,384
Business-Type Activities:										
Interest Earned on Investments	21	-	13	19	16	62	437	341	16	15
Miscellaneous Income								67,285	(55,000)	
Special Item - Transfer										
Total Business-Type Activities	21	-	13	19	16	62	886,929	67,626	(54,984)	15
Total Government-wide	7,130,530	6,444,415	11,063,537	12,291,896	15,944,431	18,025,637	13,507,862	10,804,977	15,634,722	13,544,399
Changes in Net Position:										
Governmental Activities	(5,647,203)	(3,712,765)	(4,692,455)	(11,666,087)	3,026,411	5,787,635	457,384	(1,425,751)	(1,219,276)	4,588,659
Business-Type Activities	(21,261)	727,489	255,884	535,344	(1,326,633)	(1,220,465)	830,160	10,420	(25,024)	214,202
Total District	(5,668,464)	(2,985,276)	(4,436,571)	(11,130,743)	1,701,778	4,567,170	1,287,544	(1,415,331)	(1,244,300)	4,802,861

Source: ACFR Schedules A-2 and District records

GASB 75 was implemented in the 2018 fiscal year, which increased the unrestricted grants and contributions and various expense lines from the previous year.

GASB 84 was implemented in the 2021 fiscal year, which increased the related services expense line and charges for services from the previous year.

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

	As of June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund:										
Restricted	\$ 1,551,784	\$ 2,393,633	\$ 2,079,965	\$ 2,883,893	\$ 3,652,078	\$ 4,384,724	\$ 5,229,928	\$ 5,005,565	\$ 4,968,632	\$ 4,057,609
Assigned	5,417,142	735,595	873,790	6,509,359	2,103,047	1,910,604	2,729,509	2,561,901	1,088,288	114,228
Unassigned	2,419,207	5,343,814	8,692,433	4,703,215	4,071,751	4,736,725	4,267,291	3,503,265	3,602,404	6,775,590
Total General Fund	\$ 9,388,133	\$ 8,473,042	\$ 11,646,188	\$ 14,096,467	\$ 9,826,876	\$ 11,032,053	\$ 12,226,728	\$ 11,070,731	\$ 9,659,324	\$ 10,947,427
All Other Governmental Funds:										
Restricted for:										
Special Revenue Fund	\$ -	\$ -	\$ 771,186	\$ 210,561	\$ 159,884	\$ -	\$ -	\$ -	\$ 25,434	\$ 31,284
Capital Projects Fund	\$ -	\$ -	\$ 771,186	\$ 210,561	\$ 159,884	\$ -	\$ -	\$ -	\$ 25,434	\$ 31,284
Total All Other Governmental Funds	\$ -	\$ -	\$ 771,186	\$ 210,561	\$ 159,884	\$ -	\$ -	\$ -	\$ 25,434	\$ 31,284

Source: ACFR 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,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
County Appropriation/Taxes	\$ 3,167,196	\$ 3,428,173	\$ 2,955,736	\$ 2,874,529	\$ 2,992,020	\$ 2,990,660	\$ 3,050,473	\$ 3,111,482	\$ 3,111,482	\$ 3,173,712
Tuition - LEA's	30,503,693	31,490,169	36,911,372	35,911,594	29,034,534	34,254,030	35,019,017	35,112,636	32,420,890	34,375,834
Nonresident Fees	174,791	156,155	178,474	175,230	151,248	160,816	167,524	156,672	118,800	158,784
Interest Earned on Investment	13,924	5,053	3,782	10,481	22,126	49,302	119,077	119,012	4,506	9,667
Miscellaneous	323,430	327,583	319,247	421,701	326,528	256,121	303,996	403,285	385,716	381,850
State Sources	4,039,891	3,221,612	3,735,607	4,291,762	4,459,703	4,771,165	5,293,128	5,577,487	6,382,663	8,298,207
Federal Sources	367,458	146,866	674,461	421,120	567,326	462,037	514,340	422,396	462,987	620,008
Other Sources	231,898	223,674	223,235	317,641	265,793	845,778	341,812	293,418	288,125	527,247
Total Revenues	38,822,281	38,999,285	45,001,914	44,424,058	37,759,278	43,789,909	44,809,367	45,196,388	43,175,169	47,545,309
Expenditures:										
Current:										
Special Education Instruction	15,164,909	15,111,117	15,477,872	15,921,752	15,370,395	15,310,737	14,631,921	16,050,857	14,339,553	14,599,700
Other Special Instruction	37,908	39,796	45,603	38,641	43,177	47,407	48,043	20,768	1,222	79,053
Support Services and Undistributed Costs:										
Student and Instruction Related Services	7,091,331	6,919,887	6,959,270	7,001,739	6,989,605	6,952,537	7,051,692	7,808,920	7,425,702	7,462,262
General Administration	292,161	294,708	261,845	301,874	262,703	333,217	350,221	264,228	281,295	294,928
School Administration	1,130,417	1,157,838	1,129,048	980,913	1,018,627	1,065,208	1,079,223	1,133,566	1,087,106	1,043,026
Central Services	685,844	829,811	747,070	792,047	806,137	790,947	725,445	703,242	623,105	697,363
Administrative Information Technology	338,370	362,991	363,751	355,388	421,727	373,122	478,034	462,657	493,729	443,518
Plant Operations and Maintenance	2,155,718	2,474,912	2,527,708	2,451,927	2,533,285	2,408,051	2,481,981	2,606,907	2,478,365	2,464,202
Security										67,145
Pupil Transportation	32,548	33,637	35,873	40,804	36,712	58,581	77,469	56,284	27,056	51,555
Unallocated Benefits	12,154,781	11,918,838	12,592,500	13,512,810	14,347,199	14,548,004	15,390,428	16,353,758	17,344,981	18,277,359
Capital Outlay	368,732	770,841	951,131	1,136,509	239,979	839,931	426,858	811,818	724,587	771,245
Debt Service:										
Principal						16,339	17,348	10,918	11,491	
Interest						535	1,883	1,177	603	
Total Expenditures	39,452,719	39,914,376	41,091,671	42,534,404	42,079,546	42,744,616	42,760,546	46,285,100	44,838,795	46,251,356
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	(630,438)	(915,091)	3,910,243	1,889,654	(4,320,268)	1,045,293	2,048,821	(1,088,712)	(1,663,626)	1,293,953
Other Financing Sources/(Uses):										
Transfers In			1,114,530						55,000	
Transfers Out			(1,114,530)							
Special Item - Transfer							(886,929)			
Capital Lease Proceeds							32,783			
Total Other Financing Sources/(Uses)							(854,146)			
Net Change in Fund Balances	\$ (630,438)	\$ (915,091)	\$ 2,829,802	\$ 1,889,654	\$ (4,320,268)	\$ 1,045,293	\$ 1,194,675	\$ (1,155,997)	\$ (1,608,626)	\$ 1,293,953
Debt service as a percentage of noncapital expenditures						0.04%	0.05%	0.03%	0.03%	0.03%

Source: District ACFR 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,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Tuition - LEA's	\$ 36,911,372	\$ 31,490,169	\$ 36,911,372	\$ 35,911,594	\$ 29,034,534	\$ 34,254,030	\$ 35,019,017	\$ 35,112,636	\$ 32,420,890	\$ 34,375,834
Nonresident Fees	174,791	156,155	178,474	175,230	151,248	160,816	167,524	156,672	118,800	158,784
Interest Earned on Investments	3,782	5,053	3,782	10,481	22,126	49,302	119,077	119,012	4,506	9,667
County Appropriation	2,870,529	2,874,529	2,874,529	2,874,529	2,932,020	2,990,660	3,050,473	3,111,482	3,111,482	3,173,712
Rentals	290,000									
Miscellaneous	33,430	327,583	319,247	421,701	326,528	256,121	303,996	403,285	385,716	381,850
Total	\$ 40,283,904	\$ 34,853,489	\$ 40,287,404	\$ 39,393,535	\$ 32,466,456	\$ 37,710,929	\$ 38,660,087	\$ 38,903,087	\$ 36,041,394	\$ 38,099,847

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
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%
2021	367,717	26,398,403,430	71,790	6.60%
2022	385,898	28,640,577,764	74,218	5.20%

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 2020 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Instruction:										
Special Education	254.2	234.9	234.5	232.7	220.8	216.4	222.6	214.0	180.0	182.0
Support Services:										
Student and Instruction Related Services	76.5	73.4	76.8	76.6	74.9	74.4	80.9	84.4	80.0	79.5
General Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
School Administrative Services	14.0	13.0	14.0	13.0	13.0	13.0	13.0	13.0	15.0	12.0
Other Administrative Services	4.0	3.5	3.5	3.6	3.5	3.2	3.0	4.0	4.0	3.0
Central Services	32.0	29.6	34.0	33.8	32.5	27.4	26.8	26.7	27.0	27.5
Total	381.7	355.4	363.8	360.7	345.7	335.4	347.3	343.1	307.0	305.0

Source: District Personnel Records

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
2013	667.50	\$ 39,083,987	\$ 58,553	6.57%	251	2.66	667.50	617.90	-3.08%	92.57%
2014	675.60	41,397,895	61,276	4.65%	235	2.88	675.60	606.90	1.21%	89.83%
2015	682.60	40,140,540	58,805	-4.03%	235	2.90	682.60	616.70	1.04%	90.35%
2016	627.04	41,887,811	66,802	13.60%	233	2.69	627.04	562.59	-8.14%	89.72%
2017	579.09	41,839,567	72,251	8.16%	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%
2021	527.00	44,259,394	83,984	2.87%	180	2.92	492.50	411.68	-5.32%	83.59%
2022	478.00	45,480,111	95,147	13.29%	182	2.62	459.42	381.73	-6.72%	83.09%

Source: District records

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service
- 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	125	139	128	114	88	101	92	92	77	74
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	205	186	213	219	201	185	205	205	209	150
High School:										
Mercer JR/SR (1987)										
Square Feet	86,858	86,858	86,858	86,858	86,858	86,858	86,858	86,858	86,858	86,858
Capacity (Students)	318	318	318	318	318	318	318	318	318	318
Enrollment	278	265	279	275	263	293	259	259	241	254
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	46	45	32	12	9	9	11	11	7	6

Number of Schools at June 30, 2022

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
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
2021	27,615	21,598	25,288	14,399	88,900
2022	27,722	22,234	28,475	14,915	93,346
Total School Facilities	\$ 347,017	\$ 290,402	\$ 349,415	\$ 147,874	\$ 1,134,708

Source: District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2022
 UNAUDITED

	Coverage	Deductible
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 250,000	\$ 500
Crime	250,000	500
General and Automobile Liability	250,000	
Workers' Compensation	250,000	
Educator's Legal Liability	250,000	
School Pool for Excess Liability Limits Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	175,000,000	
Crime	500,000	
Workers' Compensation	Statutory	
Employers Liability	10,000,000	
General and Automobile Liability	20,000,000	
Educator's Legal Liability	20,000,000	
Travelers Insurance Company		
Boiler and Machinery	125,000,000	1,000
Beazley/Lloyd's of London Insurance		
Environmental / Pollution Legal Liability	3,000,000	25,000 - 250,000
Crisis Protection & Disaster Management Services	1,000,000	10,000
Starr Indemnity & Liability Company		
Cyber Liability	2,000,000	50,000 - 100,000

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**

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 ("*Government Auditing Standards*"), the financial statements of the governmental activities, the business-type activities and each major fund 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 7, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

PKF O'CONNOR DAVIES, LLP
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**Honorable President and
Members of the Board of Education
Mercer County Special Services School District**

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Report on 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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
March 7, 2023

Scott A. Clelland

Scott A. Clelland, CPA
Licensed Public School Accountant, No. 1049

**Report on Compliance for Each Major Federal and State
Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance and NJ OMB Circular 15-08**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the audit 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*. Our responsibilities under those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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**Honorable President and
Members of the Board of Education
Mercer County Special Services School District**

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We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Honorable President and
Members of the Board of Education
Mercer County Special Services School District**

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Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
March 7, 2023

Scott A. Clelland

Scott A. Clelland, CPA
Licensed Public School Accountant, No. 1049

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

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Federal Award Identification Number	Program or Award Amount	Grant Period		Balance, June 30, 2021		Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Year's Balances	Balance, June 30, 2022	
				From	To	Unearned Revenue	(Accounts Receivable)					Unearned Revenue	Due To Grantor
U.S. Department of Health and Human Services - Passed - Through State Department of Education:													
Medical Assistance Program - SEMI Program	93.778	2105N5MMP	\$ 389,761	07/01/21	06/30/22			\$ 288,707	\$ (369,761)			\$ (80,054)	
COVID-19 - Non PPHF: Epidemiology and Lab Capacity - ARP LEA Testing	93.323	NUS9CK000225	652	07/01/21	06/30/22			392	(652)			(60,054)	
Total General Fund								290,359	(370,453)				
Special Revenue Fund:													
U.S. Department of Health - Passed - Through NJ Department of Health:													
Early Hearing Detection and Intervention (EHD)	93.251	Net Available	33,233	04/01/21	03/31/22			23,265	(32,622)			(9,357)	
Early Hearing Detection and Intervention (EHD)	93.251	Net Available	33,233	04/01/20	03/31/21			5,836			\$ 828		
Case Management (SCHS)	93.994	Net Available	64,871	07/01/21	06/30/22			55,223	(64,871)			(9,648)	
Case Management (SCHS)	93.994	Net Available	60,614	07/01/20	06/30/21			9,678					
U.S. Department of Education - Passed - Through NJ Department of Education:													
Emergency School Emergency Relief (ESSER) Cluster:													
COVID-19 - ESSER I	84.425D	SA25D210027	149,746	03/13/20	09/30/23			98,771	(116,920)			(18,149)	
COVID-19 - ESSER II	84.425D	SA25U200027	289,491	01/01/22	12/31/22			21,831	(46,060)			(24,229)	
COVID-19 - ARP - Non Title I LEA/ESSER III	84.425U							120,602	(162,980)			(42,378)	
Subtotal Elementary and Secondary School Emergency Relief (ESSER) Cluster													
Total Special Revenue Fund								214,604	(260,473)		828	(61,363)	
U.S. Department of Agriculture:													
Passed-Through State Department of Agriculture:													
Enterprise Fund:													
COVID-19 - Unanticipated School Closures 2020-21	10.553	211NJ304N1099	103,019	07/01/20	06/30/21			13,589				(13,589)	
National School Lunch Program	10.555	211NJ304N1099	48,510	07/01/20	06/30/21			466				(466)	
Non-Food Assistance	10.555	211NJ304N1099	181,879	07/01/20	06/30/21			456,743	(495,087)			(38,302)	
COVID-19 - Unanticipated School Closures 2020-21	10.555	211NJ304N1099	229,218	07/01/21	06/30/22			211,254	(229,218)			(17,964)	
School Breakfast Program	10.553	211NJ304N1099	28,625	07/01/20	06/30/21			50,767	(39,006)				
Food Donation Program (NC)	10.555	211NJ304N1099	50,767	07/01/21	06/30/22			58,216	(73,919)			11,761	
Food Donation Program (NC)	10.555	211NJ304N1099	50,767	07/01/20	06/30/21			837,698				(56,896)	
COVID-19 - Emergency Operational Cost Program - Schools	10.555	212121H170341	58,216	07/01/20	06/30/21								
Total Child Nutrition Program Cluster								47,603	(61,306)				
COVID-19 - Pandemic EBT	10.649	222121S9000941	628	07/01/21	06/30/22			628	(628)				
COVID-19 - Pandemic EBT	10.649	212121S9000941	614	07/01/20	06/30/21			614					
Total Enterprise Fund								838,940	(775,547)			(56,896)	
Total Expenditures of Federal Awards								\$ 1,343,943	\$ (1,405,473)		\$ 828	\$ (198,333)	\$ 11,761
NC - non-cash expenditures													

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, 2022

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2021		Due to Grantor	Cash Received	Budgetary Expenditures	Adjustments	Repayments of Prior Year's Balance	Balance, June 30, 2022		Due to Grantor	Budgetary Receivable	Memo	Cumulative Total Expenditures	
			From	To	Unearned Revenue	(Accounts Receivable)						Unearned Revenue	(Accounts Receivable)					
State Department of Education																		
General Fund:																		
On-Behalf TPAF Pension Contributions	495-034-5095-002	\$ 5,743,882	07/01/21	06/30/22			\$ 5,743,882	\$ (5,743,882)	\$ (5,743,882)								\$ (5,743,882)	
On-Behalf TPAF Post-Retirement Medical	495-034-5095-001	1,342,003	07/01/21	06/30/22			1,342,003	(1,342,003)	(1,342,003)								(1,342,003)	
On-Behalf TPAF Non-contributory Insurance	495-034-5095-004	2,033	07/01/21	06/30/22			2,033	(2,033)	(2,033)								(2,033)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,082,845	07/01/20	06/30/21			52,056											
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,054,194	07/01/21	06/30/22			1,002,215	(1,054,194)	(1,054,194)								(1,054,194)	
Total General Fund							8,142,187	(8,142,112)	(8,142,112)								(8,142,112)	
State Department of Health																		
Special Revenue Fund:																		
Care Management - SCHS	4572-129-6140-2080	147,396	07/01/20	06/30/21			45,164										(45,164)	
Care Management - SCHS	4572-129-6140-2080	147,396	07/01/21	06/30/22			143,129	(143,129)	(143,129)								(143,129)	
Total Department of Health							188,293	(143,129)	(143,129)								(143,129)	
State Department of Education																		
Special Revenue Fund:																		
SDA Emergent Needs and Capital Maintenance	NA	12,966	07/01/21	06/30/22													(12,966)	
Total Special Revenue							188,293	(143,129)	(143,129)								(12,966)	
State Department of Agriculture																		
Enterprise Fund:																		
COVID-19 Unanticipated School Closures 2020-21	106-010-3350-023	7,619	07/01/20	06/30/21			1,560											
State School Lunch Program (State share)	106-010-3350-023	12,239	07/01/21	06/30/22			11,340	(12,239)	(12,239)								(12,239)	
Total Enterprise Fund							12,900	(12,239)	(12,239)								(12,239)	
Total State Financial Assistance							8,343,373	(8,310,446)	(8,310,446)								(8,310,446)	
State Financial Assistance Not Subject to Single Audit Determination:																		
On-Behalf TPAF Pension Contributions	495-034-5095-002	5,743,882	07/01/21	06/30/22			5,743,882	(5,743,882)	(5,743,882)								(5,743,882)	
On-Behalf TPAF Post-Retirement Medical	495-034-5095-001	1,342,003	07/01/21	06/30/22			1,342,003	(1,342,003)	(1,342,003)								(1,342,003)	
On-Behalf TPAF Non-contributory Insurance	495-034-5095-004	2,033	07/01/21	06/30/22			2,033	(2,033)	(2,033)								(2,033)	
Total State Financial Assistance Subject to Single Audit Determination							1,255,455	(1,222,528)	(1,222,528)								(1,222,528)	

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

Mercer County Special Services School District

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

Year ended June 30, 2022

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, 2022. 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, 2022

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.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$10,918 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the special revenue fund (C-3). The net adjustment to reconcile from the budgetary basis to the GAAP basis for the special revenue fund accounts receivable is \$10,918. 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	\$ 370,453	\$ 8,142,112	\$ 8,512,565
Special Revenue Fund	249,555	156,095	405,650
Food Service Enterprise Fund	774,547	12,239	786,786
Total award revenues	<u>\$ 1,394,555</u>	<u>\$ 8,310,446</u>	<u>\$ 9,705,001</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, 2022

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, 2022.

The post retirement pension and medical benefits and insurance received on-behalf of the District for the year ended June 30, 2022, amounted to \$7,087,918. 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, 2022

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:

AL Number(s)	FAIN Number	Name of Federal Program or Cluster
		Child Nutrition Program Cluster:
10.555	2111NJ304N1099	Food Donation Program
10.555	2111NJ304N1099	National School Lunch Program
10.553	2111NJ304N1099	School Breakfast Program

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

\$750,000

Mercer County Special Services School District
 Schedule of Findings and Questioned Costs (continued)
 Year ended June 30, 2022

Part I - Summary of Auditors' Results (continued)

Auditee qualified as low-risk auditee? X Yes No

State Financial Assistance

Internal control over major state programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? Yes X No

Identification of major state programs:

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, 2022

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, 2022

**Part III - Schedule of Federal Award 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, 2022

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