



County of Mercer
Board of Education
New Jersey

*Annual Comprehensive Financial Report
For the Year Ended
June 30, 2023*

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, 2023

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

December 4, 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, 2023, 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, 2023, 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 2023 fiscal year with an average daily enrollment of 488 students, which is 28.6 students more 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.

Average Daily Enrollment

<u>Fiscal Year Ending</u>	<u>Enrollment</u>	<u>Percent Change</u>
2022-2023	488.0	6.23%
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%

2) MAJOR INITIATIVES/LONG RANGE PLANNING:

Following the completion of the strategic plan, the district is embarking on a curriculum review process that will prepare the district to meet all state-mandated curriculum requirements. Additionally, the district is undergoing technological upgrades, replacements, and inventorying of all district devices (staff and student). The district is exploring a potential switch of student information systems, exploring potential vendors, participating in demonstrations, and procuring quotes/estimates. Finally, the district, in partnership with Rutgers School for Comprehensive School Mental Health, is entering its first year as a cohort member of the Enhancing School Mental Health Services (ESMHS) Project.

The District's buildings range in age from 18 years to 39 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 technology network infrastructure upgrades, HVAC unit upgrades, and other site improvements. In the upcoming school year, the district plans to complete the construction of a maintenance garage for storage of district vehicles, equipment, and supplies, continue the repair and upgrade of the playgrounds and fencing, replace the Atrium wall and roof system at the Joseph F. Capello School, and upgrade the Mercer High School athletic fields.

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 3.2% in June 2023, 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.

The District had an increase in enrollment during the 2022-2023 school year. The District cannot accurately forecast future enrollment. While the District does not anticipate a significant change in enrollment for the 2023-2024 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 2022-23 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, 2023.

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, 2023.

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 2022 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 2022-2023 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,



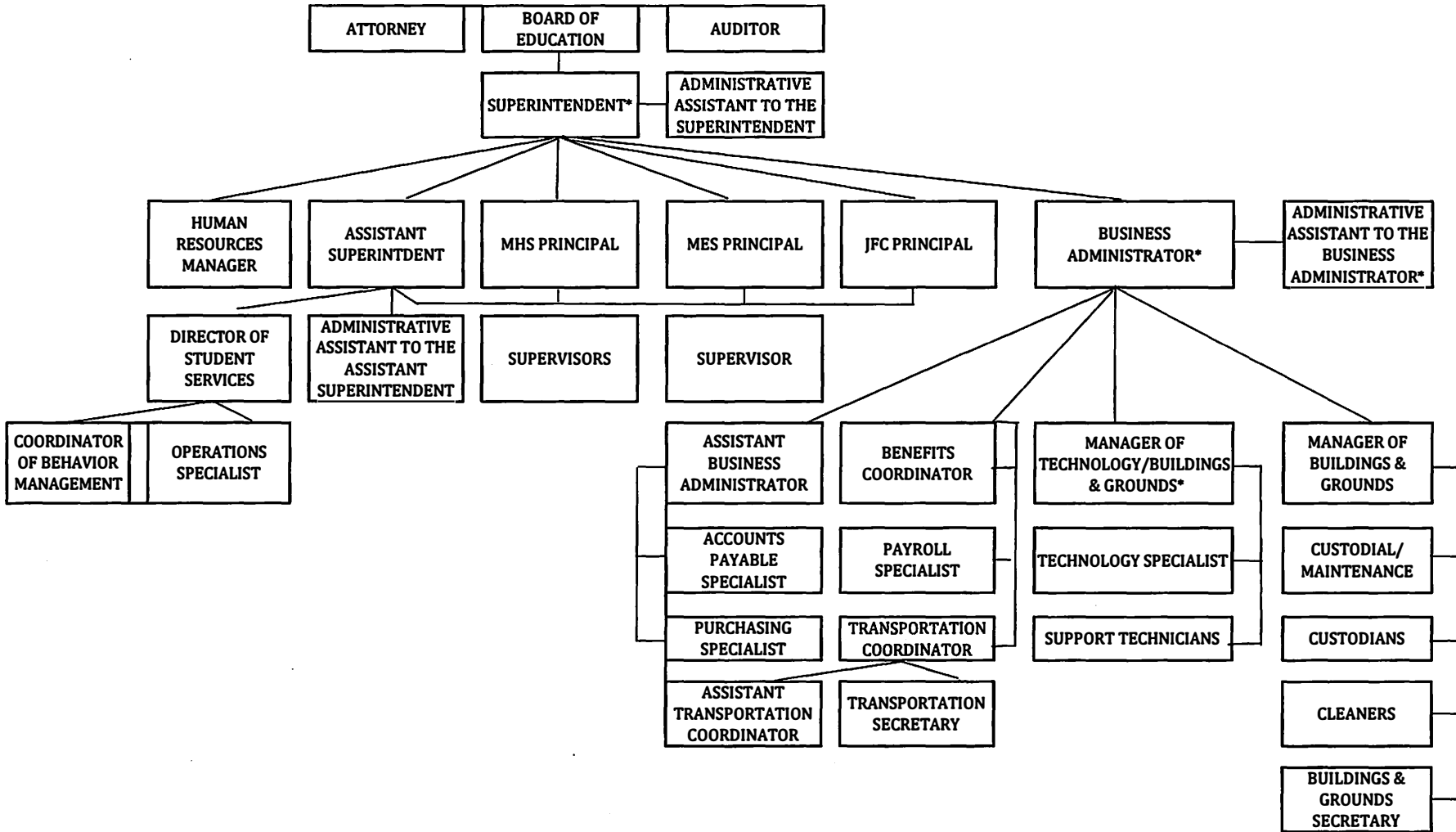
Matthew C. Carey
Superintendent



Deborah Donnelly
School Business Administrator/Board Secretary



Organizational Chart
2022 - 2023



*shared

Board approved 7/7/2022

Mercer County Special Services School District
Mercer County, New Jersey

Roster of Officials

June 30, 2023

	Term Expires
<u>Members of the Board of Education</u>	
Stacy Morgan Santo, President	2026
Lisa Vena, Vice President	2024
Jan Lewis	2023
Gerald Stockman	2023
Kimberly Smith	2024
Dr. David Angwenyi	2025
Dr. Daryl Minus-Vincent, Interim Executive County Superintendent (Ex-Officio)	
<u>Other Officials</u>	
Dr. Matthew Carey, Superintendent	
Deborah Donnelly, Business Administrator/ Board Secretary	
Ashlee Caldwell, Assistant Business Administrator	Ended December 2022
Udaya Batchu, Assistant Business Administrator	Begin April 2023

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, 2022.**

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



A handwritten signature in black ink, reading 'John W. Hutchison'. The signature is written in a cursive style and is positioned above a horizontal line.

John W. Hutchison
President

A handwritten signature in black ink, reading 'Siobhán McMahon'. The signature is written in a cursive style and is positioned above a horizontal line.

Siobhán McMahon, CAE
Chief Operations Officer/
Interim Executive Director

Financial Section



Independent Auditors' Report

**Honorable President and
Members of the Board of Education
Mercer County Special Services School District
Trenton, 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 Mercer County Special Services School District, County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2023, 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, 2023, 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, 2023. 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 December 4, 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
December 4, 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, 2023

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, 2023. 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 2022-2023 fiscal year include the following:

- The District's average daily enrollment increased 6.23% from 459.4 in 2022 to 488.0 in 2023.
- The District's governmental activities net position increased \$6,471,111 or 30.98% primarily due to the increase in revenue from tuition and a decrease in instructional expenditures.
- The District followed the requirements of GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the 2023 fiscal year resulting in the recording of additional revenue and expense in the amount of \$3,531,628 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 2022/23?" 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 2022-23 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 \$9,277,643, while total fund balance was \$15,084,129. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.7% of the total general fund expenditures while total fund balance represents 32.7% of that same amount. During the current fiscal year, the fund balance of the District's general fund balance increased by \$4,136,702. 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 \$161,273 in state financial assistance, \$291,680 in federal awards and \$256,786 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 expenditures of \$292,782 related to the replacement of piping and unit ventilators for the Alfred Reed School, flooring replacement in the administrative offices, replacement of the doors at the Regional Day School, new school district directional signs, and playground surfacing replacement at the Joseph F. Capello 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 2023 and 2022:

Net Position June 30, 2023 and 2022

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 15,364,390	\$ 11,479,372	\$ 920,285	\$ 677,297	\$ 16,284,675	\$ 12,156,669
Capital assets, net	31,558,994	32,509,238	173,675	166,897	31,732,669	32,676,135
Total assets	46,923,384	43,988,610	1,093,960	844,194	48,017,344	44,832,804
Deferred Outflow of Resources	1,924,548	1,378,298			1,924,548	1,378,298
Current liabilities and other	1,617,467	1,826,299	65,412	96,099	1,682,879	1,922,398
Net pension liability	13,581,446	11,602,945			13,581,446	11,602,945
Long-term liabilities	1,469,805	1,496,160			1,469,805	1,496,160
Total liabilities	16,668,718	14,925,404	65,412	96,099	16,734,130	15,021,503
Deferred Inflow of Resources	4,819,847	9,553,248			4,819,847	9,553,248
Net position:						
Investment in Capital Assets	31,558,994	32,509,238	173,675	166,897	31,732,669	32,676,135
Restricted	4,908,587	4,088,893			4,908,587	4,088,893
Unrestricted (deficit)	(9,108,214)	(15,709,875)	854,873	581,199	(8,253,341)	(15,128,676)
Total net position	\$ 27,359,367	\$ 20,888,256	\$ 1,028,548	\$ 748,096	\$ 28,387,915	\$ 21,636,352

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 any 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 \$4,128,006 of which \$2,677,848 is attributed to an increase in cash and cash equivalents. This increase in cash and cash equivalents is mostly a result of an increase in tuition and federal source revenue for the District. Accounts payable decreased by \$25,463 and the decrease in investment in capital assets is the result of current year depreciation expense exceeding current year capital asset additions.

The increase in deferred outflow of resources, net pension liability and decrease 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 contributions made by the State on behalf of the District.

The total net position of the District increased by \$6,751,563, or 31% due to the increase in revenues for all Enterprise funds, notably Mercer Cooperative Transportation System and Special Aides. Additionally, the increase in governmental revenues 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 2023 and 2022:

Changes in Net Position Years ended June 30, 2023 and 2022

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 37,371,838	\$ 34,375,834	\$ 16,113,101	\$ 11,976,468	\$ 53,484,939	\$ 46,352,302
Operating grants and contributions	722,227	623,517	689,501	786,786	1,411,728	1,410,303
Capital grants and contributions	292,782	309,380			292,782	309,380
General revenues:						
County Appropriation	3,237,186	3,173,712			3,237,186	3,173,712
Nonresident Fees	275,826	158,784			275,826	158,784
State and Federal Sources	7,716,382	9,823,682			7,716,382	9,823,682
Interest Earnings	205,929	6,356	1,799	16	207,728	6,372
Miscellaneous	386,451	381,850			386,451	381,850
Total revenues	50,208,621	48,853,115	16,804,401	12,763,270	67,013,022	61,616,385
Expenses:						
Instructional services	24,299,569	24,880,685	3,970,383	2,413,121	28,269,952	27,293,806
Support services	19,437,941	19,383,771	11,755,482	9,430,610	31,193,423	28,814,381
Operation of non-instructional services			798,084	705,336	798,084	705,336
Total expenses	43,737,510	44,264,456	16,523,949	12,549,067	60,261,459	56,813,523
Change in net position	6,471,111	4,588,659	280,452	214,203	6,751,563	4,802,862
Net position – Beginning	20,888,256	16,299,597	748,096	533,893	21,636,352	16,833,490
Net position – Ending	\$ 27,359,367	\$ 20,888,256	\$ 1,028,548	\$ 748,096	\$ 28,387,915	\$ 21,636,352

Governmental-type Activities

At June 30, 2023, Governmental-Type Activities net position accounted for 96.4% of the District's total net position.

The Governmental-Type Activities net position increased \$6,471,111 from \$20,888,256 at June 30, 2022 to \$27,359,367 at June 30, 2023, mostly as a result of an increase in revenues.

Program revenues increased due to increased enrollment.

In FY 2023, Governmental-Type Activities revenues were \$50,208,621 or 74.9% of total revenues, of which the County Appropriation of \$3,237,186 made up 4.8%, and Tuition from LEA's of \$33,935,773 made up 50.6%.

In FY 2023, the District's Governmental-Type Activities expenses were \$43,737,510 compared to \$44,264,456 for FY 2022, a decrease of \$526,946. This is primarily attributable to a decrease in student and instruction related services expenditures.

Business-type Activities

At June 30, 2023, Business-Type Activities net position accounted for 3.6% of the District's total net position.

Business-Type Activities net position increased \$280,452 from \$748,096 at June 30, 2022 to \$1,028,548 at June 30, 2023.

In FY 2023, Business-Type Activities revenues were \$16,804,401. Charges for Services and Operating Grants and Contributions for Business-Type Activities were \$16,802,602 in FY 2023 compared to \$12,763,254 in FY 2022, a 31.7% increase, which is largely attributable to the Mercer Cooperative Transportation System program. The Mercer Cooperative Transportation System experienced an increase in the number of operating routes and related services.

Expenses for Business-Type Activities were \$16,523,949 in FY 2023 compared to \$12,549,007 in FY 2022, a 31.7% increase. The increase was mainly related to an increase in expenses for Mercer Cooperative Transportation System due to the number of operating routes and related route costs.

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, 2023, and the amount and percentage of increases and decreases in relation to prior year revenues.

**Revenues
Year Ended June 30, 2023**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2022</u>	<u>Percent of Increase (Decrease) From 2022</u>
Local sources	\$ 41,746,504	81.8%	\$ 3,428,790	8.9%
State sources	8,178,102	16.0%	(120,105)	-1.4%
Federal sources	1,129,247	2.2%	509,239	82.1%
Total	\$ 51,053,853	100.0%	\$ 3,817,924	8.1%

The increase in local sources is mainly attributed to an increase in tuition from LEAs. Federal sources increased due to an increase in grant awards.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2023, and the amounts and percentage of increases and decreases in relation to prior year expenditures.

**Expenditures
Year Ended June 30, 2023**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2022</u>	<u>Percent Increase (Decrease) From 2022</u>
Current:				
Instruction	\$ 15,157,835	32.32%	\$ 479,082	3.3%
Support services	31,503,914	67.17%	702,556	2.3%
Capital outlay	242,914	0.52%	(218,951)	-47.4%
Total	\$ 46,904,663	100.0%	\$ 962,687	2.1%

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 construction projects 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 the 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 2023 budget to meet the District's needs. The final budgetary basis revenue estimate was \$40,963,072, which was \$189,300 less than the original budget estimate, attributed to lower enrollment for the extended school year program than initially estimated.

The District received \$8,011,831 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 \$41,858,590, which was \$74,070 less than the original budget estimate, mainly due to the decrease 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 \$1,421,595 more than what was budgeted in terms of revenues and \$3,670,055 better in terms of expenditures before the adjustment for \$8,011,831 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 2023 and 2022, the District had \$31,558,994 and \$32,509,238, 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 2023 and 2022 fiscal years:

Capital Assets (Net of Depreciation)

	2023	2022
Construction in Progress	\$ 1,126,101	\$ 1,772,391
Site Improvements	825,634	254,018
Buildings and Building Improvements	28,277,338	28,946,237
Machinery and Equipment	1,329,921	1,536,592
Total	\$ 31,558,994	\$ 32,509,238

During the current fiscal year, \$1,378,021 of capital assets were capitalized as additions, of which \$841,993 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, 2023 and 2022 in the amount of \$173,675 and \$166,897 respectively.

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

Debt Administration

At June 30, 2023, the District had \$15,209,910 of outstanding long-term liabilities. Of this amount, \$13,581,446 represents the District's net pension liability and \$1,628,464 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 2022-23 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 2023-24 budget was adopted on March 30, 2023. The District anticipates an increase in enrollment for the 2023-24 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.mc SSD.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, 2023.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 11,160,852	\$ 733,219	\$ 11,894,071
Internal Balances	3,422,248	(3,422,248)	-
Accounts Receivable	781,290	3,584,096	4,365,386
Inventories		25,218	25,218
Capital Assets, Non-Depreciable	1,126,101		1,126,101
Capital Assets, Depreciable, Net	30,432,893	173,675	30,606,568
Total Assets	46,923,384	1,093,960	48,017,344
Deferred Outflow of Resources			
Pension deferrals	1,924,548		1,924,548
	1,924,548		1,924,548
Liabilities			
Accounts Payable	1,435,152	54,825	1,489,977
Unearned Revenue	23,656	10,587	34,243
Noncurrent Liabilities:			
Due Within One Year	158,659		158,659
Due Beyond One Year	1,469,805		1,469,805
Net Pension Liability	13,581,446		13,581,446
Total Liabilities	16,668,718	65,412	16,734,130
Deferred Inflow of Resources			
Pension deferrals	4,819,847		4,819,847
	4,819,847		4,819,847
Net Position			
Investment in Capital Assets	31,558,994	173,675	31,732,669
Restricted For:			
Capital reserve	4,725,725		4,725,725
Unemployment Reserve	139,090		139,090
Scholarships	6,002		6,002
Student Activities	37,770		37,770
Unrestricted (deficit)	(9,108,214)	854,873	(8,253,341)
Total Net Position	\$ 27,359,367	\$ 1,028,548	\$ 28,387,915

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Special Education	\$ 24,215,734	\$ 24,991,252			\$ 775,518		\$ 775,518
School Sponsored/Other Instructional	83,835				(83,835)		(83,835)
Support Services:							
Student and Instruction Related Services	11,996,397	12,380,586	\$ 722,227		1,106,416		1,106,416
General Administrative Services	358,103				(358,103)		(358,103)
School Administrative Services	1,729,461				(1,729,461)		(1,729,461)
Central Administrative Services	1,035,692				(1,035,692)		(1,035,692)
Administrative Information Technology	483,486				(483,486)		(483,486)
Plant Operations and Maintenance	3,767,821			\$ 292,782	(3,475,039)		(3,475,039)
Pupil Transportation	66,981				(66,981)		(66,981)
Total Governmental Activities	<u>43,737,510</u>	<u>37,371,838</u>	<u>722,227</u>	<u>292,782</u>	<u>(5,350,663)</u>		<u>(5,350,663)</u>
Business-type Activities:							
Food Service	742,184	134,763	689,501		\$ 82,080		82,080
Mercer Cooperative Transportation System	11,583,100	11,654,273			71,173		71,173
NJ State Regional Day School	312,798	316,746			3,948		3,948
Community Resources	50,067	31,094			(18,973)		(18,973)
Special Aides	3,779,900	3,921,216			141,316		141,316
Clinic Parent	2,537	1,251			(1,286)		(1,286)
Chuck's Place	53,363	53,758			395		395
Total Business-type Activities	<u>16,523,949</u>	<u>16,113,101</u>	<u>689,501</u>		<u>278,653</u>		<u>278,653</u>
Total Primary Government	<u>\$ 60,261,459</u>	<u>\$ 53,484,939</u>	<u>\$ 1,411,728</u>	<u>\$ 292,782</u>	<u>(5,350,663)</u>	<u>278,653</u>	<u>(5,072,010)</u>
General Revenues:							
County appropriation/taxes					3,237,186		3,237,186
Nonresident Fees					275,826		275,826
State and Federal Sources					7,636,328		7,636,328
Interest Earnings					205,929	1,799	207,728
Miscellaneous					466,505		466,505
Total General Revenues					<u>11,821,774</u>	<u>1,799</u>	<u>11,823,573</u>
Change in net position					6,471,111	280,452	6,751,563
Net Position - Beginning					20,888,256	748,096	21,636,352
Net Position - Ending					<u>\$ 27,359,367</u>	<u>\$ 1,028,548</u>	<u>\$ 28,387,915</u>

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, 2023

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 11,117,080	\$ 43,772		\$ 11,160,852
Interfund Receivable	3,693,478			3,693,478
Accounts Receivable:				
State	111,133			111,133
Federal		137,914		137,914
Other	353,022	55,919	\$ 123,302	532,243
Total Assets	\$ 15,274,713	\$ 237,605	\$ 123,302	\$ 15,635,620
Liabilities and Fund Balances				
Liabilities:				
Interfund Payable		\$ 148,423	\$ 122,807	\$ 271,230
Accounts Payable	\$ 156,657	44,429	495	201,581
Payroll Deductions and Withholdings Payable	11			11
Unemployment Compensation Claims	11,241			11,241
Unearned Revenue	22,675	981		23,656
Total Liabilities	190,584	193,833	123,302	507,719
Fund Balances:				
Restricted for:				
Capital Reserve	4,725,725			4,725,725
Unemployment Compensation Reserve	139,090			139,090
Scholarships		6,002		6,002
Student Activities		37,770		37,770
Assigned to:				
Other Purposes	941,671			941,671
Unassigned	9,277,643			9,277,643
Total Fund Balances	15,084,129	43,772		15,127,901
Total Liabilities and Fund Balances	\$ 15,274,713	\$ 237,605	\$ 123,302	

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 \$61,821,255 and the accumulated depreciation is \$30,262,261 (See Note 4).	31,558,994
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(2,895,299)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(13,581,446)
Accrued pension contributions for the June 30, 2023 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.	(1,222,319)
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the Fund (See Note 5).	(1,628,464)
Net Position of Governmental Activities	<u>\$ 27,359,367</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, 2023

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 3,237,186			\$ 3,237,186
Tuition from Other Districts	33,935,773			33,935,773
Other Tuition	3,436,065			3,436,065
Non-Resident Fees	275,826			275,826
Interest	205,929			205,929
Miscellaneous	466,505	\$ 269,274	\$ 292,782	1,028,561
Total - Local Sources	41,557,284	269,274	292,782	42,119,340
State Sources	8,016,829	161,273		8,178,102
Federal Sources	757,513	291,680		1,049,193
Total Revenues	50,331,626	722,227	292,782	51,346,635
Expenditures:				
Current:				
Instruction:				
Special Education Instruction	15,091,346			15,091,346
School Sponsored/Other Instructional	40,964	25,525		66,489
Support Services:				
Student and Instruction Related Services	7,086,816	677,331		7,764,147
General Administration	304,570			304,570
School Administration	1,082,593			1,082,593
Central Services	689,882			689,882
Administrative Information Technology	382,189			382,189
Plant Operations and Maintenance	2,820,449			2,820,449
Security	112,391			112,391
Pupil Transportation	62,408			62,408
Unallocated Benefits	10,273,454			10,273,454
On-behalf TPAF Benefits	8,011,831			8,011,831
Capital Outlay	236,031	6,883	292,782	535,696
Total Expenditures	46,194,924	709,739	292,782	47,197,445
Net change in fund balances	4,136,702	12,488	-	4,149,190
Fund Balance, July 1	10,947,427	31,284	-	10,978,711
Fund Balance, June 30	\$ 15,084,129	\$ 43,772	\$ -	\$ 15,127,901

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, 2023

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	4,149,190
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital asset additions in the current fiscal year.</p>		
Depreciation Expense	\$	(1,486,272)
Capital Asset Additions		<u>536,028</u>
		(950,244)
<p>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.</p>		
		3,213,708
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.</p>		
		58,457
Change in Net Position of Governmental Activities (A-2)	\$	<u><u>6,471,111</u></u>

See accompanying notes to the basic financial statements.

Proprietary Funds

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS

STATEMENT OF NET POSITION

June 30, 2023

	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	\$ 389,305			\$ 37,272	\$ 306,642			\$ 733,219
Accounts Receivable:								
State	1,519							1,519
Federal	37,593							37,593
Other		\$ 2,602,334			14,450	\$ 928,200		3,544,984
Inventories	22,543						\$ 2,675	25,218
Total Current Assets	450,960	2,602,334		37,272	321,092	928,200	2,675	4,342,533
Capital Assets								
Site Improvements			\$ 13,100					13,100
Equipment	195,130	6,937	45,439		73,224		18,470	339,200
Building and Building Improvements			298,823					298,823
Accumulated Depreciation	(172,739)	(4,278)	(215,469)		(73,224)		(11,738)	(477,448)
Total Capital Assets, Net	22,391	2,659	141,893		-		6,732	173,675
Total Assets	473,351	2,604,993	141,893	37,272	321,092	928,200	9,407	4,516,208
Liabilities								
Current:								
Interfund Payable		2,470,939	127,201			817,169	6,939	3,422,248
Accounts Payable	47,393	1,693	798		4,941			54,825
Unearned Revenue	10,587							10,587
Total Current Liabilities	57,980	2,472,632	127,999	-	4,941	817,169	6,939	3,487,660
Net Position								
Investment in Capital Assets	22,391	2,659	141,893				6,732	173,675
Unrestricted (deficit)	392,980	129,702	(127,999)	37,272	316,151	111,031	(4,264)	854,873
Total Net Position	\$ 415,371	\$ 132,361	\$ 13,894	\$ 37,272	\$ 316,151	\$ 111,031	\$ 2,468	\$ 1,028,548

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, 2023

	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 - Non-Reimbursable Programs	\$ 76,519							\$ 76,519
Special event income	58,244							58,244
Transportation Fees		\$ 11,654,273						11,654,273
Miscellaneous				\$ 1,251	\$ 31,094	\$ 3,921,216	\$ 53,758	4,007,319
Tuition			\$ 316,746					316,746
Total Operating Revenues	134,763	11,654,273	316,746	1,251	31,094	3,921,216	53,758	16,113,101
Operating Expenses:								
Salaries and Benefits	238,378	290,736	190,483	2,294	39,288	3,779,900		4,541,079
Employee Benefits	66,285							66,285
Purchased Professional/Technical Services		11,525						11,525
Cleaning, Repair and Maintenance							1,722	1,722
Contracted Services		11,235,199						11,235,199
Other Purchased Services	59,588		46,974		6,134			112,696
Insurance	5,654		3,000					8,654
Miscellaneous Purchased Services	1,492							1,492
Supplies and Materials	40,808	17,946	14,946				50,491	124,191
Energy	2,146		43,071					45,217
Telephone/Communications/Postage	2,364	1,860	879					5,103
Travel					667			667
Cost of Sales - Program	312,382							312,382
Cost of Sales - Non-program	294							294
Miscellaneous	1,033	3,447		243			609	5,332
Other	10,001							10,001
Taxes, Licenses and Fees	1,078							1,078
Rent		21,000						21,000
Depreciation	681	1,387	13,445		3,978		541	20,032
Total Operating Expenses	742,184	11,583,100	312,798	2,537	50,067	3,779,900	53,363	16,523,949
Operating (Loss) Income	(607,421)	71,173	3,948	(1,286)	(18,973)	141,316	395	(410,848)
Nonoperating Revenues:								
Local Sources:								
Interest on Investments	1,799							1,799
State Sources:								
State School Lunch Program	21,138							21,138
Federal Sources:								
Local Foods for School	262							262
National School Lunch Program	355,986							355,986
School Breakfast Program	181,439							181,439
HHFKA	7,463							7,463
Pandemic EBT Administrative Costs	653							653
Supply Chain Assistance	52,895							52,895
Food Donation Program	69,665							69,665
Total Nonoperating Revenues	691,300							691,300
Change in Net Position	83,879	71,173	3,948	(1,286)	(18,973)	141,316	395	280,452
Total Net Position (Deficit) - Beginning	331,492	61,188	9,946	38,558	335,124	(30,285)	2,073	748,096
Total Net Position - Ending	\$ 415,371	\$ 132,361	\$ 13,894	\$ 37,272	\$ 316,151	\$ 111,031	\$ 2,468	\$ 1,028,548

See accompanying notes to the basic financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year ended June 30, 2023

	Major Enterprise Funds							Total
	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Clinic Parent	Community Resources	Special Aides	Chuck's Place	
Cash Flows From Operating Activities:								
Receipts from Customers	\$ 134,763	\$ 10,892,989	\$ 316,746	\$ 1,251	\$ 21,361	\$ 3,535,470	\$ 53,758	\$ 14,956,338
Payments to Employees	(238,378)	(192,474)	(133,735)	(2,294)	(34,347)	(2,642,725)		(3,243,953)
Payments for Employee Benefits	(66,285)	(98,262)	(56,748)			(1,137,175)		(1,358,470)
Payments to Suppliers	(434,446)	(11,289,388)	(110,978)	(243)	(6,801)	(372)	(49,718)	(11,891,946)
Net Cash (Used In) / Provided By Operating Activities	(604,346)	(687,135)	15,285	(1,286)	(19,787)	(244,802)	4,040	(1,538,031)
Cash Flows From Noncapital Financing Activities:								
Cash Received From State and Federal Reimbursements	707,007							707,007
Advances from other funds		687,135	(15,285)			244,802		916,652
Net Cash Provided By / (Used In) Noncapital Financing Activities	707,007	687,135	(15,285)			244,802		1,623,659
Cash Flows From Capital and Related Financing Activity-								
Purchase of Capital Assets - Equipment	(22,770)						(4,040)	(26,810)
Net Cash (Used In) Capital and Related Financing Activities	(22,770)						(4,040)	(26,810)
Cash Flows From Investing Activity-								
Interest Income	1,799							1,799
Net Cash Provided By Investing Activity	1,799							1,799
Net Increase (Decrease) in Cash and Cash Equivalents	81,690	-	-	(1,286)	(19,787)	-	-	60,617
Cash and Cash Equivalents, Beginning of Year	307,615	-	-	38,558	326,429	-	-	672,602
Cash and Cash Equivalents, End of Year	\$ 389,305	\$ -	\$ -	\$ 37,272	\$ 306,642	\$ -	\$ -	\$ 733,219
Reconciliation of Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:								
Operating (Loss) Income	\$ (607,421)	\$ 71,173	\$ 3,948	\$ (1,286)	\$ (18,973)	\$ 141,316	\$ 395	\$ (410,848)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities:								
Depreciation	681	1,387	13,445		3,978		541	20,032
Changes in Assets and Liabilities:								
Decrease (Increase) in Accounts Receivable	6,208	(761,284)			(9,733)	(359,016)		(1,123,825)
Decrease (Increase) in Inventory	3,018						(139)	2,879
(Decrease) Increase in Accounts Payable	(6,832)	1,589	(2,108)		4,941	(27,102)	3,243	(26,269)
Net Cash (Used In) / Provided By Operating Activities	\$ (604,346)	\$ (687,135)	\$ 15,285	\$ (1,286)	\$ (19,787)	\$ (244,802)	\$ 4,040	\$ (1,538,031)

Noncash Noncapital Financing Activities

The District received \$68,491 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2023.

See accompanying notes to the basic financial statements.

Mercer County Special Services School District

Notes to the Basic Financial Statements

Year ended June 30, 2023

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, 2023 of 488 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, 2023

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, 2023

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, 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, 2023

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, 2023

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, 2023

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, 2023, 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, 2023, the unused U.S.D.A. Food Donation Program Commodities of \$10,587 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, 2023

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, 2023, a liability existed for compensated absences in the government-wide financial statements in the amount of \$1,628,464 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, 2023

1. Summary of Significant Accounting Policies (continued)

K. Unearned Revenue

Unearned revenue in the general fund and special revenue fund represent 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, 2023.

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, 2023

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 \$15,084,129 of fund balance in the General Fund, \$941,671 of encumbrances is assigned to other purposes, \$4,725,725 has been restricted in the capital reserve account, \$139,090 has been restricted in the unemployment compensation reserve, and the remaining \$9,277,643 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, 2023

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 \$3,531,628 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. 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 reviewed the requirements of GASB Statement No. 96 and deemed the impact immaterial to 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 financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has reviewed the requirements of GASB Statement No. 99 and deemed the impact immaterial to the financial statements.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

1. Summary of Significant Accounting Policies (continued)

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, 2023 through December 4, 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, 2023, the net adjustment of \$1,628,464 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 and for External Investment Pools* and Statement No. 72 *Fair Value Measurement and Application*. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2023

3. Deposits and Investments (continued)

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, 2023

3. Deposits and Investments (continued)

Operating cash accounts are held in the District's name by commercial banking institutions. At June 30, 2023, the District's carrying amount of deposits was \$7,261,632 and the bank balance was \$8,461,617. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2023 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act. (GUDPA) covered the bank balance of \$7,952,255. \$259,362 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, 2023

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, 2023, 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, 2023, 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, 2023, the District’s balance was \$4,632,443 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, 2023

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2023:

	Beginning Balance	Increases	Transfers/ Dispositions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	\$ 1,772,391	\$ 195,703	\$ (841,993)	\$ 1,126,101
Total capital assets, not being depreciated	1,772,391	195,703	(841,993)	1,126,101
Capital assets, being depreciated				
Site improvements	788,841	255,119	363,500	1,407,460
Buildings and building improvements	55,346,596	51,082	478,493	55,876,171
Machinery and equipment	3,384,291	34,124	(6,892)	3,411,523
Total capital assets being depreciated	59,519,728	340,325	835,101	60,695,154
Less accumulated depreciation for:				
Site improvements	(534,823)	(47,003)		(581,826)
Buildings and building improvements	(26,400,359)	(1,198,474)		(27,598,833)
Machinery and equipment	(1,847,699)	(240,795)	6,892	(2,081,602)
Total accumulated depreciation	(28,782,881)	(1,486,272)	6,892	(30,262,261)
Total capital assets being depreciated, net	30,736,847	(1,145,947)	841,993	30,432,893
Governmental activities capital assets, net	\$32,509,238	\$ (950,244)	\$ -	\$ 31,558,994

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

Special education instruction	\$ 790,439
Other instructional program	3,482
Student and instruction related services	406,662
School administrative services	15,952
General administrative services	56,703
Central services	36,134
Administrative information technology	20,018
Plant operations and maintenance	153,613
Pupil transportation	3,269
	<u>\$ 1,486,272</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

4. Capital Assets (continued)

The following schedule is a summarization of business-type activities changes in capital assets for the year ended June 30, 2023:

	Beginning Balance	Increases	Dispositions	Ending Balance
Business-type activities				
Capital assets, being depreciated:				
Site Improvements	\$ 13,100			\$ 13,100
Equipment	322,881	\$ 26,810	\$ (10,491)	339,200
Building and Building Improvements	298,823			298,823
Less accumulated depreciation	(467,907)	(20,032)	10,491	(477,448)
Total business-type activities capital assets, net	<u>\$ 166,897</u>	<u>\$ 6,778</u>	<u>\$ -</u>	<u>\$ 173,675</u>

5. Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences	\$ 1,686,921	\$ 151,958	\$ 210,415	\$ 1,628,464	\$ 158,659
Net pension liability	11,602,945	1,978,501		13,581,446	
Total governmental activities long-term liabilities	<u>\$ 13,289,866</u>	<u>\$ 2,130,459</u>	<u>\$ 210,415</u>	<u>\$ 15,209,910</u>	<u>\$ 158,659</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, 2023, the District had no bonds payable and no authorized but not issued bonds.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

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, 2023

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, 2023, the State of New Jersey contributed \$6,873,504 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 \$1,138,327 during the year ended June 30, 2023 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, 2023

6. Pension Plans (continued)

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2023, 2022 and 2021 were \$1,134,877, \$1,147,039, and \$1,121,355, 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, 2023, the District reported a liability of \$13,581,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2021, which was rolled forward to June 30, 2022. 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, 2022, the District's proportion was 0.0899947488 percent, which was a decrease of .0079493301 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized full accrual pension benefit of \$(2,078,831) 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	\$ 42,080	\$ 2,033,680
Difference between expected and actual experience	98,025	86,444
Net difference between projected and actual earnings on pension plan investments	562,124	
Changes in proportion and differences between District contributions and proportionate share of contributions		2,699,723
District contributions subsequent to the measurement date	1,222,319	
	<u>\$ 1,924,548</u>	<u>\$ 4,819,847</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

6. Pension Plans (continued)

\$1,222,319 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:	
2024	\$ (2,279,279)
2025	(1,367,520)
2026	(824,995)
2027	367,118
2028	(12,942)
	<u>\$ (4,117,618)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases:	
	2.75 - 6.55%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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, 2023

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, 2022) 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Assets	3.00%	7.60%
Real Estate	8.00%	11.19%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	100.00%	

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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, 2022, 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	\$ 17,448,180	\$ 13,581,446	\$ 10,290,700
<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, 2022 are as follows:

Deferred outflows of resources	\$ 1,660,772,008
Deferred inflows of resources	\$ 3,236,303,935
Net pension liability	\$ 15,219,184,920
District's Proportion	0.0899474880%

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

6. Pension Plans (continued)

Collective pension benefit for the Local Group for the measurement period ended June 30, 2022 is \$1,032,778,934.

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, 2022, 2021, 2020, 2019, 2018, 2017, and 2016 is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years, respectively.

Special Funding Situation

A special funding situation exists for certain Local employers of the PERS. The State of New Jersey, a nonemployer, is required to pay the additional costs incurred by local employers under Chapter 366, P.L. 2011 and Chapter 122, P.L. 2001. The June 30, 2022 State special funding situation net pension liability amount of \$127.8 million is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The special funding situation for Chapter 133, P.L. 2011 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). AS of June 30, 2022, there was no net pension liability associated with this special funding situation there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense of \$50.2 million, for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The District's expense related to the special funding situation is \$28,576.

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

6. Pension Plans (continued)

associated with the District as of June 30, 2022 was \$70,987,045 The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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, 2022, the State's proportionate share of the TPAF net pension liability associated with the District was 0.1375866823 percent, which was an increase of 0.0052077988 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized on-behalf pension benefit and revenue in the government-wide financial statements of \$3,531,628 for contributions incurred by the State.

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:	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.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

6. Pension Plans (continued)

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

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, 2022) 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 TPAF's target asset allocation as of June 30, 2022 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%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real assets	3.00%	7.60%
Real estate	8.00%	11.19%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

6. Pension Plans (continued)

long-term expected rate of return on plan investments was applied to all projected benefit payments determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2022 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	\$ 83,233,819	\$ 70,987,045	\$ 60,670,677

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, 2022 are as follows:

Deferred outflows of resources	\$ 4,996,491,160
Deferred inflows of resources	\$ 19,532,696,776
Net pension liability	\$ 51,594,415,806
District's Proportion	0.1375867%

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2022 is \$1,424,884,581.

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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015 is 7.83, 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, 2023

7. Post-Retirement Benefits

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan:

Pension and Other Postemployment Benefits (OPEB) Obligations in Fiscal Year 2022 the State funded the various defined benefit pension systems at 108 percent of the full actuarially determined contributions. Employer contributions to the pension plans are calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the pension plans may differ from the actuarially determined contributions of the pension plans because the State's contribution to the pension plans is subject to the appropriation of the State Legislature and actions by the Governor. GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability. Under the new statement, the calculation of the pension liability was changed to a more conservative methodology and each employer was allocated a proportional share of the pension plans' net pension liability.

The State's share of the net pension liability, based on a measurement date of June 30, 2021, which is required to be recorded on the financial statements, is \$75.1 billion. The Fiscal Year 2023 projected aggregate State contribution to the pension plans of \$6.8 billion represents 104 percent of the actuarially determined contribution. The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2022, the State paid PRM benefits for 161,238 State and local retirees. The State funds the post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2022, the State contributed \$1.9 billion to pay for "pay-as-you-go" PRM benefit costs incurred by covered populations, a slight increase from \$1.8 billion in Fiscal Year 2021. The State has appropriated \$2.1 billion in Fiscal Year 2023 as the State's contribution to fund increases in prescription drugs and medical claims costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2022 State OPEB liability to provide these benefits is \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

7. Post-Retirement Benefits (continued)

accessed on the Division of Pensions & Benefits Financial Reports webpage:
<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Total OPEB Liability

The Nonemployer OPEB liability from the State of New Jersey's plan is \$50,646,462,966.

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:

Beginning Total OPEB Liability, June 30, 2021	<u>Total OPEB Liability</u> \$ 119,658,031
Changes for the year:	
Service cost	4,120,058
Interest	2,731,234
Differences between expected and actual experiences	6,817,499
Changes in assumptions or other inputs	(27,647,081)
Member contributions	86,790
Benefit payments	<u>(2,705,369)</u>
Net changes	<u>(16,596,869)</u>
Ending Total OPEB Liability, June 30, 2022	<u>\$ 103,061,162</u>

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education Group</u>	<u>June 30, 2022</u>
Active Plan Members	213,148
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	151,669
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	<u>-</u>
Total Plan Members	<u>364,817</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, 2022 was

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

7. Post-Retirement Benefits (continued)

\$103,061,162. Additional information can be obtained from the State of New Jersey’s annual comprehensive financial report.

Actuarial assumptions and other inputs

The total non-employer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. 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	2.75 - 4.25%	2.75 - 6.55%
	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, 2021 valuation were based on the results of the actual experience studies for the periods July 1, 2018 to June 30, 2021.

Discount Rate

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

7. Post-Retirement Benefits (continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially (1.99%) in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially (3.54%) in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after eight 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, 2022 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 (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	At 1% decrease (2.54%)	At Current discount rate (3.54%)	At 1% increase (4.54%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 121,137,555	\$ 103,061,162	\$ 88,573,837

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, 2022 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:

	At 1% decrease	At Healthcare Cost Trend Rate	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 85,186,350	\$ 103,061,162	\$ 126,540,813

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

7. Post-Retirement Benefits (continued)

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

For the year ended June 30, 2023, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$963,995 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2022 are as follows:

Deferred outflows of resources	\$	20,104,625,333
Deferred inflows of resources	\$	34,996,842,046
Collective OPEB Expense	\$	1,595,653,562
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.

New Jersey Unemployment Compensation Insurance

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

8. Risk Management (continued)

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>Interest on Investments</u>	<u>Amount Paid or Accrued</u>	<u>Ending Balance</u>
2022-2023	\$ 41,530	\$ 1,618	\$ 53,839	\$ 139,090
2021-2022	44,672	91	105,626	149,781
2020-2021	40,148	27	25,017	210,644

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.

9. Deferred Compensation

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

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

9. Deferred Compensation (continued)

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

The plan members' contributions to the deferred compensation plans for the years ended June 30, 2023, 2022 and 2021 were \$1,047,446, \$926,268, and \$915,292, 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, 2023:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 3,693,478	
Special Revenue Fund		\$ 148,423
Capital Projects Fund		122,807
Chucks Place Enterprise Fund		6,939
Regional Day School Enterprise Fund		127,201
Special Aides Enterprise Fund		817,169
Cooperative Transportation Enterprise Fund		2,470,939
	<u>\$ 3,693,478</u>	<u>\$ 3,693,478</u>

The interfund receivable of \$3,693,478 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$148,423, the Capital Projects Fund for \$122,807, the Chucks Place Enterprise Fund for \$6,939, the Regional Day School Enterprise Fund for \$127,201, the Special Aides Enterprise Fund for \$817,169, and the Cooperative Transportation Enterprise Fund for \$2,470,939, which represents funds advanced to these funds to cover temporary pooled cash flow shortages. All interfund balances are expected to be repaid within one year.

11. Economic Dependency

The District receives a substantial amount of its support from federal, state and county governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)
Year ended June 30, 2023

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, 2023 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.

The District has contractual commitments at June 30, 2023 to various vendors, which are recorded in the General Fund as fund balance assigned to other purposes in the amount of \$941,671.

13. Capital Reserve Account

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfers by Board resolution at year end (June 1 and June 30) of any unanticipated revenue or unexpended line item appropriation amounts, or both. Pursuant to N.J.A.C. 6A:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning balance, July 1, 2022	\$ 3,907,828
Decreased by:	
Appropriated 22-23 capital projects	(845,160)
Increased by Deposits:	
Unspent capital outlay funds	507,582
Interest earned on capital reserve funds	155,475
Deposit into Capital Reserve (June 2023 Board Resolution)	1,000,000
Ending balance, June 30, 2023	<u>\$ 4,725,725</u>

Mercer County Special Services School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2023

13. Capital Reserve Account (continued)

Of the balance of \$4,725,725 at June 30, 2023, \$689,650 has been appropriated in the 2023-2024 approved budget. At June 30, 2023, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

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.

**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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset) - Local Group	0.0899474880%	0.0979440789%	0.1025050000%	0.1082289623%	0.1135623000%	0.1159694392%	0.1171888494%	0.1180391368%	0.1179801087%	0.1186931975%
District's proportionate share of the net pension liability (asset)	\$ 13,581,446	\$ 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
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	200.21%	168.32%	235.78%	263.78%	288.59%	342.33%	436.82%	334.30%	279.36%	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,134,877	\$ 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
Contributions in relation to the contractually required contribution	(1,134,877)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,885,927	\$ 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
Contributions as a percentage of covered-employee payroll	16.48%	16.91%	16.26%	14.85%	15.28%	14.01%	13.20%	12.77%	12.14%	12.17%

See accompanying notes to Required Supplementary Information

Mercer County Special Services School District
 Required Supplementary Information
 Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
 Teachers' Pension and Annuity Fund
 Last Ten Fiscal Years

	Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.1375866823%	0.1323788835%	0.1371614482%	0.1381661952%	0.1391269406%	0.1503884484%	0.1503928033%	0.1544821417%	0.1617187713%	0.1707681799%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 70,987,045	\$ 63,641,398	\$ 90,319,163	\$ 84,793,898	\$ 88,509,571	\$ 101,397,315	\$ 118,308,555	\$ 97,639,310	\$ 86,433,420	\$ 86,304,895
Total proportionate share of the net pension liability (asset) associated with the District	\$ 70,987,045	\$ 63,641,398	\$ 90,319,163	\$ 84,793,898	\$ 88,509,571	\$ 101,397,315	\$ 118,308,555	\$ 97,639,310	\$ 86,433,420	\$ 86,304,895
Plan fiduciary net position as a percentage of the total pension liability	32.29%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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.

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,						
	2023	2022	2021	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.20%	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	\$ 103,061,162	\$ 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>\$ 103,061,162</u>	<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%	0.00%
Total OPEB Liability	2023	2022	2021	2020	2019	2018	2017 **
Service cost	\$ 4,120,058	\$ 4,848,617	\$ 2,653,631	\$ 2,755,244	\$ 3,345,522	\$ 4,016,607	
Interest cost	2,731,234	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	6,817,499	(23,687,322)	24,558,721	(16,550,550)	(13,491,681)	-	
Changes of assumptions	(27,647,081)	118,052	25,165,436	1,262,865	(11,014,339)	(14,440,870)	
Member contributions	86,790	79,355	72,696	77,071	88,703	98,434	
Gross benefit payments	(2,705,369)	(2,445,126)	(2,398,423)	(2,599,998)	(2,566,507)	(2,673,189)	
Net change in total OPEB liability	(16,596,869)	(18,109,730)	53,069,043	(11,282,618)	(19,430,743)	(9,364,835)	
Total OPEB liability - beginning	119,658,031	137,767,761	84,698,718	95,981,336	115,412,079	124,776,914	
Total OPEB liability - ending	<u>\$ 103,061,162</u>	<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	<u>\$ 21,651,654</u>	<u>\$ 22,296,558</u>	<u>\$ 7,392,879</u>	<u>\$ 21,719,259</u>	<u>\$ 22,503,208</u>	<u>\$ 22,581,804</u>	
Total OPEB liability as a percentage of covered-employee payroll	476.00%	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, 2023

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

There were none.

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 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

**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, 2023

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to</u> <u>Actual</u>
REVENUES:					
Local Sources:					
County Tax Levy	\$ 3,237,186		\$ 3,237,186	\$ 3,237,186	
Tuition from other LEAs within the State	33,528,589		33,528,589	33,935,773	\$ 407,184
Tuition from other sources	3,507,625	\$ (189,300)	3,318,325	3,436,065	117,740
Non-Resident Fees	140,000		140,000	275,826	135,826
Interest Earned on Capital Reserve Funds				155,475	155,475
Interest Earned - Other	500		500	50,454	49,954
Unrestricted Miscellaneous Revenues	423,600		423,600	466,505	42,905
Total - Local Sources	40,837,500	(189,300)	40,648,200	41,557,284	909,084
State Sources:					
State Reimbursed Lead Test				4,998	4,998
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				5,442,088	5,442,088
TPAF Post Retirement Medical				1,429,623	1,429,623
TPAF Non-contributory Insurance (On-Behalf, Non-Budgeted)				1,793	1,793
Reimbursed TPAF Social Security				1,138,327	1,138,327
Total State Sources				8,016,829	8,016,829
Federal Sources:					
COVID-19 - Non PPHF: Epidemiology and Lab Capacity - ARP LEA Testing				814	814
COVID-19: Disaster Relief Grant: FEMA COVID				150,754	150,754
Special Child Health Services Grant	64,872		64,872		
Medical Assistance Program	250,000		250,000	605,945	355,945
Total - Federal Sources	314,872		314,872	757,513	507,513
Total Revenues	41,152,372	(189,300)	40,963,072	50,331,626	9,368,554
EXPENDITURES:					
SPECIAL EDUCATION - INSTRUCTION					
Emotional Regulation Impairment					
Salaries of Teachers	501,190	(74,382)	426,808	268,101	158,707
Other Salaries for Instruction	235,010	(24,829)	210,181	181,155	29,026
General Supplies	22,000	250	22,250	22,166	84
Other Objects	3,500		3,500	1,959	1,541
Total Emotional Regulation Impairment	761,700	(98,961)	662,739	473,381	189,358
Multiple Disabilities					
Salaries of Teachers	3,914,550	(144,833)	3,769,717	3,742,631	27,086
Other Salaries for Instruction	1,707,683	35,455	1,743,138	1,688,426	54,712
Other Purchased Services	35,800		35,800	15,827	19,973
General Supplies	109,000	99	109,099	106,563	2,536
Other Objects	6,350	(2,475)	3,875	1,969	1,906
Total Multiple Disabilities	5,773,383	(111,754)	5,661,629	5,555,416	106,213
Autism					
Salaries of Teachers	3,242,793	297,056	3,539,849	3,539,587	262
Other Salaries for Instruction	1,608,329	(30,567)	1,577,762	1,577,240	522
General Supplies	30,500	4,364	34,864	34,235	629
Other Objects	2,600	(951)	1,649	1,649	
Total Autism	4,884,222	269,902	5,154,124	5,152,711	1,413
Preschool Disabilities - Full-Time					
Salaries of Teachers	278,407	(97,278)	181,129	175,476	5,653
Other Salaries for Instruction	83,735	55,123	138,858	138,853	5
General Supplies	6,000	(50)	5,950	5,950	
Other Objects	300	111	411	319	92
Total Preschool Disabilities - Full-Time	368,442	(42,094)	326,348	320,598	5,750

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Extended School Year					
Salaries of Teachers	\$ 1,829,000	\$ (294,272)	\$ 1,534,728	\$ 1,534,728	
Salaries of Supervisors of Instruction	125,000	21,659	146,659	146,659	
Other Salaries for Instruction	677,625	25,343	702,968	702,968	
Other Purchased Services	100,000	22,451	122,451	122,451	
Total Extended School Year	<u>2,731,625</u>	<u>(224,819)</u>	<u>2,506,806</u>	<u>2,506,806</u>	
Intellectual Disability-Severe					
Salaries of Teachers	636,947	(2,327)	634,620	616,733	\$ 17,887
Other Salaries for Instruction	504,056	(10,593)	493,463	458,308	35,155
General Supplies	14,000	(970)	13,030	6,759	6,271
Other Objects	2,050	2,050	2,050	634	1,416
Total Intellectual Disability-Severe	<u>1,157,053</u>	<u>(13,890)</u>	<u>1,143,163</u>	<u>1,082,434</u>	<u>60,729</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>15,676,425</u>	<u>(221,616)</u>	<u>15,454,809</u>	<u>15,091,346</u>	<u>363,463</u>
School-Spon. Athletics					
Other Objects	2,200		2,200	750	1,450
Total School-Spon. Athletics	<u>2,200</u>		<u>2,200</u>	<u>750</u>	<u>1,450</u>
Other Instructional Programs - Instruction					
Salaries	32,000		32,000	24,577	7,423
Supplies and Materials	17,700		17,700	15,637	2,063
Total Instructional Programs - Instruction	<u>49,700</u>		<u>49,700</u>	<u>40,214</u>	<u>9,486</u>
TOTAL INSTRUCTION	<u>15,728,325</u>	<u>(221,616)</u>	<u>15,506,709</u>	<u>15,132,310</u>	<u>374,399</u>
Undist. Expend. - Health Services					
Salaries	623,011	(609)	622,402	613,576	8,826
Purchased Professional and Technical Services	65,000	352	65,352	60,798	4,554
Other Purchased Services	1,500	82	1,582	1,581	1
Supplies and Materials	19,900	(482)	19,418	14,692	4,726
Total Undistributed Expenditures - Health Services	<u>709,411</u>	<u>(657)</u>	<u>708,754</u>	<u>690,647</u>	<u>18,107</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.					
Salaries	4,763,490	(106)	4,763,384	4,531,060	232,324
Purchased Professional - Educational Services	215,000	(682)	214,318	122,394	91,924
Supplies and Materials	17,750	174	17,924	13,185	4,739
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.	<u>4,996,240</u>	<u>(614)</u>	<u>4,995,626</u>	<u>4,666,639</u>	<u>328,987</u>
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	1,159,736	2,372	1,162,108	1,161,617	491
Supplies and Materials	1,550	(1,079)	471	331	140
Total Undist. Expend. - Child Study Teams	<u>1,161,286</u>	<u>1,293</u>	<u>1,162,579</u>	<u>1,161,948</u>	<u>631</u>
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisors of Instruction	150,000	(7,866)	142,134	134,333	7,801
Salaries of Other Professional Staff	118,800	212	119,012	97,007	22,005
Salaries of Secretarial and Clerical Assistants	152,300	(2,850)	149,450	138,692	10,758
Other Purchased Services	39,148	16,352	55,500	52,848	2,652
Supplies and Materials	7,000	(508)	6,492	3,264	3,228
Other Objects	2,000	5,355	7,355	6,167	1,188
Total Undist. Expend. - Improvement of Inst. Serv.	<u>469,248</u>	<u>10,695</u>	<u>479,943</u>	<u>432,311</u>	<u>47,632</u>
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	131,040	(1,146)	129,894	103,284	26,610
Supplies and Materials	1,700	400	2,100	1,882	218
Total Undist. Expend. - Edu. Media Serv./Sch. Library	<u>132,740</u>	<u>(746)</u>	<u>131,994</u>	<u>105,166</u>	<u>26,828</u>
Undist. Expend. - Instructional Staff Training Serv.					
Other Salaries	750		750	525	225
Other Purchased Prof. and Tech. Services	16,500	(7,346)	9,154	9,154	9,154
Other Purchased Services	29,640	7,346	36,986	28,583	8,403
Supplies and Materials	2,500		2,500	997	1,503
Total Undist. Expend. - Instructional Staff Training Serv.	<u>49,390</u>		<u>49,390</u>	<u>30,105</u>	<u>19,285</u>

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2023

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to</u> <u>Actual</u>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	\$ 75,161	\$ (7,950)	\$ 67,211	\$ 66,604	\$ 607
Legal Services	80,000	(8,350)	71,650	37,068	34,582
Audit Fees	66,200		66,200	66,150	50
Architectural/Engineering Services		50,250	50,250	50,250	
Purchased Technical Services	4,340		4,340	4,340	
Communications/Telephone	50,117	(1,733)	48,384	45,088	3,296
Board of Education Other Purchased Services	2,000	311	2,311	2,170	141
Miscellaneous Purchased Services	22,600	(101)	22,499	22,388	111
General Supplies	2,000	1,375	3,375	2,660	715
Miscellaneous Expenditures	4,000	(2,230)	1,770	1,731	39
Board of Education Dues and Fees	6,300	(170)	6,130	6,121	9
Total Undist. Expend. - Supp. Serv. - General Admin.	312,718	31,402	344,120	304,570	39,550
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Principals/Assistant Principals	397,931	(937)	396,994	364,411	32,583
Salaries - Other Professional Staff	359,900	938	360,838	347,748	13,090
Salaries of Secretarial and Clerical Assistants	381,303	(800)	380,503	333,791	46,712
Other Purchased Services	20,500	1,251	21,751	13,040	8,711
Supplies and Materials	19,500	264	19,764	17,013	2,751
Other Objects	5,885	705	6,590	6,590	
Total Undist. Expend. - Support Serv. - School Admin.	1,185,019	1,421	1,186,440	1,082,593	103,847
Undist. Expend. - Central Services					
Salaries	736,969	(33,124)	703,845	548,839	155,006
Purchased Professional Services	75,000	(47,929)	27,071	4,000	23,071
Purchased Technical Services	70,430	26,538	96,968	96,836	132
Misc Purchased Services	12,500	5,394	17,894	14,808	3,086
Supplies and Materials	6,500	2,990	9,490	8,450	1,040
Miscellaneous Expenditures	15,339	1,662	17,001	16,949	52
Total Undist. Expend. - Central Services	916,738	(44,469)	872,269	689,882	182,387
Undist. Expend. - Technology Admin.					
Salaries	316,661		316,661	144,050	172,611
Purchased Professional Services	5,000	51,721	56,721	54,076	2,645
Other Purchased Services	500	(275)	225		225
Supplies and Materials	140,000	(31,835)	108,165	27,538	80,627
Other Objects	185,000	(21,517)	163,483	156,525	6,958
Total Undist. Expend. - Technology Admin.	647,161	(1,906)	645,255	382,189	263,066
Undist. Expend. - Required Maint. for Sch. Facil.					
Cleaning, Repair and Maintenance Services	81,042	2,278	83,320	83,320	
Lead Testing of Drinking Water	1,500		1,500		1,500
Total Undist. Expend. - Required Maint. for Sch. Facil.	82,542	2,278	84,820	83,320	1,500
Undist. Expend. - Custodial Services					
Salaries	1,222,224	5,597	1,227,821	1,176,899	50,922
Unused Vacation Payment to Terminated/Retired Staff	23,500	(11,165)	12,335	12,335	
Cleaning, Repair and Maintenance Services	375,000	91,460	466,460	337,695	128,765
Other Purchased Property Services	45,000	650	45,650	36,877	8,773
Insurance	203,500	4,003	207,503	206,701	802
Travel	750	241	991	991	
General Supplies	230,000	23,235	253,235	216,604	36,631
Natural Gas	210,000	5,000	215,000	177,117	37,883
Electricity	747,500	(74,637)	672,863	571,535	101,328
Other Objects	475		475	375	100
Total Undist. Expend. - Custodial Services	3,057,949	44,384	3,102,333	2,737,129	365,204
Undist. Expend. - Security					
Salaries	37,500	(1,641)	35,859	30,693	5,166
Purchased Professional & Technical Services	55,000	23,305	78,305	74,245	4,060
Cleaning, Repair and Maintenance Services	3,500	21,600	25,100	1,998	23,102
General Supplies	4,000	1,455	5,455	5,455	
Total Undist. Expend. - Security	100,000	44,719	144,719	112,391	32,328

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. Other than Between Home & School		\$ 2,319	\$ 2,319	\$ 2,315	\$ 4
Cleaning, Repair & Maintenance Services	\$ 4,500	2,467	6,967	3,677	3,290
Contracted Services (Other than Between Home and School) - Vendors	37,228	(750)	36,478	26,218	10,260
Miscellaneous Purchased Services - Transportation	27,000	1,340	28,340	28,340	
Transportation Supplies	3,000	(800)	2,200	1,858	342
Total Undist. Expend. - Student Transportation Serv.	<u>71,728</u>	<u>4,576</u>	<u>76,304</u>	<u>62,408</u>	<u>13,896</u>
Special Programs- Instruction - Employee Benefits:					
Social Security Benefits	175,000	(3,816)	171,184	171,184	
Health Benefits	600,000	40,335	640,335	640,335	
Total Special Programs-Instruction-Employee Benefits	<u>775,000</u>	<u>36,519</u>	<u>811,519</u>	<u>811,519</u>	
Unallocated Benefits					
Social Security Contributions	535,000	70,000	605,000	527,267	77,733
TPAF Contributions ERIP	55,000		55,000	49,141	5,859
Other Retirement Contributions - PERS	1,336,505	(64,959)	1,271,546	1,083,253	188,293
Workmen's Compensation	1,160,000	58,027	1,218,027	1,153,738	64,289
Health Benefits	6,922,000	(98,726)	6,823,274	6,182,459	640,815
Tuition Reimbursement	65,000	(4,540)	60,460	22,009	38,451
Other Employee Benefits	346,000	(54,235)	291,765	271,560	20,205
Unused Vac. Payment to Term/Ret. Staff	91,000	81,511	172,511	172,508	3
Total Unallocated Benefits	<u>10,510,505</u>	<u>(12,922)</u>	<u>10,497,583</u>	<u>9,461,935</u>	<u>1,035,648</u>
TPAF Pension Contributions (On-behalf - Non-Budgeted)				5,442,088	(5,442,088)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				1,429,623	(1,429,623)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,793	(1,793)
Reimbursed TPAF Social Security				1,138,327	(1,138,327)
Total On-behalf Contributions				<u>8,011,831</u>	<u>(8,011,831)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>25,177,675</u>	<u>115,973</u>	<u>25,293,648</u>	<u>30,826,583</u>	<u>(5,532,935)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>40,906,000</u>	<u>(105,643)</u>	<u>40,800,357</u>	<u>45,958,893</u>	<u>(5,158,536)</u>

Mercer County Special Services School District
General Fund
Budgetary Comparison Schedule
(Budgetary Basis)
Year Ended June 30, 2023

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>		<u>Final to</u>
					<u>Actual</u>
CAPITAL OUTLAY					
Equipment					
Multiple Disabilities	\$ 10,500	\$ (2,500)	\$ 8,000	\$ 3,000	\$ 5,000
Autism	1,750	(1,750)			
Preschool Disabilities-Full Time	1,750	(1,750)			
Undist Expend - Central Services	7,500	(7,500)			
Undist Expend - Admin Info Tech	77,000	(1,225)	75,775		75,775
Maintenance	83,000	(3,689)	79,311	12,900	66,411
Custodial Services		21,225	21,225	21,224	1
Total Equipment	181,500	2,811	184,311	37,124	147,187
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	40,000	(8,500)	31,500	17,438	14,062
Construction Services	805,160	37,262	842,422	181,469	660,953
Total Facilities Acquisition and Construction Services	845,160	28,762	873,922	198,907	675,015
TOTAL CAPITAL OUTLAY	1,026,660	31,573	1,058,233	236,031	822,202
 TOTAL EXPENDITURES	 41,932,660	 (74,070)	 41,858,590	 46,194,924	 (4,336,334)
 (Deficiency) Excess of Revenues (Under) Over Expenditures	 (780,288)	 (115,230)	 (895,518)	 4,136,702	 5,032,220
 Fund Balance, July 1	 10,947,427		 10,947,427	 10,947,427	
 Fund Balance, June 30	 \$ 10,167,139	 \$ (115,230)	 \$ 10,051,909	 \$ 15,084,129	 \$ 5,032,220
 Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 4,725,725	
Unemployment Compensation Reserve				139,090	
Assigned to:					
Year End Encumbrances				941,671	
Unassigned Fund Balance				9,277,643	
Fund balance per Governmental Funds (GAAP)				\$ 15,084,129	

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

**Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2023**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
State sources	\$ 128,115	\$ 123,487	\$ 251,602	\$ 161,273	\$ (90,329)
Federal sources	180,555	175,030	355,585	280,762	(74,823)
Local sources	178,939	45,716	224,655	269,274	44,619
Total revenues	<u>487,609</u>	<u>344,233</u>	<u>831,842</u>	<u>711,309</u>	<u>(120,533)</u>
Expenditures					
Current expenditures:					
Instruction:					
General supplies		15,588	15,588	14,607	981
Total instruction	-	<u>15,588</u>	<u>15,588</u>	<u>14,607</u>	<u>981</u>
Support services:					
Salaries	430,450	179,362	609,812	488,725	121,087
Personal services—employee benefits	57,159	103,236	160,395	119,245	41,150
Communications		4,728	4,728	4,394	334
Travel		2,593	2,593	131	2,462
Purchased property services		12,202	12,202	12,202	
Supplies and materials		19,641	19,641	19,522	119
Scholarships				1,160	(1,160)
Student Activities				31,952	(31,952)
Total support services	<u>487,609</u>	<u>321,762</u>	<u>809,371</u>	<u>677,331</u>	<u>132,040</u>
Capital outlay:					
Noninstructional equipment		6,883	6,883	6,883	
Total capital outlay	-	<u>6,883</u>	<u>6,883</u>	<u>6,883</u>	
Total expenditures	<u>487,609</u>	<u>344,233</u>	<u>831,842</u>	<u>698,821</u>	<u>133,021</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	12,488	12,488
Fund Balance, July 1				31,284	31,284
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,772</u>	<u>\$ 43,772</u>
Recapitulation:					
Restricted:					
Scholarships				\$ 6,002	
Student Activities				37,770	
Total Fund Balance				<u>\$ 43,772</u>	

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

Budget to GAAP Reconciliation

Year ended June 30, 2023

	<u>Special Revenue Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-2)	\$ 711,309
Differences - Budgetary to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	
Prior year	<u>10,918</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 722,227</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-2)	\$ 698,821
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.	
Prior year	<u>10,918</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 709,739</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, 2023

	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	Climate Awareness Education	SDA Emergent Needs & Capital Maintenance	Scholarship Fund	Student Activity Fund	Totals
		Federal	State	County									
Revenues:													
State Sources			\$ 143,129						\$ 5,942	\$ 12,202			\$ 161,273
Federal Sources		\$ 89,611		\$ 42,104		\$ 32,826	\$ 116,221						280,762
Local Sources	\$ 100,000			\$ 104,345	\$ 19,329					\$ 1,000	\$ 44,600		269,274
Total Revenues	\$ 100,000	\$ 89,611	\$ 143,129	\$ 104,345	\$ 42,104	\$ 19,329	\$ 32,826	\$ 116,221	\$ 5,942	\$ 12,202	\$ 1,000	\$ 44,600	\$ 711,309
Expenditures:													
Instruction:													
Supplies and Materials						\$ 14,607							\$ 14,607
Total Instruction						14,607							14,607
Support Services:													
Salaries	\$ 84,059	\$ 89,611	\$ 110,908	\$ 76,188	\$ 32,634	\$ 19,329		\$ 75,996					488,725
Personal Services - Employee Benefits	15,609		28,572	27,996	6,843			40,225					119,245
Purchased Property Services									\$ 12,202				12,202
Communications			3,478		916								4,394
Travel			75		56								131
Supplies and Materials	332		96	161	1,655		11,336		\$ 5,942				19,522
Other Objects										\$ 1,160			1,160
Student Activities												\$ 31,952	31,952
Total Support Services	100,000	89,611	143,129	104,345	42,104	19,329	11,336	116,221	5,942	12,202	1,160	31,952	677,331
Capital Outlay:													
Non-Instructional Equipment							6,883						6,883
Total Capital Outlay							6,883						6,883
Total Expenditures	\$ 100,000	\$ 89,611	\$ 143,129	\$ 104,345	\$ 42,104	\$ 19,329	\$ 32,826	\$ 116,221	\$ 5,942	\$ 12,202	1,160	31,952	698,821
(Deficiency) Excess of Revenues (under) over expenditures	-	-	-	-	-	-	-	-	-	-	(160)	12,648	12,488
Fund Balance, July 1											6,162	25,122	31,284
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,002	\$ 37,770	\$ 43,772

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, 2023

Revenues

County Sources	\$ 47,167
Total Revenues	<u>47,167</u>

Expenditures

Construction Services	<u>292,782</u>
Total expenditures	<u>292,782</u>

Deficiency of revenues under expenditures	(245,615)
--	-----------

Fund Balance, July 1	<u>420,120</u>
Fund Balance, June 30	<u>\$ 174,505</u>

Reconciliation to GAAP Financial statements

Fund Balance, June 30, 2023 - Budgetary Basis	\$ 174,505
GAAP Basis Revenues Not Recognized - County/Local	<u>(174,505)</u>
Fund Balance, June 30, 2023 - GAAP Basis	<u>\$ -</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Reed School: Piping and Unit Ventilators

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 650,000	\$ (171,507)	\$ 478,493	\$ 478,493
Total Revenues	<u>650,000</u>	<u>(171,507)</u>	<u>478,493</u>	<u>478,493</u>
Expenditures and Other Financing Sources:				
Construction Services	349,880	\$ 128,613	478,493	478,493
Total Expenditures	<u>349,880</u>	<u>128,613</u>	<u>478,493</u>	<u>478,493</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 300,120</u>	<u>\$ (300,120)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 650,000
Additional Authorized Cost	(171,507)
Revised Authorized Cost	478,493
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2021
Revised Target Completion Date	Complete

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Administrative Office Flooring

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 60,000	\$ 60,000	\$ 60,000
Total Revenues		60,000	60,000	60,000
Expenditures and Other Financing Sources:				
Construction Services		60,000	60,000	60,000
Total Expenditures		60,000	60,000	60,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		\$ -	\$ -	\$ -

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 60,000
Additional Authorized Cost	-
Revised Authorized Cost	60,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	February 2023
Revised Target Completion Date	Completed

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Regional Day School Doors

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources	\$ 120,000	\$ (79,133)	\$ 40,867	\$ 40,867
Total Revenues	<u>120,000</u>	<u>(79,133)</u>	<u>40,867</u>	<u>40,867</u>
Expenditures and Other Financing Sources:				
Construction Services		40,867	40,867	40,867
Total Expenditures		<u>40,867</u>	<u>40,867</u>	<u>40,867</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 120,000</u>	<u>\$ (120,000)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 120,000
Additional Authorized Cost	(79,133)
Revised Authorized Cost	40,867
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2023
Revised Target Completion Date	Complete

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Outdoor Signs

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 25,000	\$ 25,000	\$ 25,000
Total Revenues		25,000	25,000	25,000
Expenditures and Other Financing Sources:				
Construction Services		495	495	25,000
Total Expenditures		495	495	25,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		\$ 24,505	\$ 24,505	\$ -

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 25,000
Additional Authorized Cost	-
Revised Authorized Cost	25,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	1.98%
Original Target Completion Date	July 2023
Revised Target Completion Date	July 2023

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Mercer Elementary School Playground

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 75,000	\$ 75,000	\$ 75,000
Total Revenues		<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Expenditures and Other Financing Sources:				
Construction Services				75,000
Total Expenditures				<u>75,000</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		<u>\$ 75,000</u>	<u>\$ 75,000</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	\$ 75,000
Additional Authorized Cost	-
Revised Authorized Cost	75,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0.00%
Original Target Completion Date	June 2024
Revised Target Completion Date	June 2024

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Joseph F.Cappello Playground

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 62,807	\$ 62,807	\$ 62,807
Total Revenues		<u>62,807</u>	<u>62,807</u>	<u>62,807</u>
Expenditures and Other Financing Sources:				
Construction Services		62,807	62,807	62,807
Total Expenditures		<u>62,807</u>	<u>62,807</u>	<u>62,807</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date/Letter of Notification	N/A
Bond Authorization (Referendum) Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 100,000
Additional Authorized Cost	(37,193)
Revised Authorized Cost	62,807
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	June 2023
Revised Target Completion Date	Complete

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Regional Day School Playground

Year ended June 30, 2023

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
County Sources		\$ 75,000	\$ 75,000	\$ 75,000
Total Revenues		75,000	75,000	75,000
Expenditures and Other Financing Sources:				
Construction Services				75,000
Total Expenditures				75,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures		\$ 75,000	\$ 75,000	\$ -

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	\$ 75,000
Additional Authorized Cost	-
Revised Authorized Cost	75,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	0.00%
Original Target Completion Date	June 2024
Revised Target Completion Date	June 2024

**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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities:										
Investment in Capital Assets	\$ 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	\$ 31,558,994
Restricted	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	4,908,587
Unrestricted (deficit)	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)	(9,108,214)
Total Government Activities Net Position	\$ 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	\$ 27,359,367
Business-Type Activities:										
Investment in Capital Assets	\$ 309,756	\$ 285,403	\$ 275,629	\$ 247,648	\$ 251,242	\$ 228,350	\$ 210,379	\$ 187,835	\$ 166,897	\$ 173,675
Unrestricted	1,188,070	1,097,383	1,073,731	938,205	759,111	320,147	348,538	346,058	581,199	854,873
Total Business-Type Activities Net Position	\$ 1,497,826	\$ 1,382,786	\$ 1,349,360	\$ 1,185,853	\$ 1,010,353	\$ 548,497	\$ 558,917	\$ 533,893	\$ 748,096	\$ 1,028,548
Government-Wide:										
Investment in Capital Assets	\$ 37,865,898	\$ 37,527,561	\$ 37,334,833	\$ 36,289,069	\$ 35,846,960	\$ 34,831,037	\$ 34,121,435	\$ 33,368,583	\$ 32,676,135	\$ 31,732,669
Restricted	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	4,908,587
Unrestricted (deficit)	5,216,236	-14,217,539	(13,011,142)	(20,555,259)	(21,028,791)	(20,790,497)	(21,271,863)	(21,529,159)	(15,128,676)	(8,253,341)
Total Government-Wide Net Position	\$ 45,475,767	\$ 26,161,173	\$ 27,418,145	\$ 19,545,772	\$ 19,202,893	\$ 19,270,468	\$ 17,855,137	\$ 16,833,490	\$ 21,636,352	\$ 28,387,915

Source: ACFR Schedule A-1 and District records.

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses:										
Governmental Activities:										
Instruction:										
Special Education	\$ 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	\$ 24,215,734
Other Special Education	53,306	68,673	58,218	70,474	80,304	74,104	34,561	1,465	94,243	83,835
Support Services:										
Student and Instruction Related Services	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	11,996,397
General Administration	345,575	330,894	376,694	360,252	442,185	445,296	314,467	356,176	352,883	358,103
School Administrative Services	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	1,729,461
Central Administrative Services	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	1,035,692
Administrative Information Technology	491,039	538,884	537,750	674,279	615,227	673,204	630,991	695,520	586,811	483,486
Plant Operations and Maintenance	2,966,316	3,311,854	3,337,049	3,658,509	3,491,584	3,465,972	3,435,867	3,598,302	3,378,734	3,767,821
Pupil Transportation	71,917	21,366	27,000	38,392	61,316	93,182	69,721	28,611	54,286	66,981
Interest on Long-Term Debt					535	1,883	1,177	603		
Total Governmental Activities Expenses	40,133,726	45,332,582	47,891,312	52,665,812	53,570,495	47,693,545	47,840,430	49,910,889	44,264,456	43,737,510
Business-Type Activities:										
Food Service	535,018	546,225	565,591	547,927	532,086	604,296	481,129	254,974	649,137	742,184
Mercer County Cooperative Transportation System	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	11,583,100
NJ State Regional Day School at Hamilton	2,411,332	1,476,116	441,799	514,635	488,724	655,306	463,225	332,066	272,600	312,798
Integrated Preschool	60,707	59,982	62,176	61,123	77,500	92,501	32,965			
Assisted Augmentative Technology										
Clinic Parent	9,956	2,811	492	398	4,647	24,206	26,773	15,400	7,675	2,537
Community Resources	172,061	51,703	71,098	89,383	53,420	99,450	54,272	32,812	36,570	50,067
Chuck's	64,742	68,271	77,560	67,394	80,910	74,313	45,857	6,173	48,524	53,363
Special Aides	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	3,779,900
Total Business-Type Activities Expenses	12,365,493	11,998,565	11,156,023	10,866,706	10,167,858	11,318,945	11,190,250	6,425,244	12,549,067	16,523,949
Total District Expenses	\$ 52,499,219	\$ 57,331,147	\$ 59,047,335	\$ 63,532,518	\$ 63,738,353	\$ 59,012,490	\$ 59,030,680	\$ 56,336,133	\$ 56,813,523	\$ 60,261,459

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

	Year ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenues:										
Charges for Services										
Tuition - LEAs	\$ 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	\$ 37,371,838
Operating Grants and Contributions:										
Special Education	25,382	23,102	26,329	17,410	19,454	1,555	25,094	489		
Student and Instruction Related Services	485,675	493,949	480,858	486,186	482,776	465,335	475,956	518,364	623,517	722,227
Capital Grants and Contributions	553,644	305,709	471,052	74,401	621,281	116,583	63,642	58,815	309,380	292,782
Total Governmental Activities Program Revenues	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	38,386,847
Business-Type Activities:										
Charges for Services:										
Food Service	110,074	126,761	124,727	125,741	131,427	145,262	99,540	3,719	55,729	134,763
Mercer County Cooperative Transportation System	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	11,654,273
NJ State Regional Day School at Hamilton	2,186,112	1,418,563	472,627	411,558	368,921	365,630	473,892	336,630	267,928	316,746
Clinic Parent	17,400	9,300	9,075	6,825	5,075			6,076	4,211	1,251
Community Resources	72,150	42,238	75,838	92,420	52,784	48,962	43,673	30,844	30,578	31,094
Chuck's Place	70,445	74,829	76,489	70,840	75,005	70,201	47,122	2,008	38,748	53,758
Special Aides	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	3,921,216
Operating Grants and Contributions:										
Food Service	410,132	418,364	426,515	409,953	428,513	457,730	342,450	358,535	786,786	689,501
Total Business-Type Activities Program Revenues	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	16,802,602
Total District Program Revenues	\$ 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	\$ 55,189,449
Net (Expense)/Revenue:										
Governmental Activities	\$ (12,777,712)	\$ (10,157,180)	\$ (15,775,979)	\$ (23,957,964)	\$ (12,316,004)	\$ (12,237,940)	\$ (12,163,102)	\$ (16,908,982)	\$ (8,955,725)	\$ (5,350,663)
Business-Type Activities	(21,282)	727,489	255,871	535,325	(1,326,649)	(1,220,527)	(67,206)	29,960	214,187	278,653
Total Government-wide Net (Expense)/Revenue	\$ (12,798,994)	\$ (9,429,691)	\$ (15,520,108)	\$ (23,422,639)	\$ (13,642,653)	\$ (13,458,467)	\$ (12,220,308)	\$ (16,879,022)	\$ (8,741,538)	\$ (5,072,010)

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

	Year ended June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Assets:										
Governmental Activities-										
County Appropriation Taxes	\$ 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	\$ 3,237,186
Nonresident Fees	156,155	178,474	175,230	151,248	160,816	167,524	156,672	118,800	158,784	275,826
Interest Earned on Investments	5,053	3,782	10,481	22,126	49,302	119,077	119,012	4,506	6,356	205,929
Miscellaneous Income	327,583	319,247	421,701	326,528	256,121	303,996	336,000	437,367	381,850	466,505
Federal and State Aid Not Restricted	3,081,095	7,707,492	8,809,936	11,912,493	14,568,676	9,866,345	7,014,185	12,017,551	9,823,682	7,636,328
Special Item - Transfer						(886,929)				
Total Governmental Activities	6,444,415	11,083,524	12,291,877	15,344,415	18,025,575	12,620,486	10,737,351	15,689,706	13,544,384	11,821,774
Business-Type Activities:										
Interest Earned on Investments	-	13	19	16	62	437	341	16	15	1,799
Miscellaneous Income							67,285	(55,000)		
Special Item - Transfer						886,929				
Total Business-Type Activities	-	13	19	16	62	887,366	67,626	(54,984)	15	1,799
Total Government-wide	\$ 6,444,415	\$ 11,083,537	\$ 12,291,896	\$ 15,344,431	\$ 18,025,637	\$ 13,507,852	\$ 10,804,977	\$ 15,634,722	\$ 13,544,399	\$ 11,823,573
Changes in Net Position:										
Governmental Activities	\$ (3,712,765)	\$ (4,692,455)	\$ (11,666,087)	\$ 3,028,411	\$ 5,787,635	\$ 457,384	\$ (1,425,751)	\$ (1,219,276)	\$ 4,588,659	\$ 6,471,111
Business-Type Activities	727,489	255,884	535,344	(1,326,633)	(1,220,465)	830,160	10,420	(25,024)	214,202	280,452
Total District	\$ (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	\$ 6,751,563

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Restricted	\$ 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	\$ 4,864,815
Assigned	735,595	873,790	6,509,359	2,103,047	1,910,604	2,729,509	2,561,901	1,088,288	114,228	941,671
Unassigned	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	9,277,643
Total General Fund	\$ 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	\$ 15,084,129
All Other Governmental Funds:										
Restricted for:										
Special Revenue Fund							\$ 25,434	\$ 31,284	\$ 43,772	
Capital Projects Fund	\$ -	\$ 771,186	\$ 210,561	\$ 159,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total All Other Governmental Funds	\$ -	\$ 771,186	\$ 210,561	\$ 159,884	\$ -	\$ -	\$ -	\$ 25,434	\$ 31,284	\$ 43,772

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
County Appropriation/Taxes	\$ 3,428,173	\$ 2,955,736	\$ 2,874,529	\$ 2,932,020	\$ 2,990,660	\$ 3,050,473	\$ 3,111,482	\$ 3,111,482	\$ 3,173,712	\$ 3,237,186
Tuition - LEA's	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	37,371,838
Nonresident Fees	156,155	178,474	175,230	151,248	160,816	167,524	156,672	118,800	158,784	275,826
Interest Earned on Investment	5,053	3,782	10,481	22,126	49,302	119,077	119,012	4,506	9,667	205,929
Miscellaneous	327,583	319,247	421,701	326,528	256,121	303,996	403,285	385,716	381,850	466,505
State Sources	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	8,178,102
Federal Sources	146,866	674,461	421,120	567,326	462,037	514,340	422,396	462,987	620,008	1,049,193
Other Sources	223,674	223,235	317,641	265,793	845,778	341,812	293,418	288,125	527,247	562,056
Total Revenues	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	51,346,635
Expenditures:										
Current:										
Special Education Instruction	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	15,091,346
Other Special Instruction	39,796	45,603	38,641	43,177	47,407	48,043	20,768	1,222	79,053	66,489
Support Services and Undistributed Costs:										
Student and Instruction Related Services	6,919,887	6,959,270	7,001,739	6,999,605	6,952,537	7,051,692	7,808,920	7,425,702	7,462,262	7,764,147
General Administration	294,708	261,845	301,874	262,703	333,217	350,221	264,228	281,295	294,928	304,570
School Administration	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	1,082,593
Central Services	829,811	747,070	792,047	806,137	790,947	725,445	703,242	623,105	697,363	689,882
Administrative Information Technology	362,991	363,751	355,388	421,727	373,122	478,034	462,657	493,729	443,518	382,189
Plant Operations and Maintenance	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	2,820,449
Security									67,145	112,391
Pupil Transportation	33,637	35,873	40,804	36,712	58,581	77,469	56,284	27,056	51,555	62,408
Unallocated Benefits	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	18,285,285
Capital Outlay	770,841	951,131	1,136,509	239,979	839,931	426,858	811,818	724,587	771,245	535,696
Debt Service:										
Principal					16,339	17,348	10,918	11,491		
Interest					535	1,883	1,177	603		
Total Expenditures	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	47,197,445
(Deficiency)/Excess of Revenues (Under)/Over Expenditures	(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	4,149,190
Other Financing Sources/(Uses):										
Transfers In		1,114,530						55,000		
Transfers Out		(1,114,530)					(67,285)			
Special Item - Transfer						(886,929)				
Capital Lease Proceeds		34,089				32,783				
Total Other Financing Sources/(Uses)		(1,080,441)				(854,146)	(67,285)	55,000		
Net Change in Fund Balances	\$ (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	\$ 4,149,190

Debt service as a percentage of noncapital expenditures 0.04% 0.05% 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Tuition - LEA's	\$ 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	\$ 37,371,838
Nonresident Fees	156,155	178,474	175,230	151,248	160,816	167,524	156,672	118,800	158,784	275,826
Interest Earned on Investments	5,053	3,782	10,481	22,126	49,302	119,077	119,012	4,506	9,667	205,929
County Appropriation	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	3,237,186
Miscellaneous	327,583	319,247	421,701	326,528	256,121	303,996	403,285	385,716	381,850	466,505
Total	\$ 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	\$ 41,557,284

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
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%
2023	393,589	30,664,912,579	77,911	4.98%

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Instruction:										
Special Education	234.9	234.5	232.7	220.8	216.4	222.6	214.0	180.0	182.0	173.0
Support Services:										
Student and Instruction Related Services	73.4	76.8	76.6	74.9	74.4	80.9	84.4	80.0	79.5	79.0
General Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
School Administrative Services	13.0	14.0	13.0	13.0	13.0	13.0	13.0	15.0	12.0	13.0
Other Administrative Services	3.5	3.5	3.6	3.5	3.2	3.0	4.0	4.0	3.0	5.0
Central Services	29.6	34.0	33.8	32.5	27.4	26.8	26.7	27.0	27.5	27.5
Total	355.4	363.8	360.7	345.7	335.4	347.3	343.1	307.0	305.0	299.5

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
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%
2023	448.00	46,661,749	104,156	9.47%	173	2.58	488.04	421.42	6.23%	86.35%

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	139	128	114	88	101	92	92	77	74	89
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	186	213	219	201	185	205	205	209	150	139
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	265	279	275	263	293	259	259	241	254	209
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	45	32	12	9	9	11	11	7	6	6

Number of Schools at June 30, 2023

- 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
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
2023	26,111	22,099	25,288	9,822	83,320
Total School Facilities	<u>\$ 373,128</u>	<u>\$ 312,501</u>	<u>\$ 374,703</u>	<u>\$ 157,696</u>	<u>\$ 1,218,028</u>

Source: District records.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 INSURANCE SCHEDULE
 JUNE 30, 2023
 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
Trenton, 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, 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 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
December 4, 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
Trenton, 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, 2023. 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, 2023.

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, 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.

**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.

**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 and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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
December 4, 2023

Scott A. Clelland

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

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 Year ended June 30, 2023

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2022			Cash Received	Budgetary Expenditures	Adjustments	Repayments of Prior Years' Balance	Balance, June 30, 2023			Memo Cumulative Total Expenditures
			From	To	Unearned Revenue	(Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Unearned Revenue	Due To Grantor	
State Department of Education															
General Fund:															
On-Behalf TPAF Pension Contributions	495-034-5095-002	\$ 5,442,088	07/01/22	06/30/23			\$ 5,442,088	\$ (5,442,088)						\$ (5,442,088)	
On-Behalf TPAF Post Retirement Medical	495-034-5095-001	1,429,623	07/01/22	06/30/23			1,429,623	(1,429,623)						(1,429,623)	
On-Behalf TPAF Non-contributory Insurance	495-034-5095-004	1,793	07/01/22	06/30/23			1,793	(1,793)						(1,793)	
Lead Testing for Schools Aid	495-034-5120-104	4,998	07/01/22	06/30/23			4,998		\$ (4,988)						
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,054,194	07/01/22	06/30/23	\$ (51,981)		51,981								
Reimbursed TPAF Social Security Contributions	495-034-5094-003	1,138,327	07/01/22	06/30/23			1,027,194	(1,138,327)				\$ (111,133)		(1,138,327)	
Total General Fund					(51,981)		7,957,677	(8,011,831)	(4,988)			(111,133)		(8,011,831)	
State Department of Health															
Special Revenue Fund:															
Case Management - SCHS	4572-129-6140-2080	143,129	07/01/22	06/30/23			143,129	(143,129)						(143,129)	
Total Department of Health							143,129	(143,129)						(143,129)	
State Department of Education															
Special Revenue Fund:															
Climate Change Awareness	N/A	6,660	04/01/23	06/30/23			5,942	(5,942)							
SDA Emergent Needs and Capital Maintenance	N/A	12,202	07/01/22	06/30/23			12,202	(12,202)						(12,202)	
SDA Emergent Needs and Capital Maintenance	NA	12,966	07/01/21	06/30/22	(12,966)		12,966							-	
Total Special Revenue					(12,966)		174,238	(161,273)						(143,129)	
State Department of Agriculture															
Enterprise Fund:															
State School Lunch Program (State share)	100-010-3350-023	12,239	07/01/21	06/30/22	(896)		896								
State School Lunch Program (State share)	100-010-3350-023	6,853	07/01/22	06/30/23			6,390	(6,853)				(463)		(6,853)	
State Supplement for Summer Food Service		1,527	07/01/22	06/30/23			1,527	(1,527)							
State Breakfast After the Bell		5,212	07/01/22	06/30/23			4,791	(5,212)				(421)			
State Lunch Reduced Supplement		4,859	07/01/22	06/30/23			4,478	(4,859)				(381)			
State Breakfast Reduced Supplement		2,687	07/01/22	06/30/23			2,433	(2,687)				(254)			
Total Enterprise Fund					(896)		20,515	(21,138)				(1,519)		(6,853)	
Total State Financial Assistance					\$ -	\$ (65,843)	\$ -	\$ 8,152,431	\$ (8,194,242)	\$ (4,988)	\$ -	\$ (112,652)	\$ -	\$ (8,161,813)	
State Financial Assistance Not Subject to Single Audit Determination:															
On-Behalf TPAF Pension Contributions	495-034-5095-002	5,442,088	07/01/22	06/30/23			5,442,088	(5,442,088)						(5,442,088)	
On-Behalf TPAF Post Retirement Medical	495-034-5095-001	1,429,623	07/01/22	06/30/23			1,429,623	(1,429,623)						(1,429,623)	
On-Behalf TPAF Non-contributory Insurance	495-034-5095-004	1,793	07/01/22	06/30/23			1,793	(1,793)						(1,793)	
Total State Financial Assistance Subject to Single Audit Determination					\$ -	\$ (65,843)	\$ -	\$ 1,278,927	\$ (1,320,738)	\$ (4,988)	\$ -	\$ (112,652)	\$ -	\$ (1,288,309)	

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, 2023

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, 2023. 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, 2023

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). 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	\$ 757,513	\$ 8,016,829	\$ 8,774,342
Special Revenue Fund	291,680	161,273	452,953
Food Service Enterprise Fund	668,363	21,138	689,501
Total award revenues	<u>\$ 1,717,556</u>	<u>\$ 8,199,240</u>	<u>\$ 9,916,796</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, 2023

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, 2023.

The post retirement pension and medical benefits and insurance received on-behalf of the District for the year ended June 30, 2023, amounted to \$6,873,504. 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.

During fiscal year 2023, the New Jersey Department of Labor notified the District that federal legislation under the CARES Act and the American Rescue Plan Act of 2021 provided for partial federal subsidies related to unemployment insurance benefits attributable to the District's account. The amount of federal subsidies received by the District during fiscal year 2023 amounted to \$80,079, which have been included on the schedule of expenditures of federal awards. These subsidies represent amounts paid on behalf of the District for time periods prior to the current fiscal year (third quarter of 2020 through the second quarter of 2021) and therefore have been excluded from the District's basic financial statements.

6. Indirect Cost Rate

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

7. Adjustments

The adjustments presented on schedule K-4 are the result of expenditures incurred in the prior year.

Mercer County Special Services School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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
93.778	2005NJ5MAP	Medical Assistance Program – SEMI 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

Year ended June 30, 2023

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, 2023

**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.