

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FISCAL YEAR ENDED JUNE 30, 2010

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION



MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

2nd Floor Administrative Offices
1020 Old Trenton Road
Hamilton, New Jersey 08690
Phone: 609-631-2100 Fax: 609- 570-1154

Kimberly Schneider, Ed.D.
Superintendent

Nancy R. Swirsky
School Business Administrator/Board Secretary

August 27, 2010

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:

The comprehensive annual financial report of the Mercer County Special Services School District ("District") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the administration of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the governmental-type activities, the business-type activities, and each major fund of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes the Management's Discussion and Analysis and the basic financial statements and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, and the State Treasury Circular Letter 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are 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") as established by National Committee of Governmental Accounting ("NCGA") Statement No. 3. All major funds of the District 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 educational services appropriate to grade levels pre-K through 12. The District completed the 2010 fiscal year with an average daily enrollment of 747.6 students, which is 36.3 students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten (10) years.

Average Daily Enrollment

<u>Fiscal Year Ending</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	747.6	-4.63%
2008-2009	783.9	2.27%
2007-2008	766.5	-3.90%
2006-2007	797.7	2.69%
2005-2006	776.8	-6.06%
2004-2005	826.9	-10.81%
2003-2004	927.1	-1.23%
2002-2003	938.6	0.85%
2001-2002	930.7	-0.77%
2000-2001	937.6	-1.08%

2) MAJOR INITIATIVES:

The enrollment had leveled off after more than twenty years of growth. The District has now experienced a decrease in enrollment due to the elimination of the half-day preschool program for autistic students, the Department of Education requirements for controlling out of District placements and the current economic recession.

Major initiatives for the future include a new integrated preschool program with non-disabled peers and the implementation of a half-day prevocational placement option for autistic high school students.

3) INTERNAL ACCOUNTING CONTROLS:

The administration of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by the administration.

As a recipient of federal and state financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations. This internal control structure 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 control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

4) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Chosen Freeholders of the County. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. 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 reservations of fund balance at June 30, 2010.

5) 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 Financial Statements, Note 1.

6) 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, 2010.

7) CASH MANAGEMENT:

The investment policy of the District is guided in large part by State statute as detailed in the Notes to the Financial Statements, Note 2. The District has adopted a Cash Management Plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT:

The Board carries various forms of insurance including, but not limited to, property, inland marine and automobile physical damage; boiler and machinery; crime; general and automobile liability; workers' compensation; educator's legal liability; pollution legal liability and surety bonds.

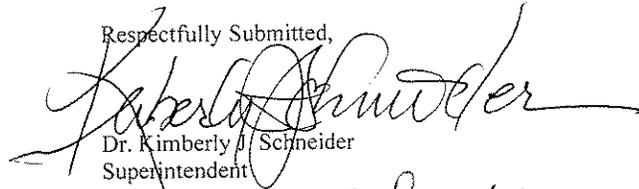
9) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Hutchins, Farrell, Meyer & Allison, P.A. 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 Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter OMB 04-04. The auditor's report on the general purpose financial combining and individual fund statements and schedules is included in the Financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

10) ACKNOWLEDGEMENTS:

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

Respectfully Submitted,

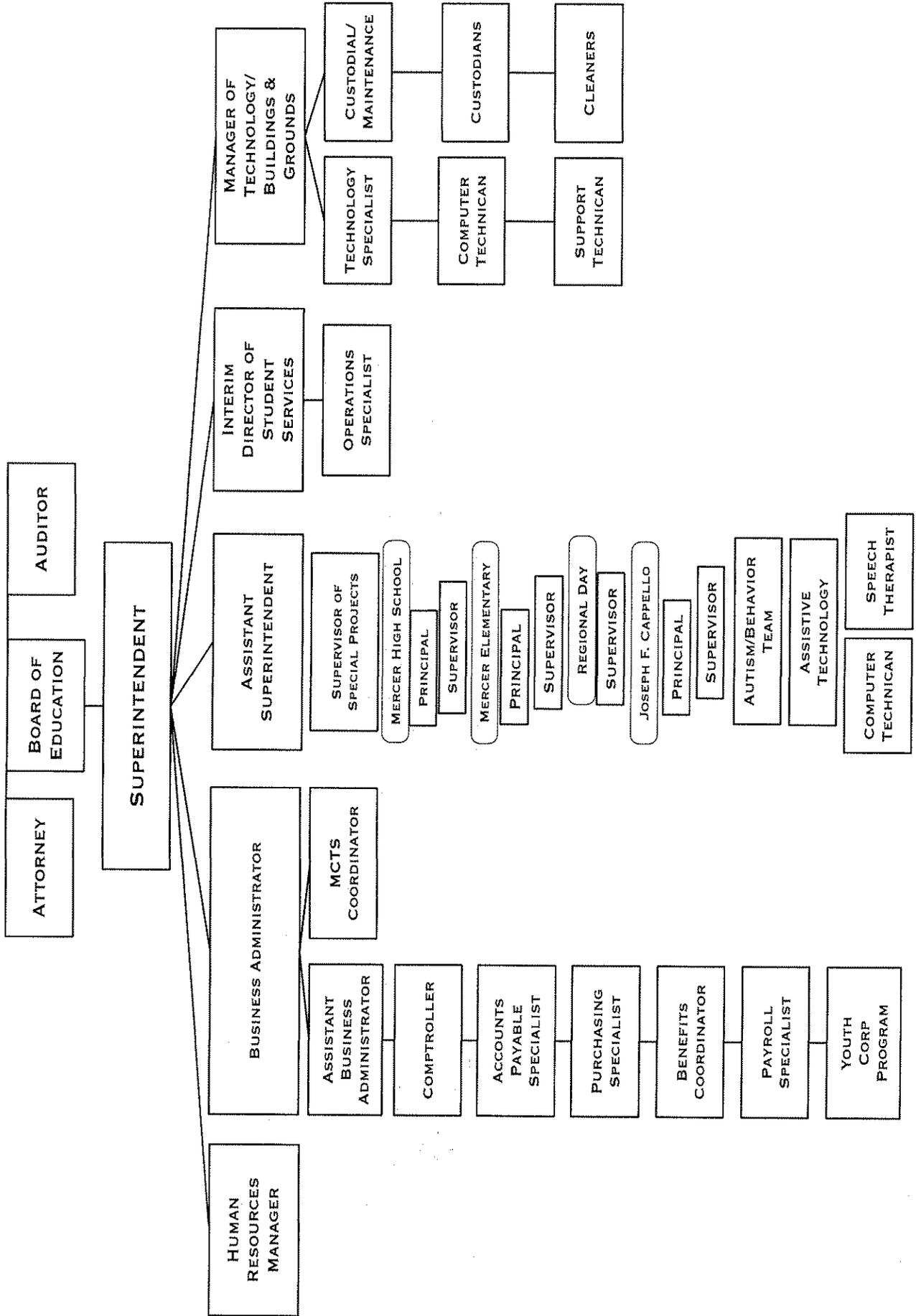


Dr. Kimberly J. Schneider
Superintendent



Nancy R. Swirsky
Board Secretary/Business Administrator

Mercer County Special Services School District



MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2010

<u>Voting Members of the Board of Education</u>	<u>Term Expires</u>
Dana L. Hice-DePugh, Board President	2011
Thomas Walls, Board Vice President	2011
Rosemarie Bonomo, Board Member	2011
Samuel J. Floyd, Board Member	2011
Russell White, Board Member	2012
Lisa Vena, Board Member	2013
Dr. Samuel Stewart, Executive County Superintendent	Ex-Officio

Other Officials

Dr. Kimberly J. Schneider, Superintendent

Nancy Swirsky, Business Administrator/Board Secretary

David Miller, Treasurer of School Funds

Michael J. Herbert, Sr., Esq., Board Attorney

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

JUNE 30, 2010

Auditor/Audit Firm

Robert W. Allison, CPA, RMA
Hutchins, Farrell, Meyer & Allison, P.A.
912 Highway 33, Suite 2
Freehold, New Jersey 07728

Attorney

Michael J. Herbert, Esq.
Herbert, Van Ness, Cayci, & Goodell
22 Chambers Street
Princeton, New Jersey 08542

Official Depository

PNC Bank
Government Banking
Two Tower Center Boulevard
East Brunswick, New Jersey 08816

State of New Jersey
Cash Management Fund
PO Box 290
Trenton, New Jersey 08625-0290

FINANCIAL SECTION

Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA
Eugene M. Farrell, CPA, RMA, CFP
Robert W. Allison, CPA, RMA
Alan E. Meyer, CPA/ABV
Joann DiLieto, CPA

Patrice R. Antonucci, CPA
Thomas L. Stetson, CPA

Monmouth County Office

912 Highway 33 • Suite 2
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Fax: (732) 866-9312

Ocean County Office

512 Main Street • PO Box 1778
Toms River, NJ 08754
(732) 240-5600
Fax: (732) 505-8358

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board of Education of the Mercer County Special Services School District, in the County of Mercer, State of New Jersey as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Mercer County Special Services School District Board of Education, in the County of Mercer, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable President and Members
of the Board of Education
Mercer County special Services School District
Hamilton, New Jersey 08690
Page 2

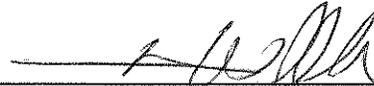
In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2010 on our consideration of the Mercer County Special Services School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison information on pages 11 through 20 and 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted to 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mercer County Special Services School District Board of Education's basic financial statements. The Introductory Section, Combining and Individual Fund Financial Statements, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget ("OMB") Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid, respectively, and are also not a required part of the basic financial statements. The Combining and Individual Fund Financial Statements and the Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to

Honorable President and Members
of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690
Page 3

prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Robert W. Allison
Licensed Public School Accountant
No. 897
Hutchins, Farrell, Meyer & Allison, P.A.

August 27, 2010

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

UNAUDITED

The discussion and analysis of Mercer County Special Services School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ In total net assets decreased \$(1,151,524.87) which represents a 2.4% decrease from 2009 due to improved collection of outstanding receivables through written notification to sending districts when receivables reach 90 days outstanding.
- ◆ Total assets of governmental activities decreased by \$(1,327,237.92), as cash and cash equivalents increased by \$357,130.83; receivables decreased by \$(995,119.53); and capital assets decreased by \$(630,940.75), largely due to increased cash flow monitoring.
- ◆ Total liabilities increased by \$67,954.94, as payables, other current liabilities decreased by \$(161,884.10); non-current liabilities (sick leave reimbursement and early retirement benefit incentives) decreased by \$(146,104.27); and deferred revenue increased by \$375,943.31.
- ◆ General revenues from Tuition accounted for \$33,538,834.45 in revenue or 90.77% and revenues from County Tax Levy of \$2,870,529.00 accounted for 7.77% of all revenues.
- ◆ Total spending for all programs was \$56,218,054.50. Expenses in the amount of \$18,241,845.90 were offset by specific charges for services and grants or contributions.
- ◆ The General Fund had \$39,869,109.54 in revenues and \$40,361,065.71 in expenditures. The General Fund's balance decreased \$(491,956.17) as compared to 2009. This decrease was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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 *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets 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 School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, whether the financial position of the School 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 School District's County property tax base, current laws in New Jersey restricting sending Districts revenue growth, facility condition, required educational programs, student enrollment growth and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ◆ **Governmental-Type Activities** – All of the School 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** – This service is 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 a business activity and are listed in the Notes to Basic Financial Statements, Note 1B.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds is included in the 2009-10 Comprehensive Annual Financial Report as presented by the School District. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

Governmental Funds

The School District's activities are 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 School 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary comparison of the School District's net assets for 2009 and 2010.

Table 1

Net Assets as of June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Cash and Cash Equivalents	\$ 6,582,930.68	\$ 5,614,309.88
Receivables	2,351,173.02	3,892,243.74
Inventory	15,010.33	15,355.42
Restricted Cash and Cash Equivalents	499,820.86	558,129.33
Capital Assets, Net	<u>40,659,180.06</u>	<u>41,111,646.51</u>
Total Assets	<u>50,108,114.95</u>	<u>51,191,684.88</u>
Liabilities:		
Accounts Payable	92,038.14	225,132.16
Deferred Revenue	426,589.62	50,646.31
Accrued Salary and Benefits		17,412.09
Payable To State/County Government		11,377.99
Noncurrent Liabilities:		
Due Beyond One Year	<u>2,224,743.53</u>	<u>2,370,847.80</u>
Total Liabilities	<u>2,743,371.29</u>	<u>2,675,416.35</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	40,659,180.06	41,111,646.51
Restricted for:		
Encumbrances	229,015.19	483,542.24
Capital Projects	499,820.86	558,129.33
General Fund	1,911,576.00	1,522,037.00
Unrestricted	<u>4,065,151.55</u>	<u>4,840,913.45</u>
Total Net Assets	<u>\$47,364,743.66</u>	<u>\$48,516,268.53</u>

Total assets decreased by \$(1,083,569.93). The majority of the decrease resulted from a decrease in receivables and accrued depreciation on assets.

Total liabilities increased by \$67,954.94. The District's Accounts Payable decreased \$(133,094.02), Payable to Federal/State/County Government decreased by \$(11,377.99), Accrued Salary and Benefits decreased by \$(17,412.09), and Deferred Revenue increased by \$375,943.31.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities, without constraints established by grants or legal requirements of the School Board, decreased by \$(775,761.90), largely due to a reduction in enrollment as a result of the economic environment.

Table 2 provides a comparison analysis of District-wide changes in net assets from fiscal years 2009 and 2010.

Table 2

Changes in Net Assets

	<u>2010</u>	<u>2009</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 13,249,052.57	\$ 13,860,161.08
Federal, State and Local Aid - Restricted	4,992,793.33	4,857,498.12
General Revenues:		
County Appropriation	2,870,529.00	3,460,178.00
Tuition - LEAs	33,538,834.45	34,214,361.40
Nonresident Fees	175,860.00	183,847.50
Interest Earned on Investment	22,233.46	44,814.65
Miscellaneous Income	<u>306,151.20</u>	<u>502,804.67</u>
 Total Revenues	 <u>55,155,454.01</u>	 <u>57,123,665.42</u>
 <u>Governmental Functions/Program Expenses</u>		
Instruction:		
Special Education Instruction	16,875,264.09	19,014,031.93
Other Special Instruction	45,298.28	142,124.19
Support Services:		
Student and Instruction Related Services	7,831,228.18	8,000,394.82
General Administration	365,063.96	401,043.54
School Administration	1,177,036.63	1,281,183.17
Central Services	725,674.51	660,076.56
Administration Information Technology	389,666.66	484,963.04
Plant Operations and Maintenance	2,580,958.83	2,439,231.53
Pupil Transportation	28,390.97	25,705.72
Unallocated Benefits	<u>12,569,952.25</u>	<u>11,964,492.67</u>
 Total Governmental Functions/Program Expenses	 <u>42,588,534.36</u>	 <u>44,413,247.17</u>

Table 2

Changes in Net Assets
(continued)

	<u>2010</u>	<u>2009</u>
<u>Business-Type Activities Expenses</u>		
Project Adults	45,289.52	2,158.25
Food Services	423,955.25	423,811.91
Mercer Cooperative Transportation System	8,410,047.43	8,518,209.57
NJ State Regional Day School at Hamilton	2,237,439.56	2,242,111.94
Integrated Preschool	196,322.55	217,889.18
Assisted Augmentative Technology	47,035.72	42,158.20
Respite	505.75	
Clinic Parent	22,295.50	
Community Resources	372,159.94	
Capital Academy	20,672.52	
Social Skills	1,349.98	
Emergency Treatment Services	28,788.41	
Special Aides	<u>1,912,584.39</u>	
Total Business-Type Activities Expenses	<u>13,718,444.52</u>	<u>11,446,339.05</u>
Total Expenses	<u>56,306,978.88</u>	<u>55,859,586.22</u>
<u>Special Items</u>		
Refund of Prior Year Revenue		(10,314.09)
Cancellation of Net Assets		<u>(217,304.13)</u>
Total Special Items		<u>(227,618.22)</u>
(Decrease)/Increase in Net Assets	<u>(1,151,524.87)</u>	<u>1,036,460.98</u>
Net Assets, Beginning of Year	48,516,268.53	45,094,681.32
Prior Period Adjustment		<u>2,385,126.23</u>
Net Assets, Beginning of Year, as Restated	<u>48,516,268.53</u>	<u>47,479,807.55</u>
Net Assets, End of Year	<u>\$ 47,364,743.66</u>	<u>\$ 48,516,268.53</u>

Activity Descriptions

Special Education Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Student and Instruction related services include the activities designed to assess and improve the well being of students and to supplement the teaching process.

School and Other Administrative services include expenses associated with establishing and administering policy for the District including financial supervision.

Plant operation and maintenance of plant activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from student activities as provided by State law and Board Policy.

Unallocated benefits includes the cost of benefits for the District staff for social security, retirement contributions, worker's compensation, health benefits and other employee benefits.

Unallocated depreciation is used to report the depreciation expense on capital assets whose use cannot be specifically identified to one particular function.

GOVERNMENT-TYPE ACTIVITIES

At June 30, 2010, Governmental-Type Activities net assets were 94.6% of the District's total net assets.

Governmental-Type Activities net assets decreased \$(1,435,275.96) from \$46,204,566.98 at June 30, 2009 to \$44,769,291.02 at June 30, 2010. This decrease is due to a reduction of enrollment and corresponding instructional expenses.

In FY 2010 Governmental-Type Activities revenues were \$41,647,182.23 or 75.5% of total revenues.

In FY 2010 General Revenues - County Appropriation of \$2,870,529.00 made up 7.77%, and General Revenues - Tuition LEA's of \$33,538,834.45 made up 80.60% of the Governmental-Type Activities revenues.

In FY 2010 the District's Governmental-Type Activities expenditures were \$42,103,697.88 compared to \$40,803,661.06 for FY 2009, an increase of \$1,300,036.82 or 3.19%. The most significant contributors to the higher expenditures were increases in unallocated benefits primarily related to an increase in the cost of medical benefits.

BUSINESS-TYPE ACTIVITIES

At June 30, 2010, Business-Type Activities net assets were 5.48% of the District's total net assets.

Business-Type Activities net assets increased \$285,128.41 from \$2,311,701.55 at June 30, 2009 to \$2,596,829.96 at June 30, 2010.

In FY 2010 Business-Type Activities revenues were \$13,826,914.71.

Charges for Services for Business-Type Activities were \$13,249,052.57 in FY 2010 compared to \$11,233,576.00 in FY 2009, a 17.94% increase.

Expenses for Business-Type Activities were \$13,624,661.19 in FY 2010 compared to \$11,446,339.05 in FY 2009, a 19.03% increase. The significant increase was related to the transfer of certain funds from governmental-type activities to business-type activities during FY 2010.

The School Board's Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allow the School Board 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 School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2010, it reported a combined fund balance of \$6,619,072.48 which is a decrease of \$(491,956.17). The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Exhibit B-3, presents the reader with a detailed explanation of the decrease in fund balance for the fiscal year.

General Fund Budgeting Highlights

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

Throughout the year budget transfers were effectuated between budget accounts to re-align the FY 2010 budget to meet the District's needs.

The final budgetary basis revenue estimate was \$37,044,521.65. The original budget estimate was \$36,573,309.00.

The District received \$2,705,298.27 in reimbursed T.P.A.F. Social Security Aid and T.P.A.F. Pension and Post-Retirement Medical Contributions. These reimbursements are reflected as revenue and expenditures in the General Fund Budgetary Comparison Schedule and have no corresponding budget amounts.

The final budgetary basis expenditure appropriation estimate was \$39,316,915.24 compared to the original estimate of \$37,743,346.00.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedules. The School Board 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 approximately \$2,824,587.89 better than had been budgeted in terms of revenues and \$(554,135.15) worse in terms of expenditures. Both the revenues and appropriations were adjusted for \$2,705,289.27 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

Financial Analysis of the Government's Funds

Government Funds. As of the end of FY 2010, the District's governmental funds reported combining ending fund balances of \$6,619,072.48, a decrease of \$(491,956.17) in comparison with the prior year. All of this decrease was a result of the General Fund. The decrease was a result of reclassification of Internal Service Funds to Business-Type Funds.

Proprietary Funds. As of the end of FY 2010, the District's proprietary funds had \$2,193,010.27 in unrestricted net assets.

Capital Assets

At the end of fiscal year 2010, the School Board had \$40,373,584.75 invested in a broad range of capital assets, including buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year, and depreciation of depreciable assets for the year. Table 4 below shows the net book value of capital assets at the end of 2010 and 2009 fiscal years.

Table 4

Capital Assets (Net of Depreciation) at June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Site Improvements	\$ 72,642.00	\$ 43,278.25
Buildings and Building Improvements	39,989,515.48	40,633,685.15
Furniture, Vehicles, and Equipment	<u>311,427.27</u>	<u>327,562.10</u>
Total	<u>\$ 40,373,584.75</u>	<u>\$ 41,004,525.50</u>

During the current fiscal year, \$501,516.28 of fixed assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year.

The School Board anticipates that capital additions for the 2010-11 fiscal year will be higher than the current year because of the anticipated purchase of equipment, renovations for the high school, replacements, and upgrades.

Economic Factors and Next Year's Budget

For the 2009-10 school year, the Mercer County Special Services School District was able to sustain its budget through Tuition revenues, the County Aid levy, and out of county fees. Approximately 91.33% of the School Board's revenue was from Tuition and fees, while 7.77% of total revenue was from the County Tax Levy. The balance of the revenue was comprised of miscellaneous income.

The \$6,705,563.60 in Net Restricted and Unrestricted Net Assets for all governmental activities represents the accumulated results of all past years' operations. It means that, if the School Board had to pay off all bills today, including all of the School Board's non-capital liabilities (Compensated Absences and the Early Retirement Incentive Loan), and sell all of its assets at net book value, the School Board would have \$6,705,563.60 remaining

The 2009-10 budget was adopted March 2010 based in part on a 4% increase in tuition costs. Due to the State of New Jersey State Financing Reform Act ("SFRA"), funding from the Sending Districts for the current year was slightly above the previous year. Future increases are based on SFRA calculations and predicting future County Aid which will be dependent upon economic conditions.

The School Board anticipates no increase in enrollment for the 2010-11 fiscal year. The School Board cannot accurately forecast future enrollment.

If the School Board were to experience a significant increase in enrollment with no appreciable increase in the County Tax Levy for future budgets, the School Board will be faced with the following alternatives: (a) limiting programs and services; (b) Increase tuition rates for the sending school districts; or (c) increase 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 School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Kimberly J. Schneider, Superintendent at the Board of Education Mercer County Special Services School District, 1020 Old Trenton Road, Hamilton, New Jersey 08690. Also, please visit our website to learn more about our School District at www.mcsssd.org.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the District. These Statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These Statements distinguish between the governmental and business-type activities of the District.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 5,914,039.50	\$ 668,891.18	\$ 6,582,930.68
Receivables - Net	713,766.38	1,637,406.64	2,351,173.02
Inventory		15,010.33	15,010.33
Restricted Cash and Cash Equivalents	499,820.86		499,820.86
Capital Assets, Net (Note 8)	<u>40,373,584.75</u>	<u>285,595.31</u>	<u>40,659,180.06</u>
Total Assets	<u>47,501,211.49</u>	<u>2,606,903.46</u>	<u>50,108,114.95</u>
Liabilities:			
Accounts Payable	81,964.64	10,073.50	92,038.14
Deferred Revenue	426,589.62		426,589.62
Noncurrent Liabilities:			
Due Beyond One Year	<u>2,224,743.53</u>		<u>2,224,743.53</u>
Total Liabilities	<u>2,733,297.79</u>	<u>10,073.50</u>	<u>2,743,371.29</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	40,373,584.75	285,595.31	40,659,180.06
Restricted for:			
Capital Projects	499,820.86		499,820.86
General Fund	1,911,576.00		1,911,576.00
Unrestricted	<u>1,982,932.09</u>	<u>2,311,234.65</u>	<u>4,294,166.74</u>
Total Net Assets	<u>\$ 44,767,913.70</u>	<u>\$ 2,596,829.96</u>	<u>\$ 47,364,743.66</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2010

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Total	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES								
Instruction:								
Special Instruction	\$ 15,991,947.61	\$ 883,316.48	\$ 16,875,264.09	\$ 958,332.74	\$ (15,916,931.35)	\$ (15,916,931.35)		\$ (15,916,931.35)
Other Special Instruction		45,298.28	45,298.28		(45,298.28)	(45,298.28)		(45,298.28)
Support Services:								
Student and Instruction Related Services	7,831,228.18	22,649.14	7,853,877.32	1,034,851.00	(6,796,377.18)	(6,796,377.18)		(6,796,377.18)
General Administration	342,414.82	33,973.71	376,388.53		(365,063.96)	(365,063.96)		(365,063.96)
School Administration	1,143,062.92		1,143,062.92		(1,177,036.63)	(1,177,036.63)		(1,177,036.63)
Central Services	725,674.51	33,973.71	759,648.22		(725,674.51)	(725,674.51)		(725,674.51)
Administration Information Technology	355,692.95	113,245.71	468,938.66		(389,666.66)	(389,666.66)		(389,666.66)
Plant Operations and Maintenance	2,467,713.12		2,467,713.12		(2,580,958.83)	(2,580,958.83)		(2,580,958.83)
Pupil Transportation	28,390.97		28,390.97		(28,390.97)	(28,390.97)		(28,390.97)
Unallocated Benefits	12,569,952.25		12,569,952.25	2,705,298.27	(9,864,653.98)	(9,864,653.98)		(9,864,653.98)
Total Government Activities	41,456,077.33	1,132,457.03	42,588,534.36	4,698,482.01	(37,890,052.35)	(37,890,052.35)		(37,890,052.35)
BUSINESS-TYPE ACTIVITIES								
Project Adults	45,289.52	13,435.99	58,725.51	\$ 42,974.42	\$ (2,315.10)	(2,315.10)		(2,315.10)
Food Service	410,519.26	8,410,047.43	8,410,047.43	88,637.16	(41,006.77)	(41,006.77)		(41,006.77)
Mercer Cooperative Transportation System	2,234,000.26	3,439.30	2,237,439.56	2,143,475.55	(93,964.01)	(93,964.01)		(93,964.01)
NJ State Regional Day School at Hamilton	196,322.55	3,923.59	196,322.55	206,289.20	9,966.65	9,966.65		9,966.65
Integrated Preschool	43,112.13		43,112.13	36,751.75	(10,283.97)	(10,283.97)		(10,283.97)
Assisted Augmentative Technology	505.75		505.75	505.75				
Respite	22,295.50		22,295.50	49,360.26	27,064.76	27,064.76		27,064.76
Clinic Parent	372,159.94		372,159.94	358,426.70	(13,733.24)	(13,733.24)		(13,733.24)
Community Resources	20,670.52		20,670.52		(20,670.52)	(20,670.52)		(20,670.52)
Capital Academy	1,349.98		1,349.98		(1,349.98)	(1,349.98)		(1,349.98)
Social Skills	28,788.41		28,788.41		(28,788.41)	(28,788.41)		(28,788.41)
Emergency Treatment Services				1,912,584.35	(0.04)	(0.04)		(0.04)
Special Aides								
Total Business-Type Activities	13,697,645.64	20,798.88	13,718,444.52	13,249,052.57	(175,080.63)	(175,080.63)		(175,080.63)
Total Primary Government	\$ 55,153,722.97	\$ 1,153,255.91	\$ 56,306,978.88	\$ 4,992,793.33	\$ (37,890,052.35)	\$ (37,890,052.35)		\$ (38,065,132.96)
GENERAL REVENUES								
County Appropriation					\$ 2,870,529.00	\$ 2,870,529.00		\$ 2,870,529.00
Tuition - LEA's					33,538,834.45	33,538,834.45		33,538,834.45
Nonresident Fees					175,860.00	175,860.00		175,860.00
Interest Earned on Investment					21,885.05	21,885.05	\$ 348.41	\$ 348.41
Miscellaneous Income					306,151.20	306,151.20		306,151.20
Total General Revenues					36,913,259.70	36,913,259.70	348.41	36,913,608.11
Change in Net Assets					(976,792.66)	(976,792.66)	(174,732.22)	(1,151,524.87)
Net Assets - Beginning					46,204,566.98	46,204,566.98	2,311,701.55	48,516,268.53
Prior Period Adjustment					(459,860.63)	(459,860.63)	459,860.63	459,860.63
Net Assets - Beginning, As Restated					45,744,706.35	45,744,706.35	2,771,562.18	48,516,268.53
Net Assets - Ending					\$ 44,767,913.70	\$ 44,767,913.70	\$ 2,596,829.96	\$ 47,364,743.66

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 6,279,647.23		\$ 6,279,647.23
Cash - Capital Reserve Account	499,820.86		499,820.86
Accounts Receivable:			
State	87,470.33	\$ 17,953.01	105,423.34
Federal	6,726.52	56,786.92	63,513.44
Other	<u>213,823.10</u>	<u>331,006.50</u>	<u>544,829.60</u>
Total Assets	<u>7,087,488.04</u>	<u>405,746.43</u>	<u>7,493,234.47</u>
Liabilities and Fund Balances:			
Liabilities:			
Cash Overdraft		365,607.73	365,607.73
Due To County		5,163.30	5,163.30
Accounts Payable	61,560.01	15,241.33	76,801.34
Deferred Revenue:			
Federal		15,557.05	15,557.05
State		2,986.60	2,986.60
Other	<u>406,855.55</u>	<u>1,190.42</u>	<u>408,045.97</u>
Total Liabilities	<u>468,415.56</u>	<u>405,746.43</u>	<u>874,161.99</u>
Fund Balances:			
Reserved for:			
Encumbrances	110,790.81		110,790.81
Capital Reserve	499,820.86		499,820.86
Unreserved, Reported in:			
Designated for Subsequent Years' Expenditures General Fund	<u>1,911,576.00</u> <u>4,096,884.81</u>		<u>1,911,576.00</u> <u>4,096,884.81</u>
Total Fund Balances	<u>6,619,072.48</u>		<u>6,619,072.48</u>
Total Liabilities and Fund Balances	<u>\$ 7,087,488.04</u>	<u>\$ 405,746.43</u>	

Amounts reported for *governmental activities* in the statement of net assets (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 \$53,981,147.28 and the accumulated depreciation is \$13,607,562.53 (See Note 8). 40,373,584.75

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 9). (2,224,743.53)

Net Assets of Governmental Activities \$ 44,767,913.70

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Sources:				
County Appropriation	\$ 2,870,529.00			\$ 2,870,529.00
Tuition - LEA's	33,538,834.45			33,538,834.45
Nonresident Fees	175,860.00			175,860.00
Interest Income	21,885.05			21,885.05
Miscellaneous	<u>306,151.20</u>			<u>306,151.20</u>
Total - Local Sources	36,913,259.70			36,913,259.70
State Sources	2,705,298.27	\$ 869,166.17		3,574,464.44
Federal Sources	250,551.57	237,007.98		487,559.55
Other Local Sources		<u>636,458.02</u>		<u>636,458.02</u>
Total Revenues	<u>39,869,109.54</u>	<u>1,742,632.17</u>		<u>41,611,741.71</u>
Expenditures:				
Current:				
Special Education Instruction	15,352,079.80	692,465.33		16,044,545.13
Support Services and Undistributed Costs:				
Student and Instruction Related Services	6,851,001.81	1,035,746.00		7,886,747.81
General Administration	343,875.86			343,875.86
School Administration	1,162,056.48			1,162,056.48
Central Services	734,440.77			734,440.77
Administrative Information Technology	358,615.04			358,615.04
Plant Operations and Maintenance	2,478,416.24			2,478,416.24
Pupil Transportation	28,390.97			28,390.97
Unallocated Benefits	12,569,952.25			12,569,952.25
Capital Outlay	<u>482,236.49</u>	<u>14,420.84</u>		<u>496,657.33</u>
Total Expenditures	<u>40,361,065.71</u>	<u>1,742,632.17</u>		<u>42,103,697.88</u>
Excess/(Deficiency) of Revenues Over/Under Expenditures	(491,956.17)			(491,956.17)
Fund Balance - July 1	<u>7,111,028.65</u>			<u>7,111,028.65</u>
Fund Balance - June 30	<u>\$ 6,619,072.48</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 6,619,072.48</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (491,956.17)

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

Capital outlays for fixed assets 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 exceeded capital outlays in the current fiscal year.

Depreciation Expense	\$ (1,132,457.03)	
Capital Outlay and Adjustments	<u>501,516.28</u>	(630,940.75)

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.

146,104.27

Change in Net Assets of Governmental Activities \$ (976,792.65)

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

ENTERPRISE FUND

For the fiscal year ended June 30, 2010

	Project Adults	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Capital Academy	Assisted Augmentative Technology	Social Skills	Emergency Treatment Services	Respite	Clinic Patient	Community Resources	Special Aides	Total
Operating Revenues:														
Local Sources:														
Daily Sales - Reimbursable Programs:														
School Breakfast		\$ 3,121.90												\$ 3,121.90
School Lunch		64,128.80												64,128.80
Daily Sales - Non-Reimbursable Programs		21,386.46												21,386.46
Transportation Fees			\$ 8,410,047.43	\$ 54,765.00										8,410,047.43
Non-Resident Fees				11,565.21										11,565.21
Miscellaneous	\$ 42,974.42			2,077,134.36										2,077,134.36
Tuition				2,143,475.55	\$ 206,269.20									2,143,475.55
Total Operating Revenues	42,974.42	86,637.16	8,410,047.43	2,143,475.55	206,269.20		36,751.75			505.75	49,360.26	358,426.70	1,912,584.35	13,249,052.57
Operating Expenses:														
Salaries		152,149.66	203,080.82	1,575,302.46	137,831.64		30,072.48				22,295.50	308,095.69	1,302,221.73	3,751,049.98
Employee Benefits		40,293.63	100,221.52	431,029.64	54,480.91							56,780.50	610,362.62	1,263,178.82
Purchased Professional/Technical Services			6,489.07	11,051.74										17,540.81
Cleaning, Repair and Maintenance		20,388.04												20,388.04
Contracted Services														8,084,437.90
Other Purchased Services			8,084,437.90	36,762.04										36,762.04
Insurance		11,662.28		23,489.23										23,489.23
Miscellaneous Purchased Services		3,303.85												11,662.28
Supplies and Materials	1,833.82	20,684.58	3,851.27	47,762.87	4,000.00		13,036.65			505.75	3,783.84			11,087.69
Energy		372.61		75,673.44							1,338.52			89,017.46
Telephone/Communications/Postage		968.00	1,675.40											2,673.40
Textbooks				6,217.12										6,217.12
Transportation				644.00										644.00
Travel	481.28	669.47		231.00										3,542.14
Cost of Sales		124,715.45	261.45	15,611.72								2,160.39		124,715.45
Miscellaneous Expenditures		12,281.65												28,184.86
Admin & Supervision		23,000.04												23,000.04
Other	42,974.42			10,225.00									0.04	104,008.33
Depreciation Expenses		13,435.69		3,439.30										20,768.88
Total Operating Expenses	45,268.52	423,955.25	8,410,047.43	2,237,439.56	196,322.55	20,670.52	3,523.59	\$ 1,349.98	\$ 28,788.41	505.75	22,295.50	372,156.94	1,912,584.39	13,718,444.52
Operating Gain/(Loss)	(2,315.10)	(335,318.09)		(93,964.01)	9,966.65	(20,670.52)	(10,263.97)	(1,349.98)	(28,788.41)		27,064.76	(13,733.24)	(0.04)	(469,391.95)
Nonoperating Revenues/(Expenses):														
Local Sources:														
Interest on Investments		348.41												348.41
State Sources:														
State School Lunch Program		7,766.52												7,766.52
State School Breakfast Program		5,871.90												5,871.90
Federal Sources:														
National School Lunch Program		182,940.06												182,940.06
National School Breakfast Program		97,732.84												97,732.84
Total Nonoperating Revenues/(Expenses)		294,659.73												294,659.73
Change in Net Assets	(2,315.10)	(40,658.36)		(93,964.01)	9,966.65	(20,670.52)	(10,263.97)	(1,349.98)	(28,788.41)		27,064.76	(13,733.24)	(0.04)	(174,732.22)
Other Financing Sources/(Uses)														
Transfer Between Enterprise Funds		(62,804.08)										62,804.08		
Total Other Financing Sources/(Uses)		(62,804.08)										62,804.08		
Change in Net Assets and Other Financing Sources														
Over/(Under) Expenditures and other Financing (Uses)	(65,119.18)	(40,658.36)		(93,964.01)	9,966.65	(20,670.52)	(10,263.97)	(1,349.98)	(28,788.41)		27,064.76	49,070.84	(0.04)	(174,732.22)
Total Net Assets - Beginning	65,119.18	224,926.42		1,546,239.07	334,624.13	20,670.52	86,983.84	1,349.98	28,788.41		27,064.76	454,112.66	5,747.87	2,771,562.18
Total Net Assets - Ending	\$ 0.00	\$ 184,268.06	\$ 0.00	\$ 1,455,275.06	\$ 344,590.78	\$ 0.00	\$ 76,699.87	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,064.76	\$ 503,183.50	\$ 5,747.83	\$ 2,696,829.96

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

ENTERPRISE FUND

For the fiscal year ended June 30, 2010

	Project Adults	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Assisted Augmentative Technology	Social Skills	Emergency Treatment Services	Respite	Clinic Patient	Child Assessment Services	Community Resources	Special Abuse	Total
Cash Flows From Operating Activities:														
Receipts From Customers	\$ 42,974.42	\$ 93,607.33	\$ 9,077,433.13	\$ 2,706,871.62	\$ 298,153.88	\$ 38,485.26			\$ 505.75	\$ 49,360.26	\$ 2,030.00	\$ 389,170.95	\$ 1,935,283.18	\$ 14,593,875.48
Payments To Employees		(152,148.66)	(203,980.82)	(1,579,302.46)	(137,831.64)	(30,072.48)				(22,295.50)	(3,183.83)	(308,952.57)	(1,302,271.73)	(3,735,140.69)
Payments For Employee Benefits		(40,293.63)	(100,221.52)	(431,209.14)	(54,490.91)							(56,780.50)	(610,362.82)	(1,263,358.32)
Payments To Suppliers	(2,315.10)	(251,584.45)	(8,106,574.65)	(234,733.17)	(4,000.00)	(13,039.65)			(505.75)			(7,154.71)	(449.96)	(6,619,437.52)
Net Cash Provided By/(Used In) Operating Activities	\$ 40,659.32	\$ (350,400.41)	\$ 967,556.14	\$ 468,626.85	\$ 61,831.03	\$ (4,626.87)				\$ 27,064.76		\$ 16,283.17	\$ 23,098.79	\$ 945,938.95
Cash Flows From Noncapital Financing Activities:														
Liquidation of Interfund				(1,131.82)										
Transfer Between Enterprise Funds	(62,804.08)													(62,804.08)
Balance Carried to General Operating Fund	(42,374.42)													
Cash Received From State and Federal Reimbursements		328,675.02												328,675.02
Net Cash Provided By/(Used In) Operating Activities	(105,178.50)	328,675.02		(1,131.82)			(1,349.98)	(28,788.41)			(287,903.23)			252,723.71
Noncapital Financing Activities														
Cash Flows From Investing Activities:														
Investment in Capital Assets		(2,359.95)		(181,861.88)		(15,051.35)								(199,273.18)
Interest and Dividends		348.41												348.41
Net Cash Provided By Investing Activities		(2,011.54)		(181,861.88)		(15,051.35)								(198,924.77)
Net Increase/(Decrease) in Cash and Cash Equivalents	(65,119.18)	(23,736.93)	667,556.14	282,633.15	61,831.03	(19,678.22)	(1,349.98)	(28,788.41)		27,064.76	(289,057.06)	365,283.80	23,098.79	989,737.89
Balance - Beginning of Year	65,119.18	94,172.60	(1,052,857.72)	628,345.78	(234,955.65)	56,527.33	1,349.98	28,788.41		27,064.76		19,147.98	(696,452.87)	(330,846.71)
Balance - End of Year	\$ 0.00	\$ 70,435.67	\$ (385,301.58)	\$ 911,978.93	\$ 296,786.68	\$ 36,849.11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,064.76	\$ 0.00	\$ 384,431.79	\$ (673,354.18)	\$ 668,891.18
Reconciliation of Operating Income/(Loss) To Net Cash Provided/(Used) By Operating Activities:	\$ 40,659.32	\$ (335,316.09)		\$ (93,964.01)	\$ 9,966.65	\$ (10,283.97)				\$ 27,064.76	\$ (13,733.24)	\$ (0.04)	\$ (0.04)	\$ (375,608.62)
Adjustments to Reconcile Operating Income/(Loss) To Net Cash Provided/(Used) By Operating Activities:														
Depreciation Expense		13,435.59		3,439.30		3,923.59								20,798.88
Accounts Receivable		4,070.17	\$ 667,385.70	563,396.07	51,864.38	1,733.51						30,744.25	22,698.83	1,344,822.91
Inventory		345.09												345.09
Accrued Salaries & Benefits		(33,833.57)	170.44	(178.60)								(656.88)	(50.00)	(4,270.21)
Accounts Payable				(7,065.01)								129.04	490.00	(40,149.10)
Net Cash Provided By/(Used In) Operating Activities	\$ 40,659.32	\$ (350,400.41)	\$ 667,556.14	\$ 465,626.85	\$ 61,831.03	\$ (4,626.87)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,064.76	\$ (1,153.83)	\$ 16,283.17	\$ 23,098.79	\$ 945,938.95

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2010

	Expendable Trust Funds			Agency Funds		
	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund	Student Activity Fund	Payroll Fund	Totals
<u>Assets</u>						
Cash and Cash Equivalents	\$ 44,218.76	\$ 42.98	\$ 82,928.24	\$ 21,057.90	\$ 234,683.92	\$ 382,931.80
Total Assets	<u>\$ 44,218.76</u>	<u>\$ 42.98</u>	<u>\$ 82,928.24</u>	<u>\$ 21,057.90</u>	<u>\$ 234,683.92</u>	<u>\$ 382,931.80</u>
<u>Liabilities:</u>						
Payroll Deductions and Withholdings Payable To Student Groups				\$ 21,057.90		\$ 234,683.92
Accounts Payable	\$ 275.50					21,057.90
Total Liabilities	<u>275.50</u>			<u>21,057.90</u>	<u>234,683.92</u>	<u>256,017.32</u>
<u>Net Assets:</u>						
Held in Trust for Unemployment Claims and Other Purposes		\$ 42.98	\$ 82,928.24			82,928.24
Held in Trust for Medical Reimbursements Reserved for Scholarships	43,943.26					42.98
Total Net Assets	<u>43,943.26</u>	<u>42.98</u>	<u>82,928.24</u>			<u>43,943.26</u>
Total Liabilities and Net Assets	<u>\$ 44,218.76</u>	<u>\$ 42.98</u>	<u>\$ 82,928.24</u>	<u>\$ 21,057.90</u>	<u>\$ 234,683.92</u>	<u>\$ 382,931.80</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the fiscal year ended June 30, 2010

	<u>Donations Trust Fund</u>	<u>AFLAC Trust Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Totals</u>
Additions:				
Contributions:				
Employee Contributions	\$ 23,478.41	\$ 8,010.57	\$ 156,972.50	\$ 164,983.07
Other	<u>23,478.41</u>	<u>8,010.57</u>	<u>156,972.50</u>	<u>23,478.41</u>
Total Contributions	<u>23,478.41</u>	<u>8,010.57</u>	<u>156,972.50</u>	<u>188,461.48</u>
Investment Earnings:				
Interest	<u>23,478.41</u>		<u>311.38</u>	<u>311.38</u>
Total Additions	<u>23,478.41</u>	<u>8,010.57</u>	<u>157,283.88</u>	<u>188,772.86</u>
Deductions:				
Donation Trust Expenditures	37,308.38			37,308.38
Medical Reimbursements		8,010.57		8,010.57
Unemployment Compensation			167,083.24	167,083.24
Total Deductions	<u>37,308.38</u>	<u>8,010.57</u>	<u>167,083.24</u>	<u>212,402.19</u>
Change in Net Assets	<u>(13,829.97)</u>		<u>(9,799.36)</u>	<u>(23,629.33)</u>
Net Assets - Beginning of Year	<u>57,773.23</u>	<u>42.98</u>	<u>92,727.60</u>	<u>150,543.81</u>
Net Assets - End of Year	<u>\$ 43,943.26</u>	<u>\$ 42.98</u>	<u>\$ 82,928.24</u>	<u>\$ 126,914.48</u>

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education ("Board") 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 Board's accounting policies are described below.

A. Reporting Entity:

The Board 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 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 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, 2010 of 750.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the Organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the Organization
- the District appoints a voting majority of the Organization's Board
- the District is able to impose its will on the Organization
- the Organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the Organization on the District

GASB Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The following organization is considered a component unit; however, the School District has determined that it is not significant and, therefore, has not been included in the basic financial statements: Mercer County Special Services Regional PTA, 1072 Old Trenton Road, Trenton, New Jersey 08690.

Requests for financial information should be addressed to the organization listed above.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-wide statements, including a Statement of Net Assets and a Statement of Activities, and Fund Financial Statements which provide a more detailed level of financial information.

Basis of Presentation

District-Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These Statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These Statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the financial condition of the governmental and business-type activity of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The Fund Financial Statements provide information about the District's funds, including its fiduciary funds. Separate statements for each Fund category – governmental, proprietary, and fiduciary – are presented. The New Jersey Department of Education ("NJDOE") has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among District financial reporting models.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Presentation (Cont'd)

The District reports the following 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 noninstructional equipment, which are classified in the Capital Outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this Fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes and appropriated Fund Balance. Expenditures are those that result in the acquisition of or additions to Fixed Assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Presentation (Cont'd)

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector.

Enterprise Funds - The Enterprise Funds are used to account for operations:

1. that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that the costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or
2. where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's Enterprise Funds are:

Project Adults - This fund accounts for the financial transactions related to job development and job coaching for adults over the age of 21.

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Mercer Cooperative Transportation System - This fund accounts for the financial transactions related to the transportation of students into the District as well as transportation to other Districts.

NJ State Regional Day School - This fund accounts for the financial transactions related to educational services provided to State students.

Integrated Preschool - This fund accounts for the financial transactions related to general integrated services, intensive integrated services, and more intensive integrated services for preschool services.

Assisted Augmentative Technology - This fund accounts for the financial transactions related to the rental of special education equipment to other Districts.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Presentation (Cont'd)

Child Assessment Services - This fund accounts for the financial transactions related to child study team evaluations for other districts.

Community Resources* - This fund accounts for the financial transactions related to various related therapy services provided to other school districts.

Special Aides* - This fund accounts for the financial transactions related to special 1-on-1 aides for students.

Respite Program – This fund accounts for the financial transactions related to short-term, in-home respite care for developmentally disabled and their families.

Clinic Program – This 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.

All proprietary funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investments in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

* This fund was previously classified as an Internal Service fund. See Note 18.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Presentation (Cont'd)

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	10 Years
Heavy Trucks and Vehicles	15 Years

Fiduciary Funds - Fiduciary Fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities.) They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; an unemployment compensation trust fund, a donation trust fund, a student activity fund, and a payroll fund.

The District reports the following fund types:

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Fund includes the Unemployment Compensation Insurance Fund, the Scholarship Account and AFLAC Trust Fund.

Agency Funds - Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include Payroll and Student Activities Funds.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation, Basis of Accounting (Cont'd):

Basis of Accounting

Basis of Accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-Wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the Enterprise Fund and Fiduciary Funds use the accrual basis of accounting. Differences in the accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or 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 District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "Accounts Receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and Enterprise Funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County Office and are voted upon at the annual Board of School Estimates Meeting in April. Budgets are prepared using the modified accrual basis of accounting, except for 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. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by Board resolution. All budget amounts presented in the accompanying 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).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The Capital Project Fund presents the remaining project appropriations compared to current-year 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 generally accepted accounting principles with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund-types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2010, there was a reconciling difference of \$0.00 between the budgetary basis and GAAP basis in the General Fund and of \$8,754.44 in the Special Revenue Fund.

The following presents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue and Debt Service Funds to the GAAP basis of Accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types. Note that the District does not report encumbrances outstanding at year-end as expenditures in the General Fund since the General Fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payment.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Budgets/Budgetary Control (Cont'd):

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
SOURCES/INFLOWS OF RESOURCES		
Actual amounts (budgetary) "revenues" from the Budgetary Comparison Schedules	\$ 39,869,109.54	\$ 1,751,386.61
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year Encumbrances		(17,226.77)
Prior-Year Encumbrances		<u>8,472.33</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 39,869,109.54</u>	<u>\$ 1,742,632.17</u>
USES/OUTFLOWS OF RESOURCES		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule	\$ 40,361,065.71	\$ 1,751,386.61
Difference - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(17,226.77)
Prior-Year Encumbrances		<u>8,472.33</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 40,361,065.71</u>	<u>\$ 1,742,632.17</u>

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Encumbrance Accounting:

Under Encumbrance Accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the Special Revenue Fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund, for which the District has received advances, are reflected in the Balance Sheet as deferred revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

E. Assets, Liabilities, and Equity:

Interfund Transactions:

Transfers between Governmental and Business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in the Enterprise Fund. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the Enterprise Fund, are recorded as expenditures during the first year of purchase. Enterprise Fund inventories are valued at cost, which approximates market, using the first-in/first-out ("FIFO") method.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Assets, Liabilities, and Equity (Cont'd):

Capital Assets:

The District has an established formal system of accounting for its Capital Assets. Purchased or constructed Capital Assets are reported at cost. Donated Capital Assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District does not possess any infrastructure.

All reported Capital Assets except for Land and Construction in Progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	40
Building Improvements	20
Electrical/Plumbing	20
Vehicles	10
Office and Computer Equipment	10
Instructional Equipment	10
Grounds Equipment	15
Software	5

Compensated Absences:

The District accounts for Compensated Absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Board Statement No. 16 ("GASB 16"), Accounting for Compensated Absences. A liability for Compensated Absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as the employees earn the rights to the benefits.

School District employees are granted vacation and sick leave in varying amounts under the School District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for a specific dollar amount per sick day accumulated and begin vesting with the employee after one year of service. Employees are only reimbursed for accumulated sick leave benefits if they retire from the District.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Assets, Liabilities, and Equity (Cont'd):

Compensated Absences (Cont'd):

In the District-wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund-types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the Food Service Fund.

Deferred Revenue:

Deferred Revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as Deferred Revenue. Grants and entitlement received before the eligibility requirements are met are also recorded as Deferred Revenue.

Accrued Liabilities and Long-Term Obligations:

All Payables, Accrued Liabilities, and Long-Term Obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually-required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Net Assets:

Net Assets represent the difference between assets and liabilities. Net Assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Assets are available.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Assets, Liabilities, and Equity (Cont'd):

Fund Balance Reserves:

The District reserves those portions of Fund Balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved Fund Balance indicates that portion which is available for appropriation in future periods. A Fund Balance Reserve has been established for encumbrances, capital and subsequent years expenditures.

Revenues – Exchange and Nonexchange Transactions:

Revenue resulting from Exchange Transactions, in which each party gives and receives essentially equal value, is recorded on the actual accrual basis when the Exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year-end.

Nonexchange Transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from Nonexchange Transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, and tuition.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Assets, Liabilities, and Equity (Cont'd):

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service and other Enterprise Fund activities. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

Allocation of Indirect Expenses:

The District reports all Direct Expenses by function in the Statement of Activities. Direct Expenses are those that are clearly identifiable with a function. Indirect Expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of Social Security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the Indirect Expense column of the Statement of Activities. Depreciation expense that could not be attributable to a specific function is considered an Indirect Expense and is reported separately in the Statement of Activities. Interest on long-term debt is considered an Indirect Expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary Items are transactions or events that are unusual in nature and infrequent in occurrence. Special Items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Tuition Receivable:

Tuition charges were established by the School 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 Board of Education, which is two years following the contract year. The cumulative adjustments through June 30, 2010 which have not been recorded, are not determinable.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

2. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the Mercer County Special Services School district by the inclusion of \$526,710.86 in the fiscal year 1995 budget for 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 transfer by Board Resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. Pursuant to N.J.A.C. 6:23A-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, 2009 to June 30, 2010 fiscal year is as follows:

Beginning Balance, July 1, 2009	\$ 558,129.33
Interest Earnings	1,691.53
Transfer out to General Fund	<u>(60,000.00)</u>
Ending Balance, June 30, 2010	<u>\$ 499,820.86</u>

3. TRANSFERS TO CAPITAL OUTLAY

The District transferred \$60,000.00 to Capital Outlay for Equipment.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

4. DEPOSITS AND INVESTMENTS

Deposits

The Board's deposits are insured through the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000.00 in the aggregate by the FDIC for each bank. At June 30, 2010, the book value of the Board's deposits was \$7,465,683.35 and the bank balances of the Board's cash and deposits amounted to \$8,202,965.53. Of the bank balances, \$250,000.00 was covered by FDIC, \$6,081,223.32 was covered by the New Jersey Governmental Unit Deposit Protection Act and \$1,871,742.21 were securities held by a third party.

The Board's deposits which are displayed on the combined balance sheet as Cash and Cash Equivalents are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Securities Held by a Third Party	\$ 1,871,742.21
GUDPA	6,081,223.32
Insured by FDIC	<u>250,000.00</u>
	<u>\$ 8,202,965.53</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2010, the Board's bank balance was not exposed to custodial credit risk.

New Jersey Cash Management Fund - During the fiscal year, the District participated in the New Jersey Cash Management Fund ("Fund"). The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2010, the District's deposits with the Fund were \$1,828,445.78 in the General Account and \$41,452.41 in the Unemployment Account.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

4. DEPOSITS AND INVESTMENTS (Continued)

Joint Investment Pool - During the year, the District participated in a Joint Investment Program. This program was established in accordance with the New Jersey Interlocal Services Act and is administered by New Jersey Asset and Rebate Management Program ("NJ/ARM"). NJ/ARM invests funds for the participants in US Government and State of New Jersey Securities. Amounts on deposit are available without restriction and are considered cash equivalents and are not subject to custodial credit risk as defined above. At June 30, 2010, the District's deposits with NJ/ARM are \$1,844.02 in the General Account.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully-collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2010, the Board had no investments.

Interest Rate Risk

The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

5. RECEIVABLES

Receivables at June 30, 2010 consisted of, intergovernmental and other. All Receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	District-Wide Financial <u>Statements</u>	Business-Type Financial <u>Statements</u>
State Aid	\$ 105,423.34	\$ 105,423.34	\$ 1,199.82
Federal Aid	63,513.44	63,513.44	24,804.94
Other	<u>544,829.60</u>	<u>544,829.60</u>	<u>1,611,401.88</u>
	713,766.38	713,766.38	1,637,406.64
Less Allowance for Uncollectibles	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Receivables, Net	<u>\$ 713,766.38</u>	<u>\$ 713,766.38</u>	<u>\$ 1,637,406.64</u>

6. INTERFUND BALANCES AND ACTIVITY

Not applicable.

7. INVENTORY

Inventory in the Food Service Fund at June 30, 2010 consisted of the following:

Food	\$ 8,655.84
Supplies	<u>6,354.49</u>
	<u>\$15,010.33</u>

The value of federal-donated commodities as reflected on Schedule A (required by Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase, and has been included as an item of nonoperating revenue in the financial statements.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance After Prior Period <u>Adjustment</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
GOVERNMENT ACTIVITIES:				
Capital Assets Not Being Depreciated:				
Land				
Total Capital Assets Not Being Depreciated				
Capital Assets Being Depreciated:				
Site Improvements	\$ 358,630.00	\$ 40,760.00		\$ 399,390.00
Building and Improvements	52,501,271.00	403,369.73		52,904,640.73
Equipment	619,730.00	57,386.55		677,116.55
Totals at Historical Cost	<u>53,479,631.00</u>	<u>501,516.28</u>		<u>53,981,147.28</u>
Less Accumulated Depreciation for:				
Site Improvements	(315,351.75)	(11,396.25)		(326,748.00)
Building and Building Improvements	(11,867,585.85)	(1,047,539.40)		(12,915,125.25)
Machinery and Equipment	(292,167.90)	(73,521.38)		(365,689.28)
Total Accumulated Depreciation	<u>(12,475,105.50)</u>	<u>(1,132,457.03)</u>		<u>(13,607,562.53)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>41,004,525.50</u>	<u>(630,940.75)</u>		<u>40,373,584.75</u>
Government Activity Capital Assets, Net	<u>41,004,525.50</u>	<u>(630,940.75)</u>		<u>40,373,584.75</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets Being Depreciated:				
Equipment	223,381.00	199,273.18		422,654.18
Total Business-Type Activities	<u>223,381.00</u>	<u>199,273.18</u>		<u>422,654.18</u>
Less Accumulated Depreciation:				
Site Improvements		(135.00)		(135.00)
Building and Building Improvements	(116,259.99)	(19,045.15)		(135,305.14)
Machinery and Equipment		(1,618.73)		(1,618.73)
	<u>(116,259.99)</u>	<u>(20,798.88)</u>		<u>(137,058.87)</u>
Enterprise Fund Capital Assets, Net	<u>107,121.01</u>	<u>178,474.30</u>		<u>285,595.31</u>
Total	<u>\$ 41,111,646.51</u>	<u>\$ (452,466.45)</u>	<u>\$ 0.00</u>	<u>\$ 40,659,180.06</u>

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

8. CAPITAL ASSETS (CONT'D)

The NJ State Department of Education has set the capitalization threshold used by school districts in the State of New Jersey at \$2,000.00.

Depreciation expense was charged to functions as follows:

Special Education	\$ 883,316.48
Other Support - Students	45,298.28
General Administration	22,649.14
School Administration	33,973.71
Operations and Maintenance	113,245.71
Central and Admin Info Tech Services	<u>33,973.71</u>
Total	<u>\$ 1,132,457.03</u>

9. LONG-TERM OBLIGATIONS

Bonds are authorized in accordance with State law by the Board of Chosen Freeholders of the County through bond ordinances. All bonds are retired in serial installments within the statutory period of usefulness. Then 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 debt service outstanding.

A. Long-Term Obligation Activity:

Changes in Long-Term Obligations for the year ended June 30, 2010, are as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 2,370,847.80</u>	<u>\$ 97,774.07</u>	<u>\$ 243,878.34</u>	<u>\$ 2,224,743.53</u>	<u>\$ 0.00</u>

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

9. LONG-TERM OBLIGATIONS (CONT'D)

A. Long-Term Obligation Activity (Cont'd):

Bonds Authorized But Not Issued - As of June 30, 2010, the District had no authorized but not issued bonds.

Compensated Absences - Compensated Absences will be paid from the fund from which the employees' salaries are paid.

B. Capital Leases

The District has not entered into any Capital Leases.

10. OPERATING LEASES

The District has commitments to lease copy machines and a laminator under operating leases that expire in 2014. Total operating lease payments made during the year ended June 30, 2010 were \$62,772.31. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 64,137.64
2012	58,280.28
2013	52,920.48
2014	28,556.62
2015	<u>20,107.02</u>
	<u>\$ 224,002.04</u>

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

11. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by State statute and are administered by the New Jersey Division of Pension and Benefits ("Division"). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly-available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund ("TPAF")

The Teachers' Pension and Annuity Fund was established as of January 1, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The TPAF 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. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional, and certified.

Public Employees' Retirement System ("PERS")

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

11. PENSION PLANS (CONT'D)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Chapter 103, P.L. of 2007, provides that new members of PERS and TPAF are subject to a maximum compensation limit for PERS and TPAF pension contributions and benefits. The maximum compensation is based on the annual maximum wage for Social Security. In addition, the new members can retire with 25 or more years of service and full benefits at age 60, although they can retire at 55 with a reduction in the member's allowance.

Significant Legislation

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market-related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

11. PENSION PLANS (CONT'D)

Contribution Requirements (Cont'd):

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Total Liability</u>	<u>Funded By State</u>
2010	\$ 301,518.00	\$ 688,934.00	\$ 0.00
2009	355,869.00	680,516.00	0.00
2008	352,381.00	623,941.00	124,788.20

Three-Year Trend Information for TPAF (Paid on Behalf of the District)

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Total Liability</u>	<u>Funded By State</u>
2010	\$ 64,283.00	\$ 64,283.00	\$ 64,283.00
2009	61,225.00	61,225.00	61,225.00
2008	1,287,395.00	1,287,395.00	1,287,395.00

During the year ended June 30, 2010, the State of New Jersey contributed \$64,283.00 to the TPAF for normal pension and \$1,207,326.00 for 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 \$1,433,689.27 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenues and expenditures in accordance with GASB 24.

Early Retirement Incentive Program - As previously stated, the District approved an Early Retirement Incentive Program ("Program") during 1993 for certain members of the Teachers' Pension and Annuity Fund. Since no accrual has been made for the additional costs related to the Program, the District will fund such cost in an annual budget appropriation on a pay-as-you-go basis. Program costs are billed annually by the Division of Pension and Benefits.

The District paid \$47,352.00 in fiscal year 2010.

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

12. POST – RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of one percent of the active State payroll.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

The State will set the contribution rate based on the annual required contribution of the employers ("ARC"), an amount actuarially-determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2010, 2009 and 2008 were \$1,207,326.00, \$1,168,022.00, and \$435,845.00, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

13. DEFERRED COMPENSATION

The Board offers its employees a choice of Deferred Compensation Plans ("Plans") created in accordance with Internal Revenue Code Section 403(b). The Plans, which are administered by the entities listed below, 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. The Plan administrators are as follows:

Fidelity Management Trust Company
Vanguard Fiduciary Trust Company
Lincoln Investment Planning
MetLife
AXA Equitable

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

14. 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 commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The table below is a summary of the District contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and the previous two years.

<u>Fiscal Year</u>	<u>School District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009/10	\$ 112,458.89	\$ 44,513.61	\$ 167,083.24	\$ 82,928.24
2008/09	0.00	47,026.71	33,967.26	92,727.60
2007/08	0.00	85,978.25	90,185.90	78,933.68

Joint Insurance Pool - The Mercer County Special Services School District is a member of the Burlington County Insurance Pool Joint Insurance Fund ("Fund").

The Fund provides the District with the following coverage:

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

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

MERCER COUNTY SPECIAL SERVICES
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

15. CONTINGENT LIABILITIES

Grant Programs

The District participates in federally-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

16. FUND BALANCE APPROPRIATED

General Fund

Of the \$6,619,072.48 General Fund fund balance in the fund financial statements at June 30, 2010, \$110,790.81 is reserved for encumbrances; \$1,911,576.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2011; \$499,820.86 is reserved for Capital Reserve, and \$4,096,884.81 is unreserved and undesignated.

17. 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.

18. PRIOR PERIOD ADJUSTMENT

Community Resources and Special Aides Funds that have previously been accounted for as Internal Service Funds have been reclassified as Enterprise Funds. The balances as of June 30, 2009 for these accounts were \$454,112.66 and \$5,747.97, respectively.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES:					
Local Sources:					
County Tax Levy	\$ 2,870,529.00		\$ 2,870,529.00	\$ 2,870,529.00	
Tuition From LEA's	29,980,180.00		29,980,180.00	29,732,338.00	\$ (247,842.00)
Other Tuition	2,993,612.00	\$ 471,212.65	3,464,824.65	3,806,496.45	341,671.80
Non-Resident Fees	180,180.00		180,180.00	175,860.00	(4,320.00)
Interest Earned on Capital Reserve Funds	15,000.00		15,000.00	1,691.53	(13,308.47)
Unrestricted Miscellaneous Revenues	478,778.00	(60,000.00)	418,778.00	326,344.72	(92,433.28)
Total Local Sources	36,518,279.00	411,212.65	36,929,491.65	36,913,259.70	(16,231.95)
State Sources:					
On-Behalf TPAF Contributions - Normal Costs				64,283.00	64,283.00
On-Behalf TPAF Contributions - Post Retirement Medical Contributions				1,207,326.00	1,207,326.00
TPAF Social Security (Reimbursed - Non-Budgeted)				1,433,689.27	1,433,689.27
Total State Sources				2,705,298.27	2,705,298.27
Federal Sources:					
Medicaid Reimbursement	115,030.00		115,030.00	250,551.57	135,521.57
Total Federal Sources	115,030.00		115,030.00	250,551.57	135,521.57
Total Revenues	36,633,309.00	411,212.65	37,044,521.65	39,869,109.54	2,824,587.89
EXPENDITURES:					
Current Expense:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	650,912.00	30,294.76	681,206.76	650,869.13	337.63
Other Salaries for Instruction	228,610.00	2,726.84	231,336.84	231,336.84	
General Supplies	13,575.00		13,575.00	11,658.63	1,916.37
Textbooks	6,000.00	(2,916.60)	3,083.40	618.60	2,464.80
Other Objects	3,100.00	42.00	3,142.00	2,345.28	796.72
Total Behavioral Disabilities	902,197.00	39,147.00	932,344.00	926,828.48	5,515.52
Multiple Disabilities:					
Salaries of Teachers	4,471,390.00	(28,154.00)	4,443,236.00	4,410,660.94	32,575.06
Other Salaries for Instruction	2,030,698.00	(1,951.00)	2,028,747.00	2,018,987.07	9,759.93
Other Purchased Services	750.00		750.00	750.00	
General Supplies	120,989.00	33,690.45	154,679.45	110,984.49	43,694.96
Textbooks	12,100.00	1,752.34	13,852.34	8,564.96	5,287.38
Other Objects	5,400.00		5,400.00	3,752.86	1,647.14
Total Multiple Disabilities	6,641,327.00	5,337.79	6,646,664.79	6,552,950.32	93,714.47
Autism:					
Salaries of Teachers	2,280,984.00		2,280,984.00	2,169,923.69	111,060.31
Other Salaries for Instruction	1,481,930.00		1,481,930.00	1,446,846.89	35,083.11
General Supplies	30,648.00	1,319.41	31,967.41	16,266.47	15,700.94
Textbooks	9,850.00		9,850.00	3,920.09	5,929.91
Other Objects	2,900.00		2,900.00	315.00	2,585.00
Total Autism	3,806,312.00	1,319.41	3,807,631.41	3,637,272.14	170,359.27
Preschool Disabilities - Full-Time:					
Salaries of Teachers	521,158.00		521,158.00	511,826.91	9,331.09
Other Salaries for Instruction	471,648.00		471,648.00	446,507.49	25,140.51
General Supplies	14,089.00		14,089.00	9,309.85	4,779.15
Other Objects	1,000.00		1,000.00		1,000.00
Total Preschool Disabilities - Full-Time	1,007,895.00		1,007,895.00	967,644.25	40,250.75
Extended School Year:					
Salaries of Teachers	1,914,205.00	137,513.92	2,051,718.92	2,051,718.92	
Salaries of Supervisors of Instruction	152,900.00	(1,573.94)	151,326.06	151,326.06	
Other Salaries for Instruction	929,303.00	9,752.45	939,055.45	939,055.45	
Other Purchased Services (400-500 Series)	95,264.00		95,264.00	95,264.00	
Total Extended School Year	3,091,672.00	145,692.43	3,237,364.43	3,237,364.43	
Home Instruction:					
Salaries	15,862.00	1,500.00	17,362.00	15,064.20	2,297.80
Supplies and Materials	17,682.00	(1,425.69)	16,256.31	14,595.98	1,660.33
Other Objects	400.00		400.00	360.00	40.00
Total School-Sponsored Co/Extra-Curr. Activities - Instruction	33,944.00	74.31	34,018.31	30,020.18	3,998.13
Total Special Education - Instruction	15,483,347.00	182,570.94	15,665,917.94	15,352,079.80	313,838.14
Total Instruction	15,483,347.00	182,570.94	15,665,917.94	15,352,079.80	313,838.14
Undist. Expend. - Health Services:					
Salaries	460,905.00	346.95	461,251.95	461,251.95	
Purchased Professional and Technical Services	48,000.00	(346.95)	47,653.05	42,900.00	4,753.05
Other Purchased Services	2,800.00		2,800.00	2,501.60	298.40
Supplies and Materials	17,925.00		17,925.00	16,173.18	1,751.82
Total Undist. Expend. - Health Services	529,630.00		529,630.00	522,826.73	6,803.27

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (continued):					
Undist. Expend. - Other Support Serv. - Students - Related Services:					
Salaries	4,769,939.00		4,769,939.00	4,397,157.59	372,781.41
Purchased Professional - Educational Services	65,000.00	(16,975.00)	48,025.00		48,025.00
Supplies and Materials	23,900.00	1,504.80	25,404.80	15,252.63	10,152.17
Total Undist. Expend. - Other Support Serv. - Students - Related Services	4,858,839.00	(15,470.20)	4,843,368.80	4,412,410.22	430,958.58
Undist. Expend. - Child Study Team:					
Salaries of Other Professional Staff	1,344,156.00	(57,112.71)	1,287,043.29	1,267,841.21	19,202.08
Purchased Professional - Educational Services	1,000.00		1,000.00		1,000.00
Supplies and Materials	2,700.00		2,700.00	651.54	2,048.46
Total Undist. Expend. - Child Study Team	1,347,856.00	(57,112.71)	1,290,743.29	1,268,492.75	22,250.54
Undist. Expend. - Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	227,624.00	42,796.18	270,420.18	264,420.18	6,000.00
Salaries of Other Professional Staff	4,500.00	(1,173.55)	3,326.45	3,326.45	
Salaries of Secretarial and Clerical Assistants	136,455.00	5,235.29	141,690.29	136,033.10	5,657.19
Other Salaries	78,122.00	10,254.79	88,376.79	88,376.79	
Supplies and Materials	3,150.00		3,150.00	789.74	2,360.26
Other Objects	9,635.00		9,635.00	7,949.99	1,685.01
Total Undist. Expend. - Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	459,486.00	57,112.71	516,598.71	500,896.25	15,702.46
Undist. Expend. - Educational Media Services/School Library:					
Salaries	127,213.00		127,213.00	126,589.11	623.89
Supplies and Materials	6,250.00		6,250.00	4,555.95	1,694.05
Total Undist. Expend. - Educational Media Services/School Library	133,463.00		133,463.00	131,145.06	2,317.94
Undist. Expend. - Instructional Staff Training Services:					
Other Salaries	9,164.00		9,164.00	1,629.78	7,534.22
Other Purchased Professional and Technical Services	16,500.00	(7,000.00)	9,500.00	8,441.03	1,058.97
Other Purchased Services	11,720.00		11,720.00	4,844.99	6,875.01
Supplies and Materials	2,500.00		2,500.00	315.00	2,185.00
Total Undist. Expend. - Instructional Staff Training Services	39,884.00	(7,000.00)	32,884.00	15,230.80	17,653.20
Undist. Expend. - Support Services - General Administration:					
Salaries	59,562.00	10,384.54	69,946.54	69,946.54	
Legal Services	70,000.00	3,656.12	73,656.12	72,231.94	1,424.18
Architectural/Engineering Services	10,000.00	(8,000.00)	2,000.00		2,000.00
Other Purchased Professional Services	50,000.00	32,160.80	82,160.80	81,032.30	1,128.50
Purchased Technical Services	18,263.00	(2,634.54)	15,628.46	7,750.00	7,878.46
Communications/Telephone	116,968.00	(8,000.00)	108,968.00	73,699.60	35,268.40
BOE Other Purchased Services	30,895.00	(13,184.24)	17,710.76	4,861.33	12,849.43
Other Purchased Services	23,000.00	2,500.00	25,500.00	23,880.99	1,619.01
General Supplies	2,000.00	195.66	2,195.66	1,085.83	1,109.83
Judgments Against School District	1,000.00		1,000.00		1,000.00
Miscellaneous Expenditures	10,176.00		10,176.00	2,610.33	7,565.67
BOE Membership Dues and Fees	7,500.00		7,500.00	6,777.00	723.00
Total Undist. Expend. - Support Services - General Administration	399,364.00	17,078.34	416,442.34	343,875.66	72,566.68
Undist. Expend. - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	419,783.00	3,072.95	422,855.95	419,189.31	3,666.64
Salaries of Other Professional Staff	324,499.00	9,649.01	334,148.01	334,148.01	
Salaries of Secretarial and Clerical Assistants	287,828.00	37,923.84	325,751.84	325,750.44	1.40
Other Purchased Services	450.00		450.00		450.00
Supplies and Materials	39,480.00		39,480.00	34,088.68	5,391.32
Other Objects	90,380.00	(29,761.56)	60,618.44	48,860.04	11,758.40
Total Undist. Expend. - Support Services - School Administration	1,162,420.00	20,884.24	1,183,304.24	1,162,056.48	21,247.76
Undist. Expend. Support Services - Central Services:					
Salaries	721,712.00	(3,996.22)	717,715.78	691,356.85	26,358.93
Purchased Technical Services	25,305.00	(503.29)	24,801.71	7,564.69	17,237.02
Miscellaneous Purchased Services	7,000.00	(841.62)	6,158.38	3,384.36	2,774.02
Supplies and Materials	12,800.00	(605.00)	12,195.00	11,066.23	1,128.77
Miscellaneous Expenditures	28,022.00	3,266.80	31,288.80	21,068.64	10,220.16
Total Undist. Expend. Support Services - Central Services	794,839.00	(2,679.33)	792,159.67	734,440.77	57,718.90
Undist. Expend. Support Services - Admin. Info. Tech. Services:					
Salaries	189,740.00	3,996.22	193,736.22	193,736.22	
Purchased Professional Services	14,000.00	(1,700.00)	12,300.00	1,784.55	10,515.45
Other Purchased Services	1,000.00	(700.00)	300.00	47.01	252.99
Supplies and Materials	158,125.00	(75,542.62)	82,582.38	73,767.31	8,815.07
Other Objects	96,250.00	2,230.00	98,480.00	89,279.95	9,200.05
Total Undist. Expend. Support Services - Admin. Info. Tech. Services	459,115.00	(71,716.30)	387,398.70	358,815.04	28,583.66
Undist. Expend. - Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	81,042.00	23,188.88	104,230.88	93,486.04	10,744.84
Total Undist. Expend. - Required Maintenance for School Facilities	81,042.00	23,188.88	104,230.88	93,486.04	10,744.84

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES (continued):					
Undist. Expend. - Other Oper. & Maint. of Plant:					
Salaries	822,332.00	172,657.00	994,989.00	992,026.08	2,962.92
Purchased Professional and Technical Services	42,500.00	7,000.00	49,500.00	49,190.00	410.00
Cleaning, Repair and Maintenance Services	262,305.00	66,217.24	328,522.24	230,390.34	98,131.90
Other Purchased Property Services	89,012.00	(5,350.00)	83,662.00	58,212.89	25,449.11
Insurance	134,595.00		134,595.00	129,878.00	4,717.00
Miscellaneous Purchased Services	750.00		750.00	53.00	697.00
General Supplies	145,894.00	1,849.04	147,743.04	139,514.21	8,228.83
Energy (Natural Gas)	327,350.00	473,059.00	800,409.00	199,508.47	600,900.53
Energy (Electricity)	800,409.00	(799,909.00)	500.00	585,807.21	(585,307.21)
Other Objects	500.00	306,850.00	307,350.00	350.00	307,000.00
Total Undist. Expend. - Other Oper. & Maint. of Plant:	<u>2,625,747.00</u>	<u>222,373.28</u>	<u>2,848,120.28</u>	<u>2,384,930.20</u>	<u>463,190.08</u>
Total Undist. Expend. - Oper. & Maint. of Plant	<u>2,706,789.00</u>	<u>245,562.16</u>	<u>2,952,351.16</u>	<u>2,478,416.24</u>	<u>473,934.92</u>
Undist. Expend. - Student Transportation Services:					
Cleaning, Repair and Maintenance Services	7,000.00		7,000.00	5,196.17	1,803.83
Contracted Services (Other Than Bel. Home & School) - Vendors	9,585.00		9,585.00	5,194.80	4,390.20
Miscellaneous Purchased Services - Transportation	21,000.00		21,000.00	18,000.00	3,000.00
Total Undist. Expend. - Student Transportation Services	<u>37,585.00</u>		<u>37,585.00</u>	<u>28,390.97</u>	<u>9,194.03</u>
Special Programs - Instruction - Employee Benefits:					
Health Benefits	370,685.00	(370,685.00)			
Total Special Programs - Instruction - Employee Benefits	<u>370,685.00</u>	<u>(370,685.00)</u>			
Total Allocated Benefits	<u>370,685.00</u>	<u>(370,685.00)</u>			
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	730,089.00		730,089.00	645,299.36	84,789.64
TPAF Contribution - ERIP	47,532.00		47,532.00	40,036.14	7,495.86
Other Retirement Contributions - Regular	761,134.00	(19,146.00)	761,988.00	635,658.15	126,329.85
Workmen's Compensation	1,013,848.00	6,146.00	1,019,994.00	1,019,994.00	
Health Benefits	6,173,637.00	1,595,003.22	7,768,540.22	7,334,740.74	433,799.48
Tuition Reimbursement	59,000.00	(2,000.00)	57,000.00	37,265.21	19,734.79
Other Employee Benefits	154,904.00	2,800.00	157,704.00	151,660.38	6,043.62
Total Unallocated Benefits - Employee Benefits	<u>8,960,044.00</u>	<u>1,582,803.22</u>	<u>10,542,847.22</u>	<u>9,864,653.98</u>	<u>678,193.24</u>
TPAF Pension (On-Behalf - Non-Budgeted)				64,283.00	(64,283.00)
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				1,207,326.00	(1,207,326.00)
TPAF Social Security (Reimbursed - Non-Budgeted)				1,433,689.27	(1,433,689.27)
Total On-Behalf Contributions				<u>2,705,298.27</u>	<u>(2,705,298.27)</u>
Total Personal Services - Employee Benefits	<u>9,330,729.00</u>	<u>1,212,118.22</u>	<u>10,542,847.22</u>	<u>12,569,952.25</u>	<u>(2,027,105.03)</u>
Total Undistributed Expenditures	<u>22,259,999.00</u>	<u>1,398,777.13</u>	<u>23,658,776.13</u>	<u>24,526,749.42</u>	<u>(867,973.29)</u>
Total Expenditures - Current Expense	<u>37,743,346.00</u>	<u>1,581,346.07</u>	<u>39,324,694.07</u>	<u>39,878,829.22</u>	<u>(554,135.15)</u>
CAPITAL OUTLAY					
Interest Deposit To Capital Reserve	15,000.00	(15,000.00)			
Equipment:					
Multiple Disabilities	12,000.00	(12,000.00)			
Undist. Expend. - Admin. Info. Technology Services	25,000.00		25,000.00	2,457.16	22,542.84
Undist. Expend. - Operation & Maint. of Plant Services	30,000.00	(30,000.00)			
Special Schools All Purposes - Student Transportation	20,000.00	63,537.80	83,537.80	40,284.69	43,253.11
Total Undistributed Expenditures	<u>87,000.00</u>	<u>21,537.80</u>	<u>108,537.80</u>	<u>42,741.85</u>	<u>65,795.95</u>
Facilities Acquisition and Construction Services:					
Construction Services	310,000.00	176,722.50	486,722.50	439,494.64	47,227.86
Total Facilities Acquisition and Construction Services	<u>310,000.00</u>	<u>176,722.50</u>	<u>486,722.50</u>	<u>439,494.64</u>	<u>47,227.86</u>
Total Capital Outlay	<u>412,000.00</u>	<u>177,260.30</u>	<u>589,260.30</u>	<u>482,236.49</u>	<u>107,023.81</u>
Total Expenditures	<u>38,155,346.00</u>	<u>1,758,608.37</u>	<u>39,913,954.37</u>	<u>40,361,065.71</u>	<u>(447,111.34)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,522,037.00)	(1,347,395.72)	(2,869,432.72)	(491,956.17)	2,377,476.55
Fund Balances, July 1	7,111,028.65		7,111,028.65	7,111,028.65	
Fund Balances, June 30	<u>\$ 5,588,991.65</u>	<u>\$ (1,347,395.72)</u>	<u>\$ 4,241,595.93</u>	<u>\$ 6,619,072.48</u>	<u>\$ 2,377,476.55</u>
Recapitulation:					
Reserved for:					
Prior-Year Encumbrances			\$ (270,636.44)		
Budgeted Fund Balance			(2,598,796.28)		
Encumbrances				\$ 110,790.81	
Capital Reserve				499,820.86	
Unrestricted Fund Balance:					
Designated for Subsequent Years Expenditures				1,911,576.00	
Undesignated				4,096,884.61	
				<u>6,619,072.48</u>	
Reconciliation To Governmental Funds Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				0.00	
Fund Balance per Governmental Funds (GAAP)			<u>\$ (2,869,432.72)</u>	<u>\$ 6,619,072.48</u>	

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Fiscal year ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
State Sources	\$ 863,680.44		\$ 863,680.44	\$ 863,680.44	
Federal Sources	251,051.98		251,051.98	251,051.98	
Local Sources	<u>636,654.19</u>		<u>636,654.19</u>	<u>636,654.19</u>	
Total Revenues	<u>1,751,386.61</u>		<u>1,751,386.61</u>	<u>1,751,386.61</u>	
Expenditures:					
Instruction:					
Salaries of Teachers	590,103.37		590,103.37	590,103.37	
Salaries of Aides	17,999.55		17,999.55	17,999.55	
Purchased Professional-Technical Services	64,900.51		64,900.51	64,900.51	
Supplies & Materials	<u>20,111.58</u>		<u>20,111.58</u>	<u>20,111.58</u>	
Total Instruction	<u>693,115.01</u>		<u>693,115.01</u>	<u>693,115.01</u>	
Support Services:					
Salaries	598,046.07		598,046.07	598,046.07	
Personal Services - Employee Benefits	297,397.48		297,397.48	297,397.48	
Purchased Professional/Technical Services	5,550.38		5,550.38	5,550.38	
Miscellaneous Purchased Services	31,450.03		31,450.03	31,450.03	
Supplies & Materials	35,633.06		35,633.06	35,633.06	
Purchased Property Services	13,221.35		13,221.35	13,221.35	
Travel	2,137.25		2,137.25	2,137.25	
Miscellaneous Expenditures	<u>59,520.14</u>		<u>59,520.14</u>	<u>59,520.14</u>	
Total Support Services	<u>1,042,955.76</u>		<u>1,042,955.76</u>	<u>1,042,955.76</u>	
Instructional Equipment	<u>15,315.84</u>		<u>15,315.84</u>	<u>15,315.84</u>	
Total Expenditures	<u>1,751,386.61</u>		<u>1,751,386.61</u>	<u>1,751,386.61</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	<u>\$ 0.00</u>				

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

BUDGET-TO-GAAP RECONCILIATION

Fiscal year ended June 30, 2010

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General <u>Fund</u>	Special Revenue <u>Fund</u>
SOURCES/INFLOWS OF RESOURCES		
Actual amounts (budgetary) "revenues" from the Budgetary Comparison Schedules	\$ 39,869,109.54	\$ 1,751,386.61
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year Encumbrances		(17,226.77)
Prior-Year Encumbrances		8,472.33
	<hr/>	<hr/>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 39,869,109.54</u>	<u>\$ 1,742,632.17</u>
USES/OUTFLOWS OF RESOURCES		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule	\$ 40,361,065.71	\$ 1,751,386.61
Difference - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(17,226.77)
Prior-Year Encumbrances		8,472.33
	<hr/>	<hr/>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 40,361,065.71</u>	<u>\$ 1,742,632.17</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the fiscal year ended June 30, 2010

	Respite	Projects Adult County	Title I		Title I No Child Left Behind ARRA	Special Child Health Services State	Special Child Health Services County	Clinic Project Program Child
			Title I No Child Left Behind	Carryover				
<u>Revenues</u>								
State Sources					\$ 231,747.00			
Federal Sources								
Local Sources	\$ 81,978.99	\$ 100,000.00	\$ 140,901.93	\$ 1,410.64	\$ 46,486.95	\$ 231,747.00	\$ 98,345.00	\$ 19,346.00
<u>Total Revenues</u>	<u>\$ 81,978.99</u>	<u>\$ 100,000.00</u>	<u>\$ 140,901.93</u>	<u>\$ 1,410.64</u>	<u>\$ 46,486.95</u>	<u>\$ 231,747.00</u>	<u>\$ 98,345.00</u>	<u>\$ 19,346.00</u>
<u>Expenditures</u>								
Instruction:								
Salaries of Teachers			\$ 77,464.58		\$ 40,000.00			
Salaries of Aides			17,999.55					
Purchased Professional-Technical Services					642.95			
Supplies and Materials								
<u>Total Instruction</u>			<u>95,464.13</u>		<u>40,642.95</u>			
Support Services:								
Salaries	\$ 76,675.16	\$ 69,743.25	6,057.42		\$ 219,583.45	\$ 26,540.53	\$ 19,108.87	
Personal Services - Employee Benefits	5,303.83	28,504.75	36,993.00		7,187.55	50,364.10		
Purchased Professional & Technical Services						2,686.08		
Supplies & Materials		1,752.00	2,387.38		1,002.00	426.54	237.13	
Purchased Property Services								
Travel								
Miscellaneous Expenditures							493.63	
Miscellaneous Purchased Services				\$ 1,410.64		3,974.00	17,834.12	
<u>Total Support Services</u>	<u>81,978.99</u>	<u>100,000.00</u>	<u>45,437.80</u>	<u>1,410.64</u>	<u>5,844.00</u>	<u>231,747.00</u>	<u>98,345.00</u>	<u>19,346.00</u>
Instructional Equipment								
<u>Total Expenditures</u>	<u>\$ 81,978.99</u>	<u>\$ 100,000.00</u>	<u>\$ 140,901.93</u>	<u>\$ 1,410.64</u>	<u>\$ 46,486.95</u>	<u>\$ 231,747.00</u>	<u>\$ 98,345.00</u>	<u>\$ 19,346.00</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the fiscal year ended June 30, 2010

	Youth Corp Grant	Youth Detention Program	WIA Out-School	Summer Youth Corp Grant	Perkins Grant	E Corp Grant	Totals
<u>Revenues</u>							
State Sources	\$ 462,949.26			\$ 66,213.43		\$ 102,770.75	\$ 863,680.44
Federal Sources		\$ 336,984.20	\$ 42,956.50		\$ 19,295.96		251,051.98
Local Sources							636,654.19
<u>Total Revenues</u>	<u>\$ 462,949.26</u>	<u>\$ 336,984.20</u>	<u>\$ 42,956.50</u>	<u>\$ 66,213.43</u>	<u>\$ 19,295.96</u>	<u>\$ 102,770.75</u>	<u>\$ 1,751,386.61</u>
<u>Expenditures</u>							
Instruction:							
Salaries of Teachers	\$ 191,745.85	\$ 205,146.78	\$ 40,374.93	\$ 4,963.40		\$ 30,407.83	\$ 590,103.37
Salaries of Aides							17,999.55
Purchased Professional - Technical Services	64,900.51						64,900.51
Supplies & Materials	9,805.40	268.11		100.00	\$ 9,295.12		20,111.58
<u>Total Instruction</u>	<u>266,451.76</u>	<u>205,414.89</u>	<u>40,374.93</u>	<u>5,063.40</u>	<u>9,295.12</u>	<u>30,407.83</u>	<u>693,115.01</u>
Support Services:							
Salaries	59,421.88	34,081.09		59,588.03		27,246.39	598,046.07
Personal Services - Employee Benefits	56,332.00	93,230.68	2,561.57	1,282.00		9,794.00	297,397.48
Purchased Professional - Technical Services		2,864.30					5,550.38
Supplies & Materials	12,941.35	820.48		280.00		29,007.53	35,633.06
Purchased Property Services							13,221.35
Travel	1,640.52		3.10				2,137.25
Miscellaneous Expenditures	57,930.48	572.76	16.90			1,000.00	59,520.14
Miscellaneous Purchased Services	8,231.27						31,450.03
<u>Total Support Services</u>	<u>196,497.50</u>	<u>131,569.31</u>	<u>2,581.57</u>	<u>61,150.03</u>		<u>67,047.92</u>	<u>1,042,955.76</u>
Instructional Equipment					10,000.84	5,315.00	15,315.84
<u>Total Expenditures</u>	<u>\$ 462,949.26</u>	<u>\$ 336,984.20</u>	<u>\$ 42,956.50</u>	<u>\$ 66,213.43</u>	<u>\$ 19,295.96</u>	<u>\$ 102,770.75</u>	<u>\$ 1,751,386.61</u>

CAPITAL PROJECTS FUND
DETAIL STATEMENTS

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

PROPRIETARY FUND
DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

FOOD SERVICE FUND

This Fund provides for the operation of food services within the School District.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS

ENTERPRISE FUND

For the fiscal year ended June 30, 2010

	Food Service Fund	Mercer Cooperative Transportation System	NJ State Regional Day School at Hamilton	Integrated Preschool	Assisted Augmentative Technology	Clinic Patient	Community Resources	Special Aides	Total
Assets:									
Cash and Cash Equivalents	\$ 70,435.67		\$ 911,978.93	\$ 296,786.68	\$ 36,849.11	\$ 27,064.76	\$ 384,431.79		\$ 1,727,546.94
Accounts Receivable:									
State	1,199.82								1,199.82
Federal	24,804.94								24,804.94
Other	15,010.33	\$ 385,472.02	367,092.90	47,804.10	12,600.00		118,880.75	\$ 679,552.11	1,611,401.88
Inventories	72,817.30		185,527.25		27,250.76				15,010.33
Capital Assets, Net	184,268.06	385,472.02	1,464,599.08	344,590.78	76,699.87	27,064.76	503,312.54	679,552.11	3,665,559.22
Total Assets									
Liabilities:									
Cash Deficit		385,301.58							
Accounts Payable		170.44	9,324.02				129.04		
Total Liabilities		385,472.02	9,324.02				129.04		
Net Assets:									
Invested in Capital Assets, Net of Related Debt	72,817.30		185,527.25		27,250.76				285,595.31
Reserve for Encumbrances - Prior Year			7,241.13						7,241.13
Reserve for Encumbrances - Current Year	111,450.76		110,769.52	344,590.78	213.73		503,183.50	5,747.93	110,963.25
Unrestricted			1,151,737.16		49,235.38	27,064.76			1,684,078.84
Total Net Assets	\$ 184,268.06	\$ 0.00	\$ 1,455,275.06	\$ 344,590.78	\$ 76,699.87	\$ 27,064.76	\$ 503,183.50	\$ 5,747.93	\$ 2,596,829.96

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

ENTERPRISE FUND

For the fiscal year ended June 30, 2010

	Project Adults	Food Services Fund	Mercer Cooperative Transportation System	N.J. State School at Hamilton	Integrated Preschool	Capital Academy	Assisted Augmentative Technology	Social Skills	Emergency Treatment Services	Respite	Clinic Patient	Community Resources	Special Asses	Total
Operating Revenues:														
Local Sources:														
Daily Sales - Reimbursable Programs														
School Breakfast		\$ 3,121.90												\$ 3,121.90
School Lunch		64,128.80												64,128.80
Daily Sales - Non-Reimbursable Programs		21,386.46												21,386.46
Transportation Fees			\$ 8,410,047.43											8,410,047.43
Non-Resident Fees	\$ 42,974.42			\$ 54,765.00										54,765.00
Miscellaneous				11,556.21										11,556.21
Tuition				2,077,154.34	\$ 208,289.20									2,412,159.44
Total Operating Revenues	42,974.42	86,637.16	8,410,047.43	2,143,475.55	208,289.20		36,751.75			505.75	49,360.26	558,426.70	1,912,584.35	13,245,092.97
Operating Expenses:														
Salaries														
Employee Benefits														
Purchased Professional/Educational Services														
Cleaning, Repair and Maintenance														
Contracted Services														
Other Purchased Property Services														
Other Purchased Services														
Insurance														
Miscellaneous Purchased Services														
Supplies and Materials														
Energy														
Telephone/Communications/Postage														
Textbooks														
Transportation														
Travel														
Cost of Sales														
Miscellaneous Expenditures														
Admini & Supervision														
Other														
Depreciation Expenses														
Total Operating Expenses	45,289.52	453,955.25	8,410,047.43	2,237,439.56	196,322.55	20,670.52	3,923.59	1,349.98	28,788.41	505.75	22,895.50	372,159.84	1,912,584.39	13,118,444.52
Operating Gain/(Loss)	(2,315.10)	(385,318.09)		(93,964.01)	9,966.65	(20,670.52)	(10,283.97)	(1,349.98)	(28,788.41)		27,064.76	(13,733.24)	(0.04)	(699,391.95)
Nonoperating Revenues/(Expenses)														
Local Sources:														
Interest on Investments														
State Sources:														
State School Lunch Program		346.41												346.41
State School Breakfast Program		7,766.52												7,766.52
Federal Sources:														
National School Lunch Program		5,871.90												5,871.90
National School Breakfast Program		182,940.66												182,940.66
Other		37,732.84												37,732.84
Total Nonoperating Revenues/(Expenses)		284,656.73												284,656.73
Change in Net Assets	(2,315.10)	(40,656.36)		(93,964.01)	9,966.65	(20,670.52)	(10,283.97)	(1,349.98)	(28,788.41)		27,064.76	(13,733.24)	(0.04)	(174,732.22)
Other Financing Sources/(Uses)														
Transfer to Cover Deficit in Enterprise Fund														
Total Other Financing Sources/(Uses)	(62,804.08)													(62,804.08)
Change in Net Assets and Other Financing Sources	(65,119.18)	(40,656.36)		(93,964.01)	9,966.65	(20,670.52)	(10,283.97)	(1,349.98)	(28,788.41)		27,064.76	(13,733.24)	(0.04)	(174,732.22)
Over/(Under) Expenditures and other Financing (Uses)														
Total Net Assets - Beginning	85,119.18	224,926.47		1,549,239.07	334,624.13	20,670.52	86,983.84	1,349.98	28,788.41		49,360.26	454,112.66	5,747.97	2,771,662.18
Total Net Assets - Ending	0.00	184,269.06		1,455,275.06	344,590.78	0.00	76,699.87	0.00	0.00		27,064.76	503,183.50	5,747.93	2,586,926.96

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUND

For the fiscal year ended June 30, 2010

	Project Adults	Food Service Fund	Mercer Cooperative Transportation Section	NJ State Regional Day School at Hamilton	Integrated Preschool	Assisted Augmentative Technology	Social Skills	Emergency Parent Services	Respite	Clinic Parent	Child Assessment Services	Community Resources	Special Assess	Total
Cash Flows From Operating Activities:														
Receipts from Customers	\$ 42,974.42	\$ 93,807.33	\$ 9,077,439.13	\$ 2,706,877.62	\$ 305,957.68	\$ 39,485.28			\$ 252.75	\$ 31,640.00		\$ 387,123.43	\$ 2,614,785.28	\$ 45,296,139.91
Payments to Employees	(152,148.68)	(152,148.68)	(203,080.82)	(1,575,302.46)	(137,831.64)	(30,072.48)				(22,295.50)		(308,095.69)	(1,302,221.73)	(3,731,048.98)
Payments for Employee Benefits	(40,292.63)	(40,292.63)	(100,221.52)	(431,029.64)	(54,480.91)							(56,780.50)	(610,362.62)	(1,203,178.82)
Payments to Suppliers	(2,315.10)	(251,354.45)	(8,106,574.85)	(415,390.02)	(4,000.00)	(28,081.00)			(505.75)			(9,460.31)	(450.00)	(8,518,421.28)
Net Cash Provided By/(Used In) Operating Activities	40,659.32	(350,000.41)	667,556.14	284,175.50	189,635.13	(19,678.22)			(283.00)	9,344.50		12,786.83	702,650.94	1,456,480.83
Cash Flows From Noncapital Financing Activities:														
Liquidation of Interfund														
Transfer Between Enterprise Funds	(105,778.50)			(1,546.35)										(409,839.98)
Balance Cancelled to General Operating Fund														(42,344.23)
Cash Received From State and Federal Reimbursements		328,675.02					\$ (1,349.98)	\$ (28,788.41)						(315,159.45)
Net Cash Provided By/(Used In) Operating Activities	(105,778.50)	328,675.02		(1,546.35)	(47,804.10)									328,675.02
Noncapital Financing Activities														
Cash Flows From Investing Activities:														
Investment in Capital Assets		(2,359.95)												(2,359.95)
Interest and Dividends		348.41												348.41
Net Cash Provided By Investing Activities		(2,011.54)												(2,011.54)
Net Increase/(Decrease) in Cash and Cash Equivalents	(65,119.18)	(23,226.93)	667,556.14	282,629.15	81,831.03	(19,678.22)				9,344.50		355,263.80	23,088.79	981,764.63
Balance - Beginning of Year	65,119.18	94,172.60	(1,052,857.72)	529,345.78	234,955.65	56,527.33				17,220.28		19,147.90	(699,452.97)	(312,873.54)
Balance - End of Year	\$ 0.00	\$ 70,945.67	\$ (385,301.58)	\$ 911,974.93	\$ 286,786.68	\$ 36,849.11	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,564.78	\$ 0.00	\$ 384,431.70	\$ (675,354.18)	\$ 688,691.09
Reconciliation of Operating Income(Loss) To Net Cash Provided(Used) By Operating Activities:														
Operating Income(Loss)	\$ 40,659.32	\$ (335,160.76)		\$ (270,840.24)	\$ 9,866.65	\$ (21,411.73)			\$ (253.00)	\$ 9,344.50		\$ (15,909.80)		\$ (583,806.08)
Adjustments to reconcile Operating Income(Loss) To Net Cash Provided(Used) By Operating Activities:														
Depreciation Expense		13,278.66												13,278.66
Changes in Assets and Liabilities:														
Accounts Receivable		4,970.17	\$ 667,385.70	563,395.07	99,668.48	1,732.51								30,744.25
Inventory		345.09		(1,131.82)										
Due to Payroll														
Due to General Operating Fund			170.44	(179.50)										
Accrued Salaries & Benefits		(33,833.57)		(7,985.01)										(1,131.62)
Accounts Payable														(855.88)
Net Cash Provided By/(Used In) Operating Activities	\$ 40,659.32	\$ (350,400.41)	\$ 667,556.14	\$ 284,175.50	\$ 109,835.13	\$ (19,678.22)	\$ 0.00	\$ 0.00	\$ (253.00)	\$ 9,344.50	\$ 0.00	\$ 12,786.93	\$ 702,650.94	\$ 1,456,480.83

FIDUCIARY FUNDS
DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the School District for a specific purpose.

Agency Funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governments and/or other funds.

Payroll Fund: This Agency Fund is used to account for the payroll transactions of the School District.

Expendable Trust Fund: Expendable Trust Funds are held by the School District as an agent for individuals, private organizations, other governments and/or other funds.

Unemployment Compensation Trust Fund: This Fund is used to account for assets to finance the cost of unemployment benefits.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2010

	Expendable Trust Funds			Agency Funds			Totals
	Donations Trust Fund	AFLAC Trust Fund	Unemployment Compensation Trust Fund	Student Activity Fund	Payroll Fund		
<u>Assets</u>							
Cash and Cash Equivalents	\$ 44,218.76	\$ 42.98	\$ 82,928.24	\$ 21,057.90	\$ 234,683.92		\$ 382,931.80
Total Assets	\$ 44,218.76	\$ 42.98	\$ 82,928.24	\$ 21,057.90	\$ 234,683.92		\$ 382,931.80
<u>Liabilities:</u>							
Payroll Deductions and Withholdings Payable To Student Groups	\$ 275.50			\$ 21,057.90	\$ 234,683.92		\$ 234,683.92
Accounts Payable							21,057.90
							275.50
Total Liabilities	275.50			21,057.90	234,683.92		256,017.32
<u>Net Assets:</u>							
Held in Trust for Unemployment Claims and Other Purposes		\$ 42.98	\$ 82,928.24				82,928.24
Held in Trust for Medical Reimbursements Reserved for Scholarships	43,943.26						42.98
Total Net Assets	43,943.26	42.98	82,928.24				43,943.26
Total Liabilities and Net Assets	\$ 44,218.76	\$ 42.98	\$ 82,928.24	\$ 21,057.90	\$ 234,683.92		\$ 382,931.80

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

For the fiscal year ended June 30, 2010

	<u>Donations Trust Fund</u>	<u>AFLAC Trust Fund</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Totals</u>
Additions:				
Contributions:				
Employee Contributions	\$ 23,478.41	\$ 8,010.57	\$ 156,972.50	\$ 164,983.07
Other	<u>23,478.41</u>	<u>8,010.57</u>	<u>156,972.50</u>	<u>23,478.41</u>
Total Contributions	<u>23,478.41</u>	<u>8,010.57</u>	<u>156,972.50</u>	<u>188,461.48</u>
Investment Earnings:				
Interest	<u>23,478.41</u>	<u>8,010.57</u>	<u>311.38</u>	<u>311.38</u>
Total Additions	<u>23,478.41</u>	<u>8,010.57</u>	<u>157,283.88</u>	<u>188,772.86</u>
Deductions:				
Donation Trust Expenditures	37,308.38			37,308.38
Medical Reimbursements		8,010.57		8,010.57
Unemployment Compensation			167,083.24	167,083.24
Total Deductions	<u>37,308.38</u>	<u>8,010.57</u>	<u>167,083.24</u>	<u>212,402.19</u>
Change in Net Assets	(13,829.97)		(9,799.36)	(23,629.33)
Net Assets - Beginning of Year	<u>57,773.23</u>	<u>42.98</u>	<u>92,727.60</u>	<u>150,543.81</u>
Net Assets - End of Year	<u>\$ 43,943.26</u>	<u>\$ 42.98</u>	<u>\$ 82,928.24</u>	<u>\$ 126,914.48</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

STUDENT ACTIVITY AGENCY FUND

For the fiscal year ended June 30, 2010

	Balance July 1, <u>2009</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance June 30, <u>2010</u>
Capello	\$ 5,236.69	\$ 16,889.31	\$ 15,955.71	\$ 6,170.29
High School	11,272.57	46,092.09	45,171.59	12,193.07
Regional Day	<u> </u>	<u>4,782.08</u>	<u>2,087.54</u>	<u>2,694.54</u>
Total	<u>\$ 16,509.26</u>	<u>\$ 67,763.48</u>	<u>\$ 63,214.84</u>	<u>\$ 21,057.90</u>

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

PAYROLL AGENCY FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the fiscal year ended June 30, 2010

	Balance July 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2010</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 212,919.95	\$ 33,107,367.87	\$ 33,085,603.90	\$ 234,683.92
Total Assets	<u>\$ 212,919.95</u>	<u>\$ 33,107,367.87</u>	<u>\$ 33,085,603.90</u>	<u>\$ 234,683.92</u>
<u>Liabilities</u>				
Payroll Deductions and Withholdings	\$ 212,919.95	\$ 14,861,499.98	\$ 14,839,736.01	\$ 234,683.92
Accrued Salaries and Wages		18,244,965.50	18,244,965.50	
Interfund Accounts Payable		902.39	902.39	
Total Liabilities	<u>\$ 212,919.95</u>	<u>\$ 33,107,367.87</u>	<u>\$ 33,085,603.90</u>	<u>\$ 234,683.92</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding and obligations under capital leases.

STATISTICAL SECTION

FINANCIAL TRENDS/INFORMATION SCHEDULES

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year Ending June 30								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Government Activities:									
Invested in Capital Assets, Net of Related Debt	\$ 850,820.00	\$ 2,928,439.00	\$ 12,149,078.00	\$ 6,879,807.29	\$ 11,194,576.23	\$ 12,052,157.02	\$ 38,326,911.93	\$ 41,004,525.50	\$ 40,373,584.75
Restricted	951,221.00	714,194.00	591,693.00	6,567,557.63	737,149.84	658,289.30	1,726,192.73	2,366,854.26	2,411,396.86
Unrestricted	1,052,794.00	107,239.00	1,766,911.00	940,437.51	645,526.15	2,632,364.51	1,608,031.22	2,843,187.22	1,982,932.09
Total Government Activities Net Assets	\$ 2,854,835.00	\$ 3,749,872.00	\$ 14,507,682.00	\$ 14,387,802.43	\$ 12,577,252.22	\$ 15,342,810.83	\$ 41,661,135.88	\$ 46,204,566.98	\$ 44,767,913.70
Business-Type Activities:									
Invested in Capital Assets, Net of Related Debt				\$ 20,976.96	\$ 241,127.00	\$ 297,513.00	\$ 1,159,833.00	\$ 107,121.01	\$ 285,595.31
Restricted				9,447.31	1,574,710.33	1,175.30	10,852.69	206,854.31	118,224.38
Unrestricted	\$ 2,108,364.00	\$ 1,347,369.00	\$ 2,034,461.00	1,884,119.67		2,469,575.29	2,262,859.75	1,997,726.23	2,193,010.27
Total Business-Type Activities Net Assets	\$ 2,108,364.00	\$ 1,347,369.00	\$ 2,034,461.00	\$ 1,914,543.94	\$ 1,815,637.33	\$ 2,768,263.59	\$ 3,433,545.44	\$ 2,311,701.55	\$ 2,596,829.96
District-wide:									
Invested in Capital Assets, Net of Related Debt	\$ 850,820.00	\$ 2,928,439.00	\$ 12,149,078.00	\$ 6,900,784.25	\$ 11,435,703.23	\$ 12,349,670.02	\$ 39,486,744.93	\$ 41,111,646.51	\$ 40,659,180.06
Restricted	951,221.00	714,194.00	591,693.00	6,577,004.94	2,311,960.17	659,464.60	1,737,045.42	2,563,708.57	2,529,621.24
Unrestricted	3,161,158.00	1,454,608.00	3,801,372.00	2,824,557.18	645,526.15	5,101,939.80	3,870,890.97	4,840,913.45	4,175,942.36
Total District Net Assets	\$ 4,963,199.00	\$ 5,097,241.00	\$ 16,542,143.00	\$ 16,302,346.37	\$ 14,393,089.55	\$ 18,111,074.42	\$ 45,094,681.32	\$ 48,516,268.53	\$ 47,364,743.66

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year Ending June 30,								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses:									
Governmental Activities:									
Instruction:									
Special Education	\$ 10,687,873.00	\$ 11,577,166.00	\$ 12,585,281.00	\$ 15,113,912.52	\$ 16,629,721.82	17,905,102.54	\$ 18,998,690.80	\$ 19,014,031.93	\$ 16,875,264.09
Other Special Education	949,530.00	1,048,439.00	947,071.00	878,575.09	774,504.62	908,496.66	923,038.29	142,124.19	45,298.28
Support Services:									
Student and Instruction Related Services	6,557,151.00	7,094,768.00	7,121,425.00	7,349,524.76	7,826,729.18	7,644,536.35	7,735,773.62	8,000,394.82	7,831,228.18
General Administration	1,191,040.00	1,074,546.00	1,269,621.00	449,233.47	594,214.19	421,672.26	339,292.99	401,043.54	365,063.96
School Administrative Services	2,121,216.00	2,237,573.00	2,370,540.00	1,051,697.00	1,249,443.10	944,565.98	1,168,139.44	1,281,163.17	1,177,036.63
Central Services				2,130,387.41	1,531,085.78	1,701,401.47	623,804.32	660,076.56	725,674.51
Administrative Information Technology				528,118.71	481,805.65	505,977.57	512,777.30	484,963.04	389,666.66
Plant Operations and Maintenance	1,646,043.00	1,933,620.00	2,766,528.00	2,044,608.07	2,079,369.71	2,272,453.07	2,473,666.41	2,439,231.53	2,585,817.78
Pupil Transportation	66,623.00	54,708.00	55,724.00	38,322.89	30,437.17	28,579.74	37,750.65	25,705.72	28,390.97
Unallocated Benefits	4,562,390.00	4,734,412.00	6,652,113.00	7,651,880.35	8,704,196.24	11,285,762.24	11,160,252.33	11,964,492.67	12,569,952.25
Disposal of Fixed Assets			128,275.00						
Interest on Lease Purchase Agreements	6,712.00	54,963.00	55,596.00		591,414.04	513,890.00	678,000.74		
Unallocated Compensation Expense	928,114.00	1,035,378.00	621,103.00	119,922.86	292,657.00	311,551.00			
Unallocated Depreciation									
Total Governmental Activities Expenses	28,716,692.00	30,845,575.00	34,573,279.00	37,356,183.13	40,785,578.50	44,443,988.88	44,651,186.89	44,413,247.17	42,593,393.31
Business-Type Activities:									
Target Evaluation Team	73,299.00	29,197.00	104,509.00	145,687.16	14,878.97	16,018.93	6,402.99	2,158.25	2,315.10
Project Adults	11,166.00	28,500.00	14,042.00	11,137.57	20,211.24	398,236.93	403,870.84	423,811.91	423,956.25
Food Service	310,238.00	364,482.00	382,727.00	356,757.38	402,624.15	9,422,280.60	8,332,060.43	8,518,209.57	8,410,047.43
Mercer County Cooperative Transportation System	9,159,860.00	9,456,936.00	9,759,321.00	9,900,971.49	9,083,413.86	1,450,516.05	2,018,920.76	2,242,111.94	2,237,439.56
NJ State Regional Day School at Hamilton	4,333,134.00	4,797,950.00	4,278,695.00	5,450,928.12	2,439,272.30	480,392.02	498,762.04	217,889.18	196,322.55
Integrated Preschool	984,032.00	1,085,011.00	1,248,768.00	1,290,558.76	1,102,839.98	121,545.94			
Integrated Preschool - Carryover				0.49					
Capital Academy	42,474.00	38,905.00	45,711.00	47,491.06	37,816.22	51,781.55	73,910.64	42,158.20	47,035.72
Assisted Augmentative Technology	22,035.00								505.75
Respite									22,295.50
Clinic Parent									372,159.94
Community Resources									1,912,584.39
Special Aides				19,567.49	7,584.68	864.06			
Joint Council					2,385.96	8,963.15			
Social Skills					10,370.41				
Emergency Treatment Services									
Internal Service Fund			810,423.00						
Early Intervention Program			734,556.00						
Total Business-Type Activities Expenses	14,936,238.00	15,823,451.00	17,392,132.00	17,223,099.52	13,121,397.77	11,950,599.23	11,833,927.70	11,446,339.05	13,624,661.19
Total District Expenses	\$ 43,652,930.00	\$ 46,669,026.00	\$ 51,965,411.00	\$ 54,579,282.65	\$ 53,906,976.27	\$ 56,394,588.11	\$ 56,485,114.59	\$ 55,859,586.22	\$ 56,218,054.50

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year Ending June 30,								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Program Revenues:									
Governmental Activities:									
Charges for Services:									
Special Education	\$ 1,893,292.00	\$ 2,261,181.00	\$ 2,082,364.00	\$ 1,599,100.19	\$ 963,592.72	\$ 1,137,244.80	\$ 995,647.14	\$ 852,078.92	\$ 958,332.74
Operating Grants and Contributions:	1,315,130.00	1,479,501.00	1,069,584.00	1,726,188.86	1,915,488.58	3,277,204.87	3,256,616.89	2,722,818.63	2,705,298.27
Special Education									
Student and Instruction Related Services									
Unallocated Benefits									
Total Governmental Activities Program Revenues	3,208,422.00	3,740,682.00	3,151,968.00	6,130,381.22	6,443,854.69	7,895,467.78	7,917,420.10	7,180,260.09	4,698,482.01
Business-Type Activities:									
Charges for Services:									
Target Evaluation Team	123,780.00	151,483.00	152,183.00	133,804.92	22,952.00	6,433.25	12,277.50		42,974.42
Project Adults	43,477.00	73,755.00	20,415.00	5,569.59	360.00				
Home Instruction									
Food Service	129,908.00	119,398.00	118,688.00	104,491.85	118,593.75	122,158.00	110,448.47	103,951.00	88,637.16
Mercer County Cooperative Transportation System	9,171,915.00	9,444,580.00	9,790,690.00	9,931,668.09	9,114,108.88	9,459,372.65	8,805,282.47	8,518,209.57	8,410,047.43
NJ State Regional Day School at Hamilton	3,971,451.00	3,676,043.00	4,687,359.00	5,163,328.41	2,209,151.56	2,510,606.63	2,106,183.05	2,215,156.36	2,143,475.55
Integrated Preschool	1,089,725.00	1,262,234.00	1,316,399.00	1,522,737.36	912,390.24	480,410.71	333,062.18	360,025.56	206,289.20
Capital Academy	51,434.00								
Assisted Augmentative Technology	37,400.00	58,153.00	53,779.00	81,023.32	63,280.82	65,657.14	24,648.72	36,233.51	36,751.75
Respite									505.75
Clinic Parent									49,360.26
Community Resources									358,426.70
Special Aides									1,912,584.35
Joint Council									
Social Skills									
Emergency Treatment Services									
Internal Service Fund									
Early Intervention Program									
Operating Grants and Contributions:									
Food Service	264,873.00	253,796.00	277,079.00	261,027.16	267,728.41	281,897.79	275,439.64	303,823.11	294,311.32
Total Business-Type Activities Program Revenues	14,883,963.00	15,071,642.00	18,002,510.00	17,203,650.70	12,755,669.66	12,961,736.14	11,667,342.03	11,537,399.11	13,543,363.89
Total District Program Revenues	\$ 18,092,385.00	\$ 18,812,324.00	\$ 21,154,478.00	\$ 23,334,031.92	\$ 19,199,524.35	\$ 20,857,203.92	\$ 19,584,762.13	\$ 18,717,659.20	\$ 18,241,845.90
Net (Expense)/Revenue:									
Governmental Activities	\$ (25,508,270.00)	\$ (27,104,893.00)	\$ (31,421,311.00)	\$ (28,442,897.78)	\$ (34,341,723.81)	\$ (36,548,521.10)	\$ (36,733,766.79)	\$ (37,232,987.08)	\$ (37,894,911.30)
Business-Type Activities	(52,275.00)	(751,809.00)	610,378.00	(19,448.82)	(365,728.11)	1,011,136.91	(166,585.67)	91,060.06	(81,297.30)
Total District-wide Net (Expense)/Revenue	\$ (25,560,545.00)	\$ (27,856,702.00)	\$ (30,810,933.00)	\$ (28,462,346.60)	\$ (34,707,451.92)	\$ (35,537,384.19)	\$ (36,900,352.46)	\$ (37,141,927.02)	\$ (37,976,208.60)

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year Ending June 30								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets:									
Governmental Activities:									
County Appropriation	\$ 3,159,930.00	\$ 4,254,729.00	\$ 2,515,107.00	\$ 5,296,315.00	\$ 2,600,000.00	\$ 4,305,000.00	\$ 5,492,266.92	\$ 3,460,178.00	\$ 2,870,529.00
Tuition - LEAs	17,298,103.00	20,506,447.00	29,409,032.00	25,534,838.22	31,504,084.97	34,064,034.00	32,612,266.98	34,214,361.40	33,538,834.45
Nonresident Fees	101,903.00	129,921.00	77,679.00	134,895.40	259,569.71	567,942.77	573,370.48	183,847.50	175,866.00
Interest Earned on Investments	126,175.00	22,257.00	96,152.00	89,737.59	99,331.06	131,136.42	174,480.90	44,522.24	21,885.05
Miscellaneous Income	35,960.00	109,131.00	78,994.00	77,240.27	113,880.22	245,966.52	442,903.22	502,804.67	306,151.20
Federal and State Aid Not Restricted	1,856,385.00	2,977,445.00	10,002,157.00	27,401.69					
Special Items:									
Capital Asset Inventory Adjustment				(2,191,671.34)					
Transfer Capital Lease Payment				15,685.13					
Loss on Retirement of Equipment				(127,065.48)					
Long-Term Debt Assumed by County of Mercer							25,000,000.00	(34,481.18)	(459,860.63)
Cancellation of Net Assets									4,856.95
Reclassification of Internal Service Fund									
Adjustment to Capital Assets									
Transfers				145,978.98				(41,207.00)	
Total Governmental Activities	\$ 22,578,456.00	\$ 27,999,930.00	\$ 42,179,121.00	\$ 31,049,107.82	\$ 32,531,173.60	\$ 39,314,079.71	\$ 64,295,290.50	\$ 38,330,025.63	\$ 36,458,258.02
Business-Type Activities:									
Interest Earned on Investments			2,271.00	3,098.74	3,150.74	3,002.20	2,566.72	292.41	348.41
Special Items:									
Capital Asset Inventory Adjustment					398,747.04				
Transfer Capital Lease Payment				(15,685.13)					
Cancellation of Prior Year Accounts Payable				(31,067.33)	(30,697.27)	(61,837.85)		(10,314.09)	
Refund of Prior Year Revenue						125.00			
Reclassification of Internal Service Fund								(182,822.95)	459,860.63
Cancellation of Net Assets					(145,978.98)			41,207.00	(93,783.33)
Transfers									
Total Business-Type Activities									
Total District-wide	\$ 22,578,456.00	\$ 27,999,930.00	\$ 42,181,392.00	\$ 31,005,454.10	\$ 32,798,195.10	\$ 39,255,369.06	\$ 64,297,857.22	\$ 38,178,388.00	\$ 36,824,683.73
Changes in Net Assets:									
Governmental Activities	\$ (2,929,814.00)	\$ 895,037.00	\$ 10,757,810.00	\$ 2,606,210.04	\$ (1,810,550.21)	\$ 2,765,558.61	\$ 27,561,523.71	\$ 1,097,038.55	\$ (1,436,653.28)
Business-Type Activities	(52,275.00)	(751,809.00)	612,649.00	(63,102.54)	(98,706.61)	952,426.26	(164,018.95)	(60,577.57)	285,128.41
Total District	\$ (2,982,089.00)	\$ 143,228.00	\$ 11,370,459.00	\$ 2,543,107.50	\$ (1,909,256.82)	\$ 3,717,984.87	\$ 27,397,504.76	\$ 1,036,460.98	\$ (1,151,524.87)

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

	Fiscal Year Ending June 30,								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:									
Reserved	\$ 602,510.00	\$ 713,680.00	\$ 591,693.00	\$ 614,731.91	\$ 648,820.49	\$ 623,808.12	\$ 884,718.65	\$ 828,765.77	\$ 610,611.67
Unreserved	1,362,161.00	448,352.00	3,074,454.00	1,500,420.28	1,073,585.41	3,032,464.66	4,111,789.24	6,282,262.88	6,008,460.81
Total General Fund	\$ 1,964,671.00	\$ 1,162,032.00	\$ 3,666,147.00	\$ 2,115,152.19	\$ 1,722,405.90	\$ 3,656,272.78	\$ 4,996,507.89	\$ 7,111,028.65	\$ 6,619,072.48
All Other Governmental Funds:									
Reserved	\$ 348,711.00	\$ 514.00	\$ 24,368,464.00	\$ 5,952,825.72	\$ 83,329.35	\$ 34,481.18	34,481.18		
Unreserved, Reported In:									
Capital Projects Fund	91,087.00	439,284.00	(3,742,953.00)						
Total All Other Governmental Funds	\$ 439,798.00	\$ 439,798.00	\$ 20,625,511.00	\$ 5,952,825.72	\$ 83,329.35	\$ 34,481.18	\$ 34,481.18	\$ 0.00	\$ 0.00

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:										
County Appropriation	\$ 3,000,000.00	\$ 3,159,930.00	\$ 4,254,729.00	\$ 2,515,107.00	\$ 5,296,315.00	\$ 2,600,000.00	\$ 4,305,000.00	\$ 5,482,268.92	\$ 3,460,178.00	\$ 2,870,529.00
Tuition - LEA's	18,535,117.00	17,298,103.00	20,506,447.00	29,409,032.00	25,534,838.22	31,504,084.97	34,064,034.00	32,612,266.98	34,214,361.40	33,538,834.45
Nonresident Fees	118,414.00	101,903.00	129,921.00	77,679.00	134,895.40	259,569.71	567,942.77	573,370.48	183,847.50	175,860.00
Interest Earned on Investment	397,721.00	126,175.00	22,257.00	96,152.00	89,737.59	99,331.06	131,136.42	174,480.90	44,522.24	21,885.05
Special Aides	666,620.00	730,227.00	436,365.00	421,055.00	55,395.50	259,859.20	245,966.52	442,903.22	502,804.67	306,151.20
Miscellaneous	31,699.00	3,299,801.00	4,701,489.00	12,151,736.00	1,404,145.59	882,523.53	696,780.85	4,024,560.73	3,464,358.57	3,574,464.44
Other Local Sources	2,716,957.00	1,088,846.00	1,689,404.00	680,328.00	2,371,530.86	2,625,613.69	3,981,473.33	402,034.58	265,853.13	487,559.55
Federal Sources	814,355.00				597,029.64	689,167.86	465,737.38			
County Sources	590,365.00									
Other Sources	49,400.00									
Total Revenues	26,940,648.00	25,804,985.00	31,740,612.00	45,331,089.00	35,483,887.80	38,920,150.02	44,658,071.27	44,626,257.34	42,959,388.82	41,611,741.71
Expenditures:										
Current:										
Special Education Instruction	10,687,873.00	949,530.00	1,048,439.00	947,071.00	12,886,417.30	13,450,314.81	14,389,976.34	15,129,911.16	16,312,545.34	16,044,545.13
Other Special Instruction	8,994,797.00				878,575.09	774,504.62	908,496.66	914,055.65	66,690.58	
Instruction										
Support Services and Undistributed Costs:										
Student and Instruction Related Services	6,557,151.00	7,094,768.00	7,094,768.00	7,121,425.00	7,349,524.76	7,826,729.18	7,644,536.35	7,646,203.07	7,944,633.82	7,886,747.81
General Administration	1,191,040.00	1,074,546.00	1,074,546.00	1,269,621.00	386,234.47	468,945.89	297,075.06	305,866.54	376,457.35	343,875.86
School Administration					1,248,050.79	1,169,940.54	958,174.31	1,090,136.94	1,221,402.04	1,162,056.48
Central Services					2,130,387.41	1,531,085.78	1,701,401.47	618,248.59	648,127.79	734,440.77
Administrative Information Technology					528,118.71	481,805.65	505,977.57	475,068.71	447,068.03	358,615.04
Other Administrative Services	2,121,216.00	2,237,573.00	2,237,573.00	2,370,540.00	2,013,108.57	2,016,735.56	2,210,154.47	2,309,094.46	2,318,292.02	2,478,416.24
Plant Operations and Maintenance	1,646,043.00	1,933,620.00	2,097,426.00	2,097,426.00	30,437.17	30,437.17	28,579.74	37,750.65	25,705.72	28,390.97
Pupil Transportation	66,623.00	54,708.00	54,708.00	55,724.00	38,322.89	8,704,196.24	11,113,299.37	11,160,252.33	11,081,760.85	12,569,952.25
Unallocated Benefits	4,562,390.00	4,734,412.00	4,734,412.00	6,652,113.00	7,651,880.35	8,704,196.24	11,113,299.37	11,160,252.33	11,081,760.85	12,569,952.25
Special Schools										
Undistributed Expenditures	15,972,464.00									
Debt Service:										
Interest on Lease Purchase Agreements										
Lease Purchase Agreements - Principal										
Capital Outlay	2,017,165.00	1,829,872.00	2,788,017.00	3,852,060.00	21,591,198.55	6,154,496.37	541,491.22	188,979.95	360,957.52	496,657.33
Total Expenditures	26,984,426.00	29,611,738.00	32,543,251.00	36,951,261.00	56,701,818.89	45,177,392.68	42,778,052.56	43,286,022.23	40,803,661.06	42,103,697.88
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(43,778.00)	(3,806,753.00)	(802,639.00)	8,379,828.00	(21,217,931.09)	(6,257,242.66)	1,880,018.71	1,340,235.11	2,155,727.76	(491,956.17)
Other Financing Sources/(Uses):										
Operating Transfers Out										
Cancelled Excess Fund Balance										
Capital Lease Proceeds										
Total Other Financing Sources/(Uses)										
Net Change in Fund Balances	\$ (43,778.00)	\$ (3,806,753.00)	\$ (802,639.00)	\$ 22,689,828.00	\$ (16,217,931.09)	\$ (6,257,242.66)	\$ 1,880,018.71	\$ 1,340,235.11	\$ 2,080,039.58	\$ (491,956.17)

Source: District records

Note: Noncapital expenditures are total expenditures less Capital Outlay.

Central Service and Administrative Information Technology account classifications were added beginning with year-end June 30, 2005

Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tuition - LEA's	\$ 18,535,117.00	\$ 17,298,103.00	\$ 20,506,447.00	\$ 29,409,032.00	\$ 25,534,838.22	\$ 31,504,084.97	\$ 34,064,034.00	\$ 32,842,337.45	\$ 34,214,361.40	\$ 33,538,834.45
Nonresident Fees	118,414.00	101,903.00	129,921.00	77,679.00	134,895.40	259,569.71	567,942.77	573,370.48	183,847.50	175,860.00
Interest Earned on Investments	397,721.00	126,175.00	22,257.00	63,694.00	89,737.59	99,331.06	131,136.42	174,480.90	44,522.24	21,885.05
County and Local Grants	639,765.00	694,267.00	327,234.00	342,061.00	1,382,300.82	31,799.13	1,826,110.00	5,492,268.92	3,460,178.00	2,870,529.00
Rental						30,998.00	64,496.00	258,100.00		
Transfer From Enterprise Funds						145,978.98				
In-Service Fees						10,240.00	4,972.00	8,950.00		
Special Aids	686,620.00									
Medical Reimbursement	12,312.00				6,400.00					
Workers Compensation Reimbursement					48,989.88		120,923.38			
Miscellaneous	99,694.00	35,960.00	109,131.00	78,994.00	5.62	72,642.22	55,575.14	175,853.22		306,151.20
Refunds of Prior Years Expenditures										
Accounts Receivable Cancelled	1,199.00									
	<u>\$ 20,490,842.00</u>	<u>\$ 18,256,408.00</u>	<u>\$ 21,094,990.00</u>	<u>\$ 29,971,460.00</u>	<u>\$ 27,197,167.53</u>	<u>\$ 32,154,644.07</u>	<u>\$ 36,835,189.71</u>	<u>\$ 39,525,360.97</u>	<u>\$ 37,902,909.14</u>	<u>\$ 36,913,259.70</u>

REVENUE CAPACITY INFORMATION

DEBT CAPACITY INFORMATION

DEMOGRAPHIC AND ECONOMIC STATISTICS

OPERATING INFORMATION

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction:										
Special Education	101.2	96.5	114.8	110.1	101.0	101.0	92.0	89.0	90.2	75.2
Other Instruction	16.0	22.5	22.5	23.6	21.4	20.4	23.0	26.2	18.8	24.6
Support Services:										
Student and Instruction Related Services	278.5	294.0	300.6	331.1	283.7	276.9	286.1	283.6	234.6	240.0
General Administration	5.0	3.0	3.0	3.0	3.0	5.0	4.0	2.0	3.0	3.0
School Administrative Services	11.8	15.0	15.0	13.0	12.0	14.0	12.0	15.0	12.0	16.0
Other Administrative Services	23.9	2.4	26.0	26.0	26.0	19.0	22.5	4.0	8.9	6.0
Central Services	23.0	23.0	25.0	35.6	35.6	23.0	20.0	12.0	48.0	32.0
Total	<u>459.4</u>	<u>456.4</u>	<u>506.9</u>	<u>542.4</u>	<u>482.7</u>	<u>459.3</u>	<u>459.6</u>	<u>431.8</u>	<u>415.5</u>	<u>396.8</u>

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) ^d	Percentage Change in Average Daily Enrollment	Student Attendance Percentage
2001	937.60	24,967,261.00	26,629	13.58%	119	7.88	937.60	851.10	1.08%	90.77%
2002	930.70	27,781,866.00	29,851	12.10%	121	7.69	930.70	848.40	-0.74%	91.16%
2003	938.60	29,755,234.00	31,702	6.20%	126	7.45	938.60	843.00	0.85%	89.81%
2004	927.10	33,099,201.00	35,702	12.62%	122	7.60	927.10	839.50	-1.23%	90.55%
2005	826.90	35,110,620.34	42,461	18.93%	122	6.78	826.90	751.00	-10.81%	90.82%
2006	776.80	36,454,695.44	46,929	10.52%	101	7.69	776.80	705.50	-6.06%	90.82%
2007	797.70	39,758,671.34	49,842	6.21%	92	8.67	797.70	723.60	2.69%	90.71%
2008	766.50	38,846,385.02	50,680	1.68%	89	8.61	766.50	705.60	-3.91%	92.05%
2009	783.90	38,746,814.78	49,428	-0.26%	90	8.71	783.90	714.80	2.27%	91.19%
2010	747.60	39,878,829.22	53,342	2.92%	75	9.97	747.60	682.30	-4.63%	91.27%

Source: District records

Note: Enrollment based on annual October District count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS
(UNAUDITED)

District/Building	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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)	411	369	375	350	257	262	262	262	262	262
Enrollment	399	348	358	329	240	241	234	170	193	161
Mercer Elementary (2005)										
Square Feet						88,421	88,421	88,421	88,421	88,421
Capacity (Students)						246	246	265	265	265
Enrollment						232	251	246	261	262
Alfred Reed (1970)										
Square Feet	39,750	39,750	39,750	39,750	39,750					
Capacity (Students)	155	155	162	160	162					
Enrollment	153	148	151	155	141					
White Horse (19xx)										
Square Feet		39,888	39,888	39,888	39,888					
Capacity (Students)		80	96	96	90					
Enrollment		75	85	91	86					
High School:										
Mercer JR/SR (1987)										
Square Feet	75,000	75,000	75,000	75,000	75,000	86,858	86,858	86,858	86,858	96,858
Capacity (Students)	309	322	319	316	322	318	318	318	318	318
Enrollment	309	292	305	282	287	293	286	292	273	273
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)	137	126	128	128	117	60	60	60	60	60
Enrollment	122	110	102	104	91	57	60	47	50	48

Number of Schools at June 30, 2010

- Elementary = 2
- Middle School = 0
- Senior High School = 1
- Other = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. 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 NINE FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

	*School Facilities Project # (s)	JR/SR High School	Joseph C. Cappelo	Mercer Elementary	Alfred Reed	White Horse	Total
2002	N/A	\$ 64,296.00	\$ 67,680.00		\$ 37,224.00		\$ 169,200.00
2003	N/A	76,725.00	75,637.00		39,870.00	\$ 16,289.00	208,521.00
2004	N/A	86,673.00	87,009.00		52,101.00		225,783.00
2005	N/A	82,163.78	70,506.40		25,973.77	18,087.21	196,731.16
2006	N/A	31,685.46	29,986.57	\$ 6,706.65	13,228.13		81,606.81
2007	N/A	36,268.05	22,456.80	20,345.09	2,256.89		81,326.83
2008	N/A	23,970.40	18,657.06	13,846.10	11,367.00		67,840.56
2009	N/A	19,068.66	16,529.96	28,839.84	6,866.60		71,305.06
2010	N/A	28,769.85	24,667.44	31,866.90	8,181.85		93,486.04
Total School Facilities		\$ 449,620.20	\$ 413,130.23	\$ 101,604.58	\$ 197,069.24	\$ 34,376.21	\$ 1,195,800.46

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26-1.3)

Source: District records

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2010
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 150,000,000	\$ 500
Boiler and Machinery	100,000,000	1,000
Crime	500,000	500
General and Automobile Liability	10,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	10,000,000	

Source: District records

SINGLE AUDIT SECTION

Robert H. Hutchins, CPA, CVA
Eugene M. Farrell, CPA, RMA, CFP
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable President and Members
of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690

We have audited the financial statements of the Board of Education of the Mercer County Special Services School District, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Education of the Mercer County Special Services School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education of the Mercer County Special Services School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the Mercer County Special Services School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Honorable President and Members
of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690
Page 2

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (Findings #2010-1, #2010-2 and #2010-4) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider #2010-1, #2010-2 and #2010-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of the Mercer County Special Services School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

However, we noted certain other matters involving internal control that we have reported to the Board of Education of the Mercer County Special Services School District in a separate Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance, dated August 27, 2010.

Honorable President and Members
of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690
Page 3

This report is intended for the information and use of the audit committee, management, the Board of Education of the Mercer County Special Services School District, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



Robert W. Allison
Licensed Public School Accountant
No. 897
Hutchins, Farrell, Meyer & Allison, P.A.

August 27, 2010

Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

Exhibit K-2
Page 1 of 3

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

The Honorable President and
Members of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690

Compliance

We have audited the compliance of the Board of Education of the Mercer County Special Services School District, in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010. The Mercer County Special Services School District Board of Education's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Mercer County Special Services School District Board of Education's management. Our responsibility is to express an opinion on the Mercer County Special Services School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Mercer County Special Services School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Mercer County Special Services School District Board of Education's compliance with those requirements.

The Honorable President and
Members of the Board of Education
Mercer County Special Services School District
Hamilton, New Jersey 08690
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In our opinion, the Board of Education of the Mercer County Special Services School District, in the County of Mercer, State of New Jersey, 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 fiscal year ended June 30, 2010.

Internal Control Over Compliance

The management of the Board of Education of the Mercer County Special Services School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the Mercer County Special Services School District Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mercer County Special Services School District Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The Honorable President and
Members of the Board of Education
Mercer County Special Services School District
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This report is intended solely for the information and use of the audit committee, management, the Mercer County Special Services School District Board of Education, the New Jersey State Department of Education, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.



Robert W. Allison
Licensed Public School Accountant
No. 897
Hutchins, Farrell, Meyer & Allison, P.A.

August 27, 2010

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

For the fiscal year ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Due to Grantor	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2010	
			From	To							(Accounts Receivable)	Deferred Revenue
General Fund												
U.S. Department of Health: Passed-Through State Department of Treasury: Medical Assistance Program - SEM Program	93.778	\$ 250,551.57	07/01/09	06/30/10			\$ 250,551.57	\$ (250,551.57)				
Total General Fund							250,551.57	(250,551.57)				
Enterprise Fund												
U.S. Department of Agriculture: Passed-Through State Department of Education: School Breakfast Program	10.553	97,381.53	07/01/08	06/30/09	\$ (17,305.40)		17,305.40	(97,732.84)			\$ (8,701.48)	
School Breakfast Program	10.553	97,732.84	07/01/09	06/30/10			89,031.36					
National School Lunch Program	10.555	183,003.44	07/01/08	06/30/09	(31,450.98)		31,450.98					
National School Lunch Program	10.555	182,940.06	07/01/09	06/30/10			166,836.80	(182,940.06)			(16,103.46)	
Total Enterprise Fund					(48,756.38)		304,624.34	(280,672.90)			(24,804.94)	
Special Revenue Fund												
U.S. Department of Education: Passed-Through State Department of Education: Title I A.R.R.A.	84.010A	56,107.00	09/01/09	08/31/10			48,000.00	(48,486.95)				\$ 1,513.05
Title I	84.010A	93,204.00	09/01/09	08/31/10			93,204.00	(93,204.00)				
Title I	84.010A	131,092.00	09/01/08	08/31/09	\$ 10,205.13		22,415.00	(47,697.93)			(15,077.80)	
Title I	84.010A	134,024.00	09/01/08	08/31/09		\$ (1,410.64)		(1,410.64)				
Title I - Supplemental Services	84.010A	134,024.00	09/01/09	08/31/10	1,410.64				\$ 17,730.00			
Carl D. Perkins Vocational and Applied Technology Act	84.048	17,730.00	09/01/04	08/31/05	(17,730.00)		29,255.00	(19,295.96)				
Carl D. Perkins Vocational and Applied Technology Act	84.048	29,485.00	09/01/08	08/31/09	(29,255.15)							
U.S. Department of Health:												
Passed-Through Department of Health and Senior Services: Workforce Investment Area - Out-of-School Youth	17.258	44,100.00	10/01/08	09/30/09			17,316.00	(22,216.00)			(4,900.00)	
Workforce Investment Area - Out-of-School Youth	17.258	50,400.00	10/01/09	09/30/10			3,227.34	(20,740.50)			(17,513.16)	
Workforce Investment Area - In-School Youth	17.258	44,100.00	10/01/08	09/30/09	(11,325.34)		11,325.34					
Workforce Investment Area - Out-of-School Youth	17.258	43,920.00	10/01/05	09/30/08	(888.86)				888.86			
Total Special Revenue Fund					(57,788.71)	10,205.13	224,742.68	(251,051.98)	18,619.01		(56,786.92)	1,513.05
Total Federal Awards					\$ (108,545.09)	\$ 10,205.13	\$ 779,918.59	\$ (782,276.45)	\$ 18,619.01	\$ 0.00	\$ (61,591.86)	\$ 1,513.05

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

For the fiscal year ended June 30, 2010

State Grant/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2009		Due to Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayments of Prior Years Balance	Adjustments of Prior Years Balance	Balance at June 30, 2010		Memo
				Deferred Revenues/ (Accounts Receivable)	Due to Grantor							(Accounts Receivable)	Deferred Revenue	
State Department of Education														
General Fund:														
Contributions	09-100-034-5095-002	\$ 1,554,021.16	07/01/08	06/30/09	\$ (59,566.20)		\$ 59,566.20					\$ (87,470.33)	\$ (87,470.33)	\$ 1,433,689.27
Reimbursed TPAF Social Security														
Contributions	10-100-034-5095-002	1,433,689.27	07/01/09	06/30/10			1,346,218.94	\$ (1,433,689.27)						64,283.00
On-Behalf TPAF Pension System	10-495-034-5095-007	64,283.00	07/01/09	06/30/10			64,283.00	(64,283.00)						
On-Behalf TPAF Normal														
On-Behalf TPAF Pension System	10-495-034-5095-001	1,207,326.00	07/01/09	06/30/10			1,207,326.00	(1,207,326.00)						1,207,326.00
Contribution - Post Retirement														
Enterprise Fund:														
School Breakfast Program	09-100-010-3350-023	6,105.00	07/01/08	06/30/09	(1,091.00)		1,091.00							6,105.00
School Breakfast Program	10-100-010-3350-023	5,871.90	07/01/09	06/30/10			5,871.90	(5,871.90)						5,871.90
State School Lunch Program	09-100-010-3350-021	8,217.14	07/01/08	06/30/09	(1,405.08)		1,405.08							7,812.06
State School Lunch Program	10-100-010-3350-021	7,766.52	07/01/09	06/30/10			7,766.52	(7,766.52)						7,766.52
Total State Department of Education					(62,062.28)		2,692,328.82	(2,718,936.69)				(88,670.15)	(88,670.15)	2,733,258.83
Special Revenue Fund:														
State Department of Health														
State Department of Health														
Case Management - SCHS	4572-129-6140-2080	231,747.00	07/01/09	06/30/10			221,647.00	(231,747.00)		\$ (1,172.86)	\$ 9,661.00	(10,100.00)	(10,100.00)	231,747.00
Case Management - SCHS	4572-129-6140-2080	182,777.00	07/01/08	06/30/09										182,777.00
Case Management - SCHS	4572-129-6140-2080	560,700.00	07/01/04	06/30/05	(9,661.00)									560,700.00
Total State Department of Health					(9,661.00)		221,647.00	(231,747.00)		(1,172.86)	9,661.00	(10,100.00)	(10,100.00)	985,224.00
State Department of Human Services														
Special Revenue Fund:														
Youth Corp - E Corp 2010	4545-100-062-314-6140	316,600.00	07/01/09	07/01/10			95,200.00	(102,770.75)				(7,570.75)	(7,570.75)	102,770.75
Youth Corp Program 10	4545-100-062-314-6140	470,076.00	07/01/09	07/01/10			462,667.00	(462,949.26)				(282.26)	(282.26)	462,949.26
Youth Corp Program - DYFS	4545-100-062-314-6140	30,000.00	07/01/08	06/30/09	(2,985.93)		2,986.00				(0.07)			17,861.53
Youth Corp Summer Program 08/09	4545-100-062-314-6140	70,662.00	07/01/08	06/30/09	(2,530.57)		68,744.00	(68,213.43)						68,744.00
Youth Corp Program	4545-100-062-314-6140	472,624.13	07/01/08	06/30/09	(16,534.13)		10,534.00				0.13			472,624.13
Youth Corp Program	4545-100-062-314-6140	150,634.00	07/01/01	06/30/02	(2,094.02)						2,094.02			150,634.00
Total State Department of Human Services					(18,144.65)		640,131.00	(631,933.44)			2,094.08	(7,570.75)	(7,570.75)	1,275,784.07
State Department of Treasury														
Special Revenue Fund:														
Statewide Systemic Initiative To Reform Mathematics and Science Education	07-100-082-2155-082	15,000.00	07/01/07	06/30/08	(3,583.47)						3,583.47			15,000.00
Total State Department of Treasury					(3,583.47)						3,583.47			15,000.00
Total State Financial Assistance					(93,451.40)		\$ 3,554,106.82	(3,582,617.13)		(1,172.86)	\$ 15,338.55	(108,623.16)	(108,623.16)	\$ 5,009,266.90

D=Deficit, not Accounts Receivable, due to expenditures exceeding last state aid payment.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO SCHEDULES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

June 30, 2010

1. General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Board of Education ("Board"), of the Mercer County Special Services School District ("District"). The Board is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

2. Basis of Accounting

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Relationship to 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, with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the State deferral and recording of the last state aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying Schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0.00 for the General Fund and \$8,754.44 for the Special Revenue Fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO SCHEDULES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

June 30, 2009

3. Relationship to General Purpose Financial Statements (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 250,551.57	\$ 2,705,298.27	\$ 2,955,849.84
Special Revenue Fund	237,007.98	869,166.17	1,106,174.15
Food Service Fund	<u>280,672.90</u>	<u>13,638.42</u>	<u>294,311.32</u>
Total Awards and Financial Assistance	<u>\$ 768,232.45</u>	<u>\$ 3,588,102.86</u>	<u>\$ 4,356,335.31</u>

During the year ended June 30, 2010, the State of New Jersey contributed \$64,283.00 to the Teachers' Pension and Annuity Fund for normal pension and \$1,207,326.00 for post-retirement medical benefits on behalf of the District.

4. Relationship to Federal and State Financial Reports

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

5. Federal and State Loans Outstanding

Not applicable.

6. Other

Revenue and expenditures reported under the Food Distribution Program represent current-year value received and current-year distributions respectively. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2010.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- 1) Material weakness(es) identified? X yes no
- 2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to basic financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- 1) Material weakness(es) identified? X yes no
- 2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.778</u>	<u>Medical Assistance Program</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000.00

Auditee qualified as low-risk auditee? X yes no

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)

Section II - Financial Statement Findings

This section identifies the material weaknesses, significant deficiencies, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

Finding #2010-2

Condition:

The District's accounting records are deficient and do not facilitate the preparation of its financial statements.

Criteria:

SAS 112 defines communication internal control related deficiencies. The internal preparation of financial statements enhances the District's internal controls.

Cause:

The District did not prepare its financial statements because of a change in Business Office personnel.

Effect:

The District's financial statements required significant audit adjustments.

Recommendation:

The District implement a program of preparing and reconciling its financial statements to minimize audit adjustments and properly present the District's financial position.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)

Section II - Financial Statement Findings
(continued)

Finding #2010-4

Condition:

Capital Assets additions and deletions were incomplete and subsidiary ledgers did not agree with the Board Secretary's records.

Criteria:

The New Jersey Department of Education and GASB 34 require that all Capital Assets be properly accounted for.

Cause:

The Capital Assets appraisal reports were not properly updated because of a change in Business Office personnel.

Effect:

The District's financial statements required significant audit adjustments.

Recommendation:

The District implement a program to ensure all Capital Assets are properly accounted for.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular 04-04.

Finding #2010-1

Condition:

There are no written policies or procedures related to the SEMI program. Based on discussions with management, a significant number of services were not submitted into the P.C.G. system for reimbursement. Documentation for submittals for reimbursement are not being maintained by the District for 7 years as is required. The certification of therapists and the expiration and renewal of those certificates are not being satisfactorily monitored. The training of staff is insufficient as it relates to SEMI issues.

Criteria:

OMB Circular A-133 requires that transactions are properly recorded and accounted for to demonstrate compliance with laws, regulations, and other compliance requirements.

Cause:

Internal controls, including the control environment, risk assessment, control activities, and monitoring as they relate to the SEMI program are not adequately designed and implemented. There is also a refusal on the part of some therapists to comply with entering submittals into the P.C.G. system.

Effect:

Management does not have the ability to readily and reasonably ensure compliance with federal and state laws, regulations and program compliance requirements related to the SEMI program.

Recommendation:

The District take action to implement a system of internal controls that complies with OMB Circular A-133, State of New Jersey OMB Circular Letter 04-04 and other compliance criteria issued by the federal and state governments for the SEMI program.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, and OMB Circular A-133 (section .315 (a)(b)) and NJOMB Circular 04-04.

STATUS OF PRIOR-YEAR FINDINGS

Finding #2009-1 (See Finding #2010-2)

Condition:

The District's accounting records are deficient and do not facilitate the preparation of its financial statements.

Criteria:

SAS 112 defines communication internal control related deficiencies. The internal preparation of financial statements enhances the District's internal controls.

Cause:

The District did not prepare its financial statements because of change in Business Office personnel.

Effect:

The District's financial statements required significant audit adjustments.

Recommendation:

The District implement a program of preparing and reconciling its financial statements to minimize audit adjustments and properly present the District's financial position.

MERCER COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)

Section II - Financial Statement Findings
(continued)

Finding #2009-11 (See Finding #2010-4)

Condition:

The Capital Asset additions and deletions were incomplete and subsidiary ledgers did not agree with the Board Secretary's records.

Criteria:

The New Jersey Department of Education and GASB 34 require that all Capital Assets be properly accounted for.

Cause:

The Capital Assets appraisal reports were not properly updated because of a change in Business Office personnel.

Effect:

The District's financial statements required significant audit adjustments.

Recommendation:

The District implement a program to ensure all Capital Assets are properly accounted for.