

SCHOOL DISTRICT
OF
SALEM COUNTY SPECIAL SERVICES

COMPREHENSIVE ANNUAL
Financial Report

of the

Salem County Special Services Board of Education

Salem County, New Jersey

For the Fiscal Year Ended June 30, 2011

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FINANCIAL REPORT**

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For the Fiscal Year Ended June 30, 2011

Prepared by

Melanie Allen

School Business Administrator/Board Secretary

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OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
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INTRODUCTORY SECTION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Loren D. Thomas

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Business Administrator/Board Secretary

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September 23, 2011

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

The comprehensive annual financial report of the Salem County Special Services School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the final position and results of operations of the various funds and the account groups 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 sections: introductory, financial, statistical and single audit information. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes 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 1984 as amended by the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and recommendations, is included in the single audit section of this report.

- 1. REPORTING ENTITY AND ITS SERVICES:** Salem County Special Services School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Salem County Special Services Board of Education and all its schools constitutes the District's reporting entity.

The District provides a full range of special educational services for children from birth to age 21. The classifications of children include, but are not limited to, multiply-handicapped, neurologically impaired, emotionally disabled, and cognitive severe. The District also provides schools for non-classified students in its alternative education programs and for pre-school children with developmental delays in its Early Intervention and Pre-school Disabilities programs.

2. **ECONOMIC CONDITION AND OUTLOOK:** The Salem County Special Services School District is located in a beautiful rural and agricultural county in southwestern New Jersey and conveniently located near Wilmington, Delaware and Philadelphia, Pennsylvania. The county is home to many small businesses, farms, and some industry. Major employers are PSEG, Dupont, the hospitals, County Government and the school districts. The county is rich in historical and cultural heritage. It is a small county with approximately 65,400 residents. Because of its small size, the need for community-based services is great. Opportunity abounds for creating such services, especially for the under age 18 populations, which comprises approximately 26 percent of the populations. The District has also expanded to serve neighboring Cumberland County, which is larger and much more populous. There are unlimited opportunities to serve the communities and school districts of Cumberland County. Even with its larger size and much greater student populations, Cumberland County has neither a special services school district nor an educational services commission. Therefore, the District is uniquely positioned to foster collaborative relationships with the school districts of that county. The district does receive some support from the Freeholders of both counties.

2. **MAJOR INITIATIVES:** The mission of the Salem County Special Services School District was originally to provide a thorough and efficient education for students with moderate to severe disabilities. It has expanded to be a regional educational services agency that provides high quality and cost-effective programs and services to the schools and districts of Salem and Cumberland Counties. This mission is accomplished through the efforts of administrators and staff who are dedicated to meeting the cognitive, emotional and social needs of each student and to seeing that each student reaches his or her fullest potential. In addition, Salem County Special Services School District embraces the concept of shared services for the purpose of maximizing efficiencies and minimizing costs. Among current services provided through a series of interlocal agreements are child study teams, related services, business administration/board secretary, transportation, and clerk-of-the-works (school construction management). Finally, Salem County Special Services School District continuously monitors the emergent needs of districts in and around Salem and Cumberland Counties and provides leadership and strategies to address those needs in a manner consistent with the goals and objectives of the entire regional educational community. During the 2008-2009 school year, this process led to the establishment of a pre-school disabilities program and a new alternative middle school program. Another major initiative of the district begun during the 2008-2009 school year was the complete renovation of the Cumberland Campus, located in the former Fairfield Elementary School. This \$6 million project will result in a state-of-the-art educational facility that is designed to meet the needs of multiply handicapped and severe autistic children. As a result, that campus has grown from serving 2 children during the 2006-2007 school year to 91 at the end of the 2009-2010 school year. During the 2009-2010 school year, the District opened the first program in the region for Deaf and Hard of Hearing students. It also expanded its autistic program to include a pre-vocational high school program that is focused on exposure to career clusters.

The 2010-2011 school year saw significant growth, yet again, in the ASD programs. At the end of the fiscal year there were six classes in renter facilities in the Pittsgrove Township and Upper Pittsgrove Township School Districts. At the end of the fiscal year, we anticipate opening yet more classes in the coming year. Another area of rapid growth was the Transitional Career Program. As noted above, it was just begun at the end of the 2009-2010 school year. During this year, the program expanded to two full classes and occupies three rooms in the Cumberland Campus. Students are all involved in various Community Based instruction activities, making this a model and unique program.

The district had begun sharing a wide variety of services and programs with the Salem County Vocational Technical District. During the 2010-2011 school year, the Alternative High School and the Career and Technical High School developed a hybrid program to meet needs of four students. The SCSSSD provided CST services to the SCVTS and the CTHS provided high school guidance services to the AHS and AMS. The districts also began a joint project of piloting on-line curricula and delivery of instruction. It is anticipated that all of these, as well as many other, shared activities will grow in future years.

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

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. This internal control process is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. **BUDGETARY CONTROLS:** In addition to internal 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 School Estimates. Annual appropriated budgets are adopted for the general fund and the special revenue fund; there is no debt service fund. The final budget amount as amended for fiscal year 2011 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 reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to Financial Statements", Note 2.

7. **CASH MANAGEMENT:** The investment procedure of the District is guided in large part by state statute as detailed in "Notes to the Financial Statement", Note 3. 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 general liability, hazard and theft insurance on property and contents and fidelity bonds.
9. **OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Raymond Colavita, C.P.A., R.M.A. of Nightlinger, Colavita & Volpa, P.A. was selected by the Board's audit committee. In addition to meeting the requirements set forth in the state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and supplementary schedules of expenditures of federal awards and state financial assistance is included in the financial section of this report.
10. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Salem County Special Services District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby continuing their full support to the development and maintenance of our financial operation. The presentation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



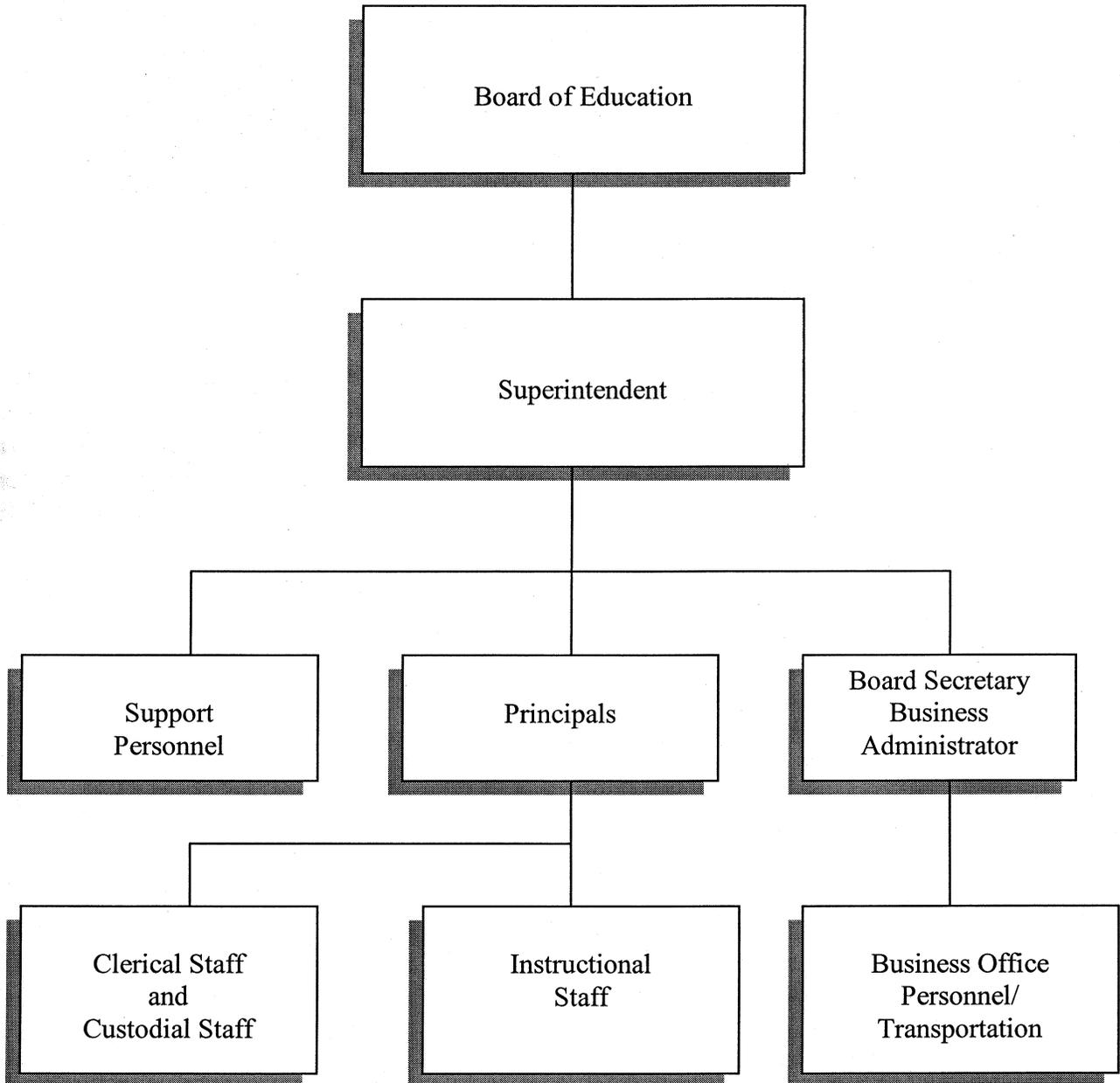
Loren D. Thomas
Superintendent of Schools



Melanie M. Allen
Business Administrator/Board Secretary

SALEM COUNTY SPECIAL SERVICES BOARD OF EDUCATION

Organizational Chart (Unit Control)



SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SALEM COUNTY, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Dr. James Field, President	2014
David Moffett, Vice President	2012
Mary Cummings	2012
James Davis	2014
Nicole Stemberger	2012
Patricia Bomba	2013
Earl Ransome	2013
Robert Bumpus - Executive County Superintendent of Schools	2012

OTHER OFFICIALS

Dr. Loren Thomas, Superintendent

Melanie M. Allen, Business Administrator/Board Secretary

Patricia W. Counsellor, Treasurer of School Monies

Mark Toscano, (Comegno Law Group P.C.), Solicitor

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

ARCHITECT

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FINANCIAL SECTION

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A Professional Association

Certified Public Accountants

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September 23, 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Salem County Special Services School District in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Salem County Special Services School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Salem County Special Services 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 and Regulatory Compliance, 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 the 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, each major fund, and the aggregate remaining fund information of the Salem County Special Services Board of Education in the County of Salem, State of New Jersey, as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 on our consideration of the Salem County Special Services Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 *Governments Auditing Standard* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 18 and 52 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salem County Special Services Board of Education's basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SALEM COUNTY SPECIAL SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

UNAUDITED

The discussion and analysis of Salem 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, 2011. 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. The Salem County Special Services District is considered a Component Unit of Salem County.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ❖ General revenues accounted for \$3,983,789 in revenue or 34.5 % percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$7,562,018 or 65.5 % percent to total revenues of \$11,545,907.
- ❖ Net assets of governmental activities decreased by \$1,093,901 comprised primarily of changes in cash and cash equivalents, receivables, liabilities and capital assets, as well as a fixed asset adjustment of \$879,352.
- ❖ The School District had \$12,355,846 in expenses. Of these expenses, \$7,562,018 was offset by program specific charges for services, grants or contributions. General revenues (primarily tuition charges) were adequate to provide for these programs.
- ❖ The General Fund had \$4,668,595 in revenues, \$4,889,264 in expenditures and a transfer from the enterprise fund of \$180,760. The General Fund's balance decreased \$39,909 over 2010. This increase 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 Salem 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 Salem 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 the large 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 2011?" 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, the financial positions 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 current laws and regulations in New Jersey regarding special education, facility condition and availability, sending districts' need for varied programs 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 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, pupil transportation 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. The Food Service enterprise fund along with the Shared Services enterprise fund is reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 21. 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. Salem County Special Services School District is unique because in addition to the major governmental funds of the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund there is a series of Enterprise funds entitled Shared Services

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 comparative summary of the School District's net assets for the years ended 2011 and 2010.

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 710,786	\$ 2,451,329
Capital assets, net	5,748,409	6,785,880
Total Assets	<u>6,459,195</u>	<u>9,237,209</u>
Liabilities		
Long-term liabilities	74,625	44,270
Other liabilities	88,828	103,842
Total Liabilities	<u>163,453</u>	<u>148,112</u>
Net Assets		
Invested in capital assets, net of debt	5,748,409	6,785,880
Restricted	264,991	284,845
Unrestricted	282,342	2,018,372
Total net assets	<u>\$ 6,295,742</u>	<u>\$ 9,089,097</u>

Table 2 shows the changes in net assets from fiscal year's 2011 and 2010.

Table 2 - Changes in Net Assets

	2011	2010
Revenues		
Programs revenues		
Charges for services	\$ 6,812,056	\$ 6,584,373
Operating grants and contributions	749,962	654,821
General Revenues		
County taxes	305,000	305,000
Tuition	3,668,047	3,421,523
Bond Proceeds		
Fixed Assets Adjustments and Other	10,742	11,996
Total Revenues	<u>11,545,807</u>	<u>10,977,713</u>
Program Expenses		
Instruction	2,135,308	1,731,368
Support Services		
Pupils and instructional staff	249,218	277,711
General administration, school administration, business	569,027	427,332
Operations and maintenance of Facilities	406,797	613,757
Pupil Transportation	23,487	28,911
Employee Benefits	1,537,040	1,397,518
Enterprise Funds		
Food Service	73,682	60,405
Other Shared Service Funds	7,198,668	6,896,272
Fixed Asset Adjustment	879,352	
Other	162,619	134,182
Total Expenses	<u>13,235,198</u>	<u>11,567,456</u>
Increase in net assets	<u>\$ (1,689,391)</u>	<u>\$ (589,743)</u>

Governmental Activities

As a special services school district, the budget is approved by the Salem County Freeholders. The District's total governmental net revenues were \$11,545,807 for the fiscal year ended June 30, 2011, which includes the transfer of \$180,760 from the Enterprise Fund. County taxes made up 2.6 % of revenues for governmental activities for fiscal year 2011. Tuition charges accounted for \$3,668,047, or 31.8% of total Governmental Activity revenue. Program revenues account for \$7,562,018, or 65.5% and Miscellaneous revenue accounted for another .1%.

The total cost of all program and services was \$12,355,846. Instruction costs of \$2,135,308 comprised 17.3% of District Governmental Activity expenses. Student Support costs were \$249,218 or 2.0%, Administration costs were \$569,027 or 4.6%, Plant Operation costs were \$406,797 or 3.3%, transportation costs were \$23,487 or .2%, Employee benefits of \$1,537,040 represented 12.4, enterprise costs of \$7,272,350 were 58.9%, and other costs of \$162,619 were 1.3%.

Business-Type Activities

Revenues for the District's business-type activities (food service program and other enterprises) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service expenses exceeded revenues by \$10,182 and combined other enterprise fund expenses exceeded revenues by \$393,515. This excludes a prior year revenue adjustment of \$11,033 for the food service function. In addition, there was a net transfer to the General Fund in the amount of \$180,760 comprised of \$147,257 from other enterprise and \$9,216 to food service.
- ❖ Federal and state reimbursements for free and reduced meals were \$56,597.
- ❖ Charges for food services were \$6,903 or 9.4% of revenue. This represents amount paid by patrons for daily food services. Revenue for other enterprises was \$6,805,153 consisting of \$818,160 in N.J. Dept. Of Human Services fees, \$1,561,037 in tuition, \$2,983,214 in services provided other LEA's and \$1,442,742 in Non-public program fees.

❖ Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows a comparison of the total cost of services and the net cost of services. The net cost shows the financial burden assumed. County taxes represent 7.3 % of the total governmental activity revenues while 92.7 % of the burden represents tuition charges and other miscellaneous revenues.

Table 3

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Instruction	\$ 2,135,308	\$ 2,115,716	\$ 1,731,368	\$ 1,713,645
Support services				
Pupils and instructional staff	249,218	249,218	277,711	277,711
General administration, school administration, business	569,027	569,027	427,332	427,332
Operation and maintenance of facilities	406,797	406,797	613,757	613,757
Pupil Transportation	23,487	23,487	28,911	28,911
Employee Benefit Costs	1,537,040	863,267	1,397,518	803,285
Other	162,619	162,619	134,182	134,182
Total Expenses	\$ 5,083,496	\$ 4,390,131	\$ 4,610,779	\$ 3,998,823

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Extracurricular activities includes expenses related to student activities provided by the School district which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation and amortization.

The School District's Funds

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund and capital projects fund presented in the fund-based statements) had total revenues of \$4,688,187 and expenditures of \$4,924,156. The net positive/negative change in General fund balance for the year was a decrease of \$55,209 that included a transfer from the enterprise funds in the net amount of \$180,760. This decrease shows that the School District was able to meet current operating costs with no urgent need for additional funds.

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. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2011, and the amount and percentage of increases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 3,998,752	85%	\$ 245,845	8%
State Sources	673,773	14%	79,540	15%
Federal Sources	15,662	0%	2,463	5%
Total	\$ 4,688,187	100%	\$ 327,848	9%

The increase in Local Sources is attributed to increases in tuition revenue of \$246,524, miscellaneous revenue of \$2,465 and a decrease in interest revenue of \$3,144.

The increase in State Sources is attributed to increases in on-behalf pension contributions and social security reimbursements of \$79,540.

The increase in Federal Sources is attributed to increased project funding in the amount of \$2,463.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2011. This excludes the Capital Project Fund.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease from 2010</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 2,135,308	43%	\$ 403,940	30%
Undistributed expenditures	2,755,214	56%	5,750	0%
Capital Outlay	33,634	1%	(276,583)	-303%
Total	<u>\$ 4,924,156</u>	<u>100%</u>	<u>\$ 133,107</u>	<u>4%</u>

The increase in Instruction is attributed to the increase in salaries of teachers and related benefit costs.

The increase in Undistributed Expenditures is attributed to increases in general administrative expenses of \$65,843, school administrative and central service expenses of \$43,152, information technology service of \$32,700, and employee benefits of \$104,932, offset by lower student and instruction related costs of \$28,493, plant operations and maintenance of \$206,960, and transportation costs of \$5,424.

The decrease of \$276,583 in capital outlay is attributed to the prior year building improvement in the capital project fund, for which bonds were issued by Salem County,

General Fund Budgeting Highlights

The School District's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2011, the School District amended its General Fund budget as needed. The School District uses program based budgeting and these budgeting systems are designed to tightly control total program budgets while providing flexibility for program management in the following areas.

- ❖ Staffing changes based on student needs.
- ❖ Additional costs for student transportation both in regular education and special education.
- ❖ Accounting changes in maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the District's final general fund budget anticipated that revenues (including fund balance appropriated) and expenditures would roughly equal, the actual results for the year show a shortfall of \$39,909.

- ❖ Actual revenues were \$21,402 less than expected, due to a shortfall in tuition revenue of \$43,177, offset by miscellaneous income of \$17,915 and interest on investments of \$3,860. This excludes On-Behalf pension and social security state aid of \$673,773. The affects of the decreased revenue were offset by corresponding decreases in operating expenditures.

- ❖ The actual expenditures were \$57,490 lower than expected, excluding the state On-Behalf pension and social security aid of \$673,773. The positive variances were noted on several line items.

Capital Assets

At the end of the fiscal year 2011, the School District had \$5,761,559 invested in land, buildings, furniture and equipment. Table 4 shows fiscal 2011 balances compared to 2010.

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2011</u>	<u>2010</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	6,650	7,125
Building and Improvements	5,627,504	6,634,822
Machinery and Equipment	77,405	93,933
	<u> </u>	<u> </u>
Totals	<u>\$ 5,761,559</u>	<u>\$ 6,785,880</u>

Overall capital assets decreased \$1,024,321 from fiscal year 2010, including a fixed asset adjustment of \$879,352 and depreciation expense of \$178,603 for the year. Increases were \$15,300 from the Capital Project Fund for improvements to the Cumberland School and \$18,334 in general fund equipment purchases.

Debt Administration

At June 30, 2011, the School District had \$74,625 in outstanding debt, which was comprised of compensated absences.

For the Future

The Salem County Special Services School District is currently in good financial condition. The district derives most of its operating budget from tuition and fees for services. Therefore, the board and the administration will continue to fulfill the district's mission by providing programs and services that meet both the existing and emergent needs of the local school districts, focusing primarily on students with moderate to severe disabilities.

The District is fully dedicated to the concept of shared services realizing that collaborative arrangements maximize both efficiency and effectiveness. During the 2010-2011 school year, the Salem County Special Services School District provided shared services in the areas of child study teams, related services, business administration/board secretary, transportation, and clerk-of-the-works (school construction management). The shared CTS and Related Services programs are growing and continually adding new schools and districts. During the 2010-2011 school year this program expanded to include counseling in regular K-8 schools.

During the 2010-2011 school year the Salem County Special Services School District continued offering services to non-public schools in the region, serving 26 schools in Cumberland, Salem, and Atlantic counties through P.L. 192, 193, and 226. This program has expanded to include almost 40 schools. The outlook for the future is that these services will continue to grow.

During 2008-2009, the district began operating the newly refurbished facility known as the Cumberland Campus. The district began offering classes for autistic children in that facility two years ago. Now the building houses over 90 students, including ASD, MH, PSD classes and a Head Start class. In the 2009-2010 school year, program offerings expanded to include a pre-vocational program for high school aged students with autism that is built around exposure to career clusters. During the 2010-2011 school year, the program doubled in size.

The District continues to operate the Salem County Alternative High School and Alternative Middle School. Both have grown in numbers. The district is now renting expanded space. The Alternative high School continues to grow and is led by experienced staff. The Alternative Middle School, however, has been pared down for programmatic changes and now accepts 8th grade students.

In conclusion, the Salem County Special Services School District will continue to dialogue with local districts in Salem and Cumberland Counties to monitor existing programs and to determine how best to meet emergent needs that are in alignment with the district's mission.

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 please contact Melanie Allen, Business Administrator/Board Secretary at Salem County Special Services Board of Education, 880 Route 45, PO Box 126 Woodstown, NJ 08098 or email at mallen@scsssd.net.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 440,497	\$ 214,067	\$ 654,564
Receivables, Net	81,554	894,118	975,672
Interfund Receivable	81		81
Inventory		1,758	1,758
Restricted Assets:			
Cash and Cash Equivalents	188,654		188,654
Capital Assets, Net (Note 5):	5,748,409	13,150	5,761,559
	<hr/>	<hr/>	<hr/>
Total Assets	6,459,195	1,123,093	7,582,288
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts Payable	88,828	19,129	107,957
Non-current Liabilities (Note 6):			
Due Within One Year			
Due Beyond One Year	74,625		74,625
	<hr/>	<hr/>	<hr/>
Total liabilities	163,453	19,129	182,582
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,748,409	13,150	5,761,559
Restricted for:			
Capital Projects	164,991		164,991
Other Purposes	100,000	1,050	101,050
Unrestricted	282,342	1,089,764	1,372,106
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 6,295,742	\$ 1,103,964	\$ 7,399,706
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Special Education	\$ 2,135,308	\$	\$ 19,592	\$ (2,115,716)	\$	\$ (2,115,716)
Support Services:						
Student & Instruction Related Services	249,218			(249,218)		(249,218)
General and Business Admin Services	165,842			(165,842)		(165,842)
School Administrative Services	237,011			(237,011)		(237,011)
Central Services	120,192			(120,192)		(120,192)
Administrative Info Tech. Services	45,982			(45,982)		(45,982)
Plant Operations and Maintenance	406,797			(406,797)		(406,797)
Pupil Transportation	23,487			(23,487)		(23,487)
Employee Benefits	1,537,040		673,773	(863,267)		(863,267)
Unallocated Depreciation	162,619			(162,619)		(162,619)
Total Governmental Activities	5,083,496		693,365	(4,390,131)		(4,390,131)
Business-type Activities:						
Food Service	73,682	6,903	56,597		(10,182)	(10,182)
Other Enterprise	7,198,668	6,805,153			(393,515)	(393,515)
Total Business-type Activities	7,272,350	6,812,056	56,597		(403,697)	(403,697)
Total Primary Government	\$ 12,355,846	\$ 6,812,056	\$ 749,962	(4,390,131)	(403,697)	(4,793,828)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				305,000		305,000
Tuition Received				3,668,047		3,668,047
Investment Earnings				3,860		3,860
Miscellaneous Income				17,915		17,915
Prior Year Revenue Adjustment					(11,033)	(11,033)
Fixed Asset Adjustment				(879,352)		(879,352)
Transfers - Enterprise Funds				180,760	(180,760)	
Total General Revenues, Special Items, Extraordinary Items and Transfers				3,296,230	(191,793)	3,104,437
Change in Net Assets				(1,093,901)	(595,490)	(1,689,391)
Net Assets—Beginning				7,389,643	1,699,454	9,089,097
Net Assets—Ending				\$ 6,295,742	\$ 1,103,964	\$ 7,399,706

The accompanying Notes to 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.

GOVERNMENTAL FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 275,486	\$ 20	\$ 164,991	\$ 440,497
Cash with Fiscal Agent	88,654			88,654
Interfunds Receivable	81			81
County Tax Levy Receivable	60,000			60,000
Receivables from Other Governments	3,450			3,450
State Aid Receivable	18,104			18,104
Restricted Cash and Cash Equivalents	100,000			100,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	545,775	20	164,991	710,786
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	154			154
Deferred Revenue		20		20
Accrued Employee Benefits	88,654			88,654
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	88,808	20		88,828
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances:				
Restricted For:				
Maintenance Reserve	100,000			100,000
Capital Projects Fund			50,229	50,229
Committed To:				
Year-End Encumbrances			114,762	114,762
Unassigned, Reported In:				
General fund	356,967			356,967
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	456,967		164,991	621,958
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 545,775	\$ 20	\$ 164,991	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

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 funds. The cost of the assets is \$7,501,137 and the accumulated depreciation is \$1,752,728 (Note 5).

5,748,409

Long-term Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6).

(74,625)

Net Assets of Governmental Activities

\$ 6,295,742

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
County Tax Levy	\$ 305,000	\$	\$	\$ 305,000
Tuition Charges	3,668,047			3,668,047
Interest on Investments	3,860			3,860
Miscellaneous	17,915	3,930		21,845
Total - Local Sources	<u>3,994,822</u>	<u>3,930</u>		<u>3,998,752</u>
Other Sources:				
Federal Sources		15,662		15,662
State Sources	673,773			673,773
Total Revenues	<u>4,668,595</u>	<u>19,592</u>		<u>4,688,187</u>
EXPENDITURES				
Current:				
Special Education Instruction	2,115,716	19,592		2,135,308
Support Services:				
Student & Instruction Related Services	249,218			249,218
General Administrative Expenses	165,842			165,842
School Administrative Expenses	237,011			237,011
Central Services	120,192			120,192
Administrative Information Tech Serv.	45,982			45,982
Plant Operations and Maintenance	406,797			406,797
Pupil Transportation	23,487			23,487
Employee Benefits	1,506,685			1,506,685
Capital Outlay	18,334		15,300	33,634
Total Expenditures	<u>4,889,264</u>	<u>19,592</u>	<u>15,300</u>	<u>4,924,156</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(220,669)</u>		<u>(15,300)</u>	<u>(235,969)</u>
OTHER FINANCING SOURCES (USES)				
Transfers - Enterprise Funds	180,760			180,760
Total Other Financing Sources and Uses	<u>180,760</u>			<u>180,760</u>
Net Change in Fund Balances	(39,909)		(15,300)	(55,209)
Fund Balance—July 1	496,876		180,291	677,167
Fund Balance—June 30	<u>\$ 456,967</u>	<u>\$ -</u>	<u>\$ 164,991</u>	<u>\$ 621,958</u>

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

SALEM 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 YEAR ENDED JUNE 30, 2011

Total net change in fund balances - governmental funds (from B-2) \$ (55,209)

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

In the statement of activities, Compensated Absences represent an operating expense measured by the additional amount or decreased amount earned during the year. In the governmental funds, expenditures are based on the amount of resources used and paid.

Capital outlays are reported in governmental funds as expenditures. However, in 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 capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (162,619)	
Fixed Asset Adjustment	(879,352)	
Capital outlays	33,634	
	<hr/>	(1,008,337)

Proceeds from Debt Issues are a financing source in the governmental funds but not in the statement of activities. Incurring debt increases long-term liabilities in the statement of activities.

(30,355)

Change in net assets of governmental activities (A-2) **\$ (1,093,901)**

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

PROPRIETARY FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ (2,730)	\$ 216,797	\$ 214,067
Accounts Receivable:	11,419	882,699	894,118
Inventories	1,758		1,758
Total Current Assets	10,447	1,099,496	1,109,943
Fixed Assets			
Equipment		47,523	47,523
Less: Depreciation		(34,373)	(34,373)
		13,150	13,150
Total Assets	10,447	1,112,646	1,123,093
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,639	11,490	19,129
Total Current Liabilities	7,639	11,490	19,129
NET ASSETS			
Restricted - Encumbrance Payable		1,050	1,050
Unrestricted	2,808	1,100,106	1,102,914
Total Net Assets	\$ 2,808	\$ 1,101,156	\$ 1,103,964

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities -		
	Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 6,903	\$	\$ 6,903
N.J. Dept. of Human Services - Fees		818,160	818,160
Tuition		1,561,037	1,561,037
Non-Public School Program		1,442,742	1,442,742
Services Provided Other LEA's		2,983,214	2,983,214
Total Operating Revenue:	6,903	6,805,153	6,812,056
Operating Expenses:			
Salaries		4,681,848	4,681,848
Employee Benefits		1,489,719	1,489,719
Purchased Professional and Tech Services	9,216	8,950	18,166
Purchased Technical Services	1,000	1,720	2,720
Purchased Professional /Educ Services		390,405	390,405
Purchased Professional Services		112,966	112,966
Purchased Property Service		12,765	12,765
Rental of Buildings		102,134	102,134
Energy		5,353	5,353
Other Purchase Services	994	107,063	108,057
Communications Telephone		9,810	9,810
Supplies and Materials		53,899	53,899
General Supplies		4,340	4,340
Travel		14,735	14,735
Cost of Sales	62,472		62,472
Other Objects		14,716	14,716
Required Maintenance			
General Supplies		29,858	29,858
Cleaning/Repair/Maintenance		142,403	142,403
Depreciation		15,984	15,984
Total Operating Expenses	73,682	7,198,668	7,272,350
Operating Income (Loss)	(66,779)	(393,515)	(460,294)
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	786		786
Federal Sources:			
National School Breakfast Program	18,838		18,838
Food Distribution Program	1,048		1,048
National School Lunch Program	35,925		35,925
Total Non-operating Revenues (Expenses)	56,597		56,597
Income (Loss) Before Contributions & Transfers	(10,182)	(393,515)	(403,697)
Transfers In (Out)	9,216	(189,976)	(180,760)
Prior Year Revenue Adjustment	1,440	(12,473)	(11,033)
Change in Net Assets	474	(595,964)	(595,490)
Total Net Assets—Beginning	2,334	1,697,120	1,699,454
Total Net Assets—Ending	\$ 2,808	\$ 1,101,156	\$ 1,103,964

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 6,903	\$ 6,805,153	\$ 6,812,056
Payments to employees		(4,681,848)	(4,681,848)
Payments for employee benefits		(1,489,719)	(1,489,719)
Payments to suppliers	(66,962)	(1,335,177)	(1,402,139)
Net cash provided by (used for) operating activities	(60,059)	(701,591)	(761,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	786		786
Federal Sources	55,811		55,811
Operating subsidies and transfers to other funds	9,216	(189,976)	(180,760)
Prior-Year revenue Adjustment	1,440	(12,473)	(11,033)
Net cash provided by (used for) non-capital financing activities	67,253	(202,449)	(135,196)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets			
Net cash provided by (used for) capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends			
Proceeds from sale/maturities of investments			
Net cash provided by (used for) investing activities			
Net increase (decrease) in cash and cash equivalents	7,194	(904,040)	(896,846)
Balances—beginning of year	(9,924)	1,120,837	1,110,913
Balances—end of year	\$ (2,730)	\$ 216,797	\$ 214,067
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (66,779)	\$ (393,515)	\$ (460,294)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation		15,984	15,984
(Increase) decrease in accounts receivable, net	(1,173)	(324,519)	(325,692)
(Increase) decrease in inventory	254		254
Increase (decrease) in accounts payable	7,639	459	8,098
Total adjustments	6,720	(308,076)	(301,356)
Net cash provided by (used for) operating activities	\$ (60,059)	\$ (701,591)	\$ (761,650)

Noncash Noncapital Financing Activities:

During the year, the district received zero dollars of food commodities from the U. S. Department of Agriculture

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

FIDUCIARY FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Memorial Expendable Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,086	\$ 954
Total Assets	<u>1,086</u>	<u>954</u>
LIABILITIES		
Interfunds Payable		81
Payable to Student Groups		873
Payroll Deductions and Withholdings		-
Total Liabilities		<u>\$ 954</u>
NET ASSETS		
Held in Trust for Memorial	<u>\$ 1,086</u>	

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Memorial Expendable Trust</u>
ADDITIONS	
Contributions:	
Plan member	
Interest Income	\$ 12
	<hr/>
Total additions	12
DEDUCTIONS	
Withdrawals from Investments	
	<hr/>
Total Deductions	
	<hr/>
Change in Net Assets	12
Net Assets—Beginning of the Year	1,074
	<hr/>
Net Assets—End of the Year	\$ 1,086
	<hr/> <hr/>

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

A. Reporting Entity:

The Salem County Special Services School District is a Type I district located in the County of Salem, State of New Jersey. As a Type I district, the School District consists of appointed officials and is responsible for the fiscal control of the district. A superintendent is appointed by the board and is responsible for the administrative control of the district. The purpose of the district is to educate special needs students in Salem County. The enrollment at June 30, 2011 was 170 students.

The Agency is considered to be a "Component Unit" of the County Of Salem under GAAP. This determination is based on the oversight responsibility of the County, which manifests itself primarily in the selection of District Board members, the accountability on fiscal matters, the approval for debt authorizations and the determination of county tax provided by the county.

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

Based on the aforementioned criteria, the District has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Salem County Special Services School District (District) have been prepared in conformity with generally accepted accounting principles (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.

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). In addition, the school district has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Descriptions*.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Presentation:

The 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.

District-wide Statements: The statement of net assets and the statements of activities display information about 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. 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 activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different 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. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) 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 and state formula aid, are presented as general revenues.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUND TYPE

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The district reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey State Department of Education, 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 capital 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUND TYPE (CONT'D)

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 – As the district is a Type I district, all bonded debt is the direct obligation of the Board of Chosen Freeholders of the County of Salem.

PROPRIETARY FUND TYPE

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise (Food service) Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the 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 District's Enterprise Funds are comprised of Food Service, Alternative High School, Transportation, Alternative Middle School, Related Service Funds, and Custodial Fund.

These enterprise funds accounts for all revenues and expenses pertaining to their operations in a manner similar to private business enterprises. The stated intent is that the cost (Statement G-2) of providing services to students on a continuing basis is financed or recovered primarily through lesson charges.

All proprietary funds are accounted for on a cost of services 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 total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

PROPRIETARY FUND TYPE (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:

Food Service Fund Equipment	12 Years
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Internal Service Fund - The Internal Service Funds account for all revenue and expenditures pertaining to goods or services provided to other local educational associations, or to other governmental units, on a cost-reimbursement basis. While the internal service funds revenues are intended to recoup expenses, they are accounted for essentially the same as private business enterprises.

The district does not maintain an internal service fund.

FIDUCIARY FUND TYPE

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the School District:

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 district maintains one Expendable Trust Fund named the Memorial Expendable Trust Fund.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not maintain a Nonexpendable 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus:

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 and modified 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 the 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. 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 for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

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.

Schedule C-3 presents a reconciliation of the special revenue funds 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.

E. Encumbrances:

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Encumbrances (Cont'd):

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.

F. Tuition Receivable:

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The tuition adjustments related to the 2007-08, 2008-09 and 2009-10 fiscal years were computed based on the certified rates as provided by the New Jersey Department of Education and invoiced to the various sending districts. The 2007-08 and 2008-09 adjustment of (\$165,233) was reflected in the 2010-11 billings.

G. Tuition Payable:

Tuition charges for the fiscal years 2007-08, 2008-09 and 2009-10, if any, were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Inventories and Prepaid Expenses:

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

On district-wide financial statements and in the Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

I. Short -Term Interfund Receivables/Payables:

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

J. Assets, Liabilities and Equity:

Transactions -

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

Inventories

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Inventory in the Food Service Fund at June 30, 2011 consisted of the following:

Food	\$ 525
Supplies	<u>1,233</u>
	<u>\$ 1,758</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, 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 non-operating revenue in the financial statements. The district did not receive any federal commodities during the 2010-2011 school year.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2011 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Assets in the general fixed assets account group are not depreciated.

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	30-50
Building Improvements	20
Equipment	5-10

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Compensated Absences (Cont'd):

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the General Long-Term Debt Account Group.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

While it is the current policy of the Salem County Special Services School District not to compensate employees for vacation and sick leave upon termination, there are compensated absences reported in the amount of \$74,625 at June 30, 2011.

L. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

M. 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. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

N. 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 not 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 attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

O. 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

P. Long-term Obligations:

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Q. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

R. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

S. Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

T. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

U. 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

U. Net Assets (Cont'd):

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School 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.

V. Fund Balance Reserves:

The School 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.

W. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the 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 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.

Non-exchange transactions, in which the School 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 for the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits: N.J.S.A. 17:9-41, et seq. require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits where the market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Custodial Credit Risk

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as to credit risk by the following three categories described below.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk, as described in Note 1: N.J.S.A. 17:9-41 et. seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act.

The Board of Education designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of June 30, 2011, \$1,173,731 of the districts bank balance of \$1,423,731 was uninsured and exposed to custodial credit risk and collateralized under GUDPA.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of June 30, 2011, the District did not have any funds on deposit with the New Jersey Cash Management Fund.

NOTE 4. CAPITAL RESERVE ACCOUNT

Capital Reserve Accounts may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A 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 Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the NJ Department of Education, a district may increase 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. The District did not have a capital reserve account as of June 30, 2011.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital Assets that are not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Work in Progress				
Land Improvements	9,500			9,500
Total Capital Assets not being Depreciated	<u>59,500</u>			<u>59,500</u>
Building and Building Improvements	7,155,212	15,300	103,353	7,273,865
Machinery and Equipment	149,438	18,334		167,772
Totals at Historical Cost	<u>7,304,650</u>	<u>33,634</u>	<u>103,353</u>	<u>7,441,637</u>
Less Accumulated Depreciation for :				
Land Improvements	(2,375)	(475)		(2,850)
Building and Improvements	(520,390)	(143,266)	(982,705)	(1,646,361)
Equipment	(84,639)	(18,878)		(103,517)
Total Accumulated Depreciation	<u>(607,404)</u>	<u>(162,619)</u>	<u>(982,705)</u>	<u>(1,752,728)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	6,697,246	(162,619)		5,688,909
Government activities capital assets, net	<u><u>\$ 6,756,746</u></u>	<u><u>\$ (128,985)</u></u>	<u><u>\$ (879,352)</u></u>	<u><u>\$ 5,748,409</u></u>
				To A-1
Depreciation expense was charged to governmental functions as follows:				
				<u><u>\$ 162,619</u></u>
Business-Type Activities - Equipment	\$ 47,523	\$ -	\$ -	\$ 47,523
Less Accumulated Depreciation for :	(18,389)	(15,984)		(34,373)
Business-Type Activities Capital Assets - Net	<u><u>\$ 29,134</u></u>	<u><u>\$ (15,984)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,150</u></u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds payable:	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities:					
Obligations under capital lease					
Compensated absences payable	44,270	30,355		74,625	
Total other liabilities	\$ 44,270	\$ 30,355	\$ -	\$ 74,625	\$ -
Business-Type Activities:					
Compensated absences payable	\$ -	\$ -	\$ -	\$ -	\$ -

A. Bonds Payable - Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

The Board of Special Services is a Type I School District under New Jersey Statutes. Therefore, all bonded debt is generally accounted for and anticipated to be financed by the County of Salem. The following is presented for "Memorandum Only" purposes.

Year Ending June 30	Principal	Interest	Total
2011-12	\$ 210,000	\$ 259,888	\$ 469,888
2012-13	220,000	251,825	471,825
2013-14	230,000	243,100	473,100
2014-15	240,000	233,700	473,700
2015-16	250,000	223,900	473,900
2016-17	260,000	213,700	473,700
2017-18	270,000	201,750	471,750
2018-19	285,000	187,875	472,875
2019-20	295,000	173,375	468,375
2020-21	310,000	158,250	468,250
2021-22	325,000	142,375	467,375
2022-23	340,000	125,750	465,750
2023-24	355,000	108,375	463,375
2024-25	370,000	90,250	460,250
2025-26	385,000	71,375	456,375
2026-27	405,000	51,625	456,625
2027-28	415,000	31,125	446,125
2028-29	415,000	10,375	425,375
Total	\$ 5,580,000	\$ 2,778,613	\$ 8,358,613

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6. GENERAL LONG-TERM DEBT (CONT'D)

A. Bonds Payable (Cont'd)

In addition, the State of New Jersey will provide aid in the amount of 55.38% of the Debt Service on the County Bonds. The required payments by the District to the County pursuant to "A" above are subject to the availability and annual appropriation of sufficient funds required to meet the obligation.

B. Capital Leases - The District does not have any other capital leases at June 30, 2011.

NOTE 7. OPERATING LEASES

Two classrooms and related facilities were rented at the Upper Pittsgrove School for a one year period from July 1 to June 30 at a total cost of \$32,448.00. Four classrooms and related facilities were rented at Pittsgrove Township Middle School for a one year period from July 1 to June 30 at a total cost of \$50,000.00. One classroom and related facilities was also rented at the Alloway Township School for a one year period from July 1 to June 30 at a total cost of \$16,000.00. On August 1, 2009, a lease was signed for the use of 4,400 square feet together with the use of bathroom facilities, a gymnasium, and common areas within the John B. Campbell Family & Fitness Center in Salem, New Jersey. The rental cost was \$86,278.97 from August 1, 2010 to July 31, 2011. Offices were subleased in Pennsville, New Jersey from July 1 to June 30 for \$7,740.00. Office space for the District's Shared Services operation was also rented in Pittsgrove for \$20,000.00 for the 2010- 2011 school year. In addition, custodial services were performed by GCA Services Group, Inc. for \$111,615.36 in the 2010- 2011 school year. The contract was re- bid during the school year for a 3- year term beginning July 1, 2010.

Classroom space and related facilities was rented to Tri- County Head Start at the District's Cumberland Campus. Total revenue from this lease was \$12,450.00. Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2012	86,134
2013	<u>7,335</u>
Total future minimum lease payments	<u>\$93,469</u>

NOTE 8. MAINTENANCE RESERVE

The District has an approved maintenance reserve with a balance of \$100,000, which is in agreement with the Local Facilities Planning Document.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9. 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 Teachers' Pension and Annuity Fund 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 (PERS) 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 Public Employees' Retirement System 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.

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:6C 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 Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9. PENSION PLANS (CONT'D)

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Ch. 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Ch. 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 1/2 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 2000, 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. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced. Chapter 415, P.L. 1999 provides for a reduction in this rate of 3% for the calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Where a contribution is required from the Board of Education, the board is billed annually for its normal contribution plus any accrued liability.

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.

Three -Year Trend Information for PERS

Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
6/30/11	\$	136,013	100 %	\$	136,013
6/30/10		84,978	100		84,978
6/30/09		68,808	100		68,808

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9. PENSION PLANS (CONT'D)

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/11	\$ 306,330	100%	\$ 0
6/30/10	236,247	100%	0
6/30/09	199,920	100%	0

During the fiscal year ended June 30, 2011, the State of New Jersey contributed \$13,774 to the TPAF for Non-Contributory Insurance, \$292,556 for post-retirement benefits and nothing for normal contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$367,443 during the year ended June 30, 2011 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 basic financial statements, and the combining and individual fund schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 10. POST-EMPLOYMENT 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 a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 57,288 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 pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2010, the State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11. COMPENSATED ABSENCES

The District accounts for compensated absences as directed by Governmental Accounting Standards 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 employees earn the rights to the benefits. District employees who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon retirement and who have not less than ten (10) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences.

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, 2011, no liability existed for compensated absences in the Food Service Fund.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits 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 were Invesco, Lincoln, Prudential, Franklin Life, Seeley, AFLAC, and Valic.

NOTE 13. 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 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 "Contribution Method". Under this plan, the District is required to transmit quarterly amounts to the New Jersey Unemployment Trust Fund to provide for benefits paid to its former employees and charged to its account with the State. The district does not maintain an expendable trust fund.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 13. RISK MANAGEMENT (CONT'D)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Contributed to UC System</u>	<u>Ending Reserve Balance</u>
2010-2011	\$ 27,359	\$ 29,045	\$ 56,404	\$ -0-
2009-2010	24,073	25,535	49,608	-0-
2008-2009	19,537	20,718	40,255	-0-

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 81	\$
Trust and Agency Fund	_____	81
Total	<u>\$ 81</u>	<u>\$ 81</u>

NOTE 15. FUND BALANCE APPROPRIATED

Of the \$458,411 General Fund balance at June 30, 2011, none is reserved for encumbrances; nothing has been appropriated and also included as anticipated revenue for the year ending June 30, 2011; \$100,000 is reserved for Maintenance Reserve and \$358,411 is unreserved and undesignated.

NOTE 16. CALCULATION OF EXCESS SURPLUS

Special Services School Districts are subject to an excess surplus calculation in accordance with N.J.S. A. 18A:46-31 as amended. The New Jersey Department of Education will perform this calculation during its process of tuition rate certification. Therefore, no excess surplus, if applicable, is reflected in the financial statements.

NOTE 17. LITIGATION

The District is involved in several claims and lawsuits incidental to its operations. It is the opinion of management and legal counsel that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 18. MERGE OF THE SALEM COUNTY SPECIAL SERVICES BOARD OF
EDUCATION AND THE SALEM COUNTY VO-TECH BOARD OF EDUCATION

Effective, July 1, 2009, the Salem County Board of Chosen Freeholders adopted a resolution to disband the Salem County Special Services Board of Education and the Salem County Vo-Tech Board of Education, instituting a new Board named "The Board of Education for the Vocational School district and the Special Services School District for the County of Salem".

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Actual</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues:					
Local Sources:					
County Tax Levy	\$ 305,000	\$	\$ 305,000	\$ 305,000	\$
Tuition from LEA's	3,711,224		3,711,224	3,668,047	(43,177)
Interest on Investments				3,860	3,860
Unrestricted Miscellaneous Revenues	18,500	(18,500)		17,915	17,915
Total - Local Sources	4,034,724	(18,500)	4,016,224	3,994,822	(21,402)
State Sources:					
On-behalf TPAF Non-Contributory Insurance				13,774	13,774
On-behalf TPAF Postretirement Medical Contributions				292,556	292,556
Reimbursement TPAF Social Security				367,443	367,443
Total - State Sources				673,773	673,773
Federal Sources - Medicaid					
TOTAL REVENUES	4,034,724	(18,500)	4,016,224	4,668,595	652,371
EXPENDITURES:					
CURRENT EXPENSES:					
Special Education:					
Behavioral Disabilities:					
Salaries of Teachers	672,842	(55,651)	617,191	615,856	1,335
Other Salaries for Instruction	171,173	(6,700)	164,473	164,327	146
Purchased Professional - Educational Services	4,000	(4,000)			
Purchased Technical Services	4,000	(3,850)	150		150
Other Purchased Services	19,693	(12,499)	7,194	6,202	992
General Supplies	10,000	22,677	32,677	32,627	50
Textbooks	7,500	14,372	21,872	21,475	397
Other Objects	10,000	(2,950)	7,050	6,996	54
Total Behavioral Disabilities	899,208	(48,601)	850,607	847,483	3,124
Multiply Disabilities:					
Salaries of Teachers	125,225	105,600	230,825	230,667	158
Other Salaries for Instruction	32,833	71,350	104,183	104,068	115
Purchased Professional - Educational Services	2,000	51,200	53,200	53,200	
Other Purchased Services	4,000	(331)	3,669	2,951	718
General Supplies	14,000	(5,608)	8,392	8,390	2
Textbooks	3,000	5,682	8,682	8,678	4
Other Objects	4,000	(1,950)	2,050	1,988	62
Total Multiply Disabilities	185,058	225,943	411,001	409,942	1,059
Autism:					
Salaries of Teachers	396,688	(58,201)	338,487	337,555	932
Other Salaries for Instruction	211,412	(56,134)	155,278	153,309	1,969
Purchased Professional - Educational Services	1,750	62,767	64,517	64,400	117
Purchased Technical Services	1,250	(980)	270		270
Other Purchased Services	1,250	(745)	505	496	9
General Supplies	21,500	17,105	38,605	38,326	279
Textbooks	1,750	19,342	21,092	20,746	346
Other Objects	7,000	(1,800)	5,200	4,905	295
Total Autism	642,600	(18,646)	623,954	619,737	4,217
Preschool Disabilities - Full Time					
Salaries of Teachers	67,412	16,572	83,984	83,777	207
Other Salaries for Instruction	58,765	(22,859)	35,906	35,900	6
Purchased Professional-Educational Services		26,667	26,667	26,650	17
Other Purchased Services		1,730	1,730	1,706	24
General Supplies	3,450		3,450	3,312	138
Other Objects	4,000	(3,400)	600	479	121
Total Preschool Disabilities - Full Time	133,627	18,710	152,337	151,824	513

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(CONTINUED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Cognitive - Severe:					
Salaries of Teachers	\$ 64,945	\$ 11,500	\$ 76,445	\$ 76,195	\$ 250
Purchased Professional - Educational Services	2,000	3,750	5,750	5,750	
Other Purchased Services	2,000		2,000	1,057	943
General Supplies	6,000	(2,500)	3,500	3,313	187
Other Objects	4,000	(3,500)	500	415	85
Total Cognitive Severe	78,945	9,250	88,195	86,730	1,465
Total Special Education	1,939,438	167,946	2,126,094	2,115,716	10,378
Total Instruction	1,939,438	167,946	2,126,094	2,115,716	10,378
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	22,106	(1,800)	20,306	20,088	218
Purchased Professional and Technical Services	900	(885)	15		15
Other Purchased Services	9,350	(2,870)	6,480	5,600	880
Total Attendance and Social Work Services	32,356	(5,555)	26,801	25,688	1,113
Health Services:					
Salaries	122,885		122,885	121,373	1,512
Purchased Professional and Technical Services	3,200	(2,150)	1,050	800	250
Other Purchased Services	3,585	(1,900)	1,685	1,076	609
Supplies and Materials	8,250	(1,600)	6,650	6,351	299
Total Health Services	137,920	(5,650)	132,270	129,600	2,670
Other Support Services - Students - Related Services:					
Salaries	45,728	(2,415)	43,313	43,309	4
Supplies and Materials	3,200	(1,585)	1,615		1,615
Other Objects	1,210		1,210		1,210
Total Other Support Services - Stud. - Related Serv	50,138	(4,000)	46,138	43,309	2,829
Other Support Services - Students - Special:					
Salaries of Secretarial and Clerical Assistants	2,866	(146)	2,720	2,414	306
Other Purchased Services	500	146	646	438	208
Supplies and Materials	2,000	(2,000)			
Total Other Support Services - Students - Special	5,366	(2,000)	3,366	2,852	514
Improvement of Instruction Services/Other Support Services- Instructional Staff					
Salaries of Secretarial and Clerical Assistants	2,866		2,866	2,414	452
Other Salaries	30,000		30,000	30,000	
Purchased Professional - Educational Services	7,000	(7,000)			
Total Improvement of Instruction	39,866	(7,000)	32,866	32,414	452
Educational Media Services: School Library					
Salaries	2,866		2,866	2,414	452
Purchased Professional and Technical Services	2,100		2,100	850	1,250
Total Educational Media Services	4,966		4,966	3,264	1,702
Instructional Staff Training Services:					
Salaries					
Salaries of Secretarial and Clerical Assistants	2,866	(450)	2,416	2,414	2
Purchased Professional - Educational Services	5,000	(5,000)			
Other Purchased Services	2,100	6,150	8,250	7,993	257
Supplies and Materials	3,000	(450)	2,550	1,489	1,061
Other Objects	1,500	(250)	1,250	195	1,055
Total Instructional Staff Training Services	14,466		14,466	12,091	2,375

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(CONTINUED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Support Services - General Administration:					
Salaries	\$ 89,815	\$ (3,840)	\$ 85,975	\$ 84,980	\$ 995
Legal Services	4,200	19,300	23,500	23,405	95
Audit Fees	14,000	(100)	13,900	13,835	65
Other Purchased Professional Services	3,000	12,215	15,215	15,151	64
Communication/Telephone	6,700	365	7,065	6,440	625
Other Purchased Services	12,246	875	13,121	13,116	5
General Supplies	9,450	(3,200)	6,250	6,208	42
BOE In-House Training/Meeting Supplies	350	(180)	170	170	
Miscellaneous Expenditures	2,917	(1,130)	1,787	1,313	474
BOE Membership Dues and Fees	4,200	(1,045)	3,155	1,224	1,931
Total Support Services - General Administration	146,878	23,260	170,138	165,842	4,296
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	164,824	(959)	163,865	162,551	1,314
Salaries of Secretarial and Clerical Assistants	54,425	(19,665)	34,760	33,873	887
Purchased Professional and Technical Services	1,000	(500)	500		500
Other Purchased Services	12,874	16,444	29,318	28,146	1,172
Supplies and Materials	17,500	(5,080)	12,420	12,352	68
Other Objects	3,000	(2,800)	200	89	111
Total Support Services - School Administration	253,623	(12,560)	241,063	237,011	4,052
Central Services					
Salaries	81,075	23,170	104,245	104,242	3
Purchased Professional Services	550	(550)			
Purchased Technical Services	13,351	(330)	13,021	12,099	922
Miscellaneous Purchased Services	3,000	280	3,280	3,276	4
Supplies and Materials	1,000	(420)	580	575	5
Miscellaneous Expenditures	1,000	(850)	150		150
Total Central Services	99,976	21,300	121,276	120,192	1,084
Admin. Info. Technology					
Salaries	70,000	(24,500)	45,500	45,300	200
Purchased Technical Services	3,100	(1,500)	1,600	99	1,501
Other Purchased Services		160	160		160
Supplies and Materials	1,000	(160)	840	583	257
Total Admin. Info. Technology	74,100	(26,000)	48,100	45,982	2,118
Required Maintenance for School Facilities					
Cleaning, Repair, and Maintenance Services	115,094	(60,450)	54,644	53,533	1,111
General Supplies	14,200	10,650	24,850	19,109	5,741
Total Required Maintenance for School Facilities	129,294	(49,800)	79,494	72,642	6,852
Operation And Maintenance Of Plant Services:					
Salaries	1,433	16	1,449	1,448	1
Purchased Professional and Technical Services	13,300		13,300	6,855	6,445
Cleaning, Repair and Maintenance Services	153,557	(42,216)	111,341	108,932	2,409
Rental - Other than Lease Purchase Agreements	47,523	46,875	94,398	92,448	1,950
Other Purchased Property Services	1,100		1,100		1,100
Insurance	22,893	2,510	25,403	24,852	551
General Supplies	13,500	(3,600)	9,900	8,152	1,748
Energy (Natural Gas)	82,883	(77,873)	5,010	4,972	38
Energy (Electricity)	34,960	28,323	63,283	63,148	135
Energy (Oil)	34,960	(11,550)	23,410	23,348	62
Total Operation of Plant Services	406,109	(57,515)	348,594	334,155	14,439
Total Operation And Maintenance of Plant Services	535,403	(107,315)	428,088	406,797	21,291

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(CONTINUED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Student Transportation Services					
Salaries - Other Than Between Home and School	\$ 7,166	\$ 75	\$ 7,241	\$ 7,240	\$ 1
Cont Services - Other than between Home and School - Vendors	27,250	(11,000)	16,250	16,247	3
Total Student Transportation Services	<u>34,416</u>	<u>(10,925)</u>	<u>23,491</u>	<u>23,487</u>	<u>4</u>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	82,000	(26,500)	55,500	55,493	7
Other Retirement Contributions - Regular	46,619	(16,450)	30,169	30,156	13
Unemployment Compensation	13,650	(5,260)	8,390	8,255	135
Workers' Compensation	55,434	14,361	69,795	69,069	726
Health Benefits	627,621	9,399	637,020	636,201	819
Tuition Reimbursements	16,000	11,650	27,650	26,740	910
Other Employee Benefits	5,000	2,000	7,000	6,998	2
Total Unallocated Benefits - Employee Benefits	<u>846,324</u>	<u>(10,800)</u>	<u>835,524</u>	<u>832,912</u>	<u>2,612</u>
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				13,774	(13,774)
On-behalf TPAF Postretirement Contributions				292,556	(292,556)
Reimbursed TPAF Social Security Contributions Not-Budgeted)				367,443	(367,443)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>673,773</u>	<u>(673,773)</u>
TOTAL UNALLOCATED BENEFITS	<u>846,324</u>	<u>(10,800)</u>	<u>835,524</u>	<u>1,506,685</u>	<u>(671,161)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>2,275,798</u>	<u>(147,245)</u>	<u>2,128,553</u>	<u>2,755,214</u>	<u>(626,661)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>4,215,236</u>	<u>20,701</u>	<u>4,254,647</u>	<u>4,870,930</u>	<u>(616,283)</u>
CAPITAL OUTLAY					
Equipment:					
Instructional		18,400	18,400	18,334	66
Total Equipment		<u>18,400</u>	<u>18,400</u>	<u>18,334</u>	<u>66</u>
Facilities Acquisition and Construction Services:					
Total Facilities Acquisition and Construction Services					
TOTAL CAPITAL OUTLAY		<u>18,400</u>	<u>18,400</u>	<u>18,334</u>	<u>66</u>
TOTAL EXPENDITURES	<u>4,215,236</u>	<u>39,101</u>	<u>4,273,047</u>	<u>4,889,264</u>	<u>(616,217)</u>
Excess (Deficiency) of Revenues and Other Over/(Under) Expenditures	<u>(180,512)</u>	<u>(57,601)</u>	<u>(256,823)</u>	<u>(220,669)</u>	<u>36,154</u>
Other Financing Sources (uses):					
Operating Transfers Out:					
Food Service - Transfer to Cover Deficit	(9,464)		(9,464)	(9,216)	248
Other Enterprise Funds				189,976	189,976
Total Other Financing Sources (Uses)	<u>(9,464)</u>		<u>(9,464)</u>	<u>180,760</u>	<u>190,224</u>
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>(189,976)</u>	<u>(57,601)</u>	<u>(266,287)</u>	<u>(39,909)</u>	<u>226,378</u>
Fund Balances, July 1	496,876		496,876	496,876	
Fund Balances, June 30	\$ 306,900	\$ (57,601)	\$ 230,589	\$ 456,967	\$ 226,378
RECAPITULATION					
Restricted Fund Balance:					
Maintenance Reserve				\$ 100,000	
Unassigned Fund Balance				<u>356,967</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 456,967</u>	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$	\$ 3,930	\$ 3,930	\$ 3,930	\$
State Sources					
Federal Sources		6,891	6,891	15,662	8,771
Total Revenues		<u>10,821</u>	<u>10,821</u>	<u>19,592</u>	<u>8,771</u>
EXPENDITURES:					
Instruction					
Other Salaries					
Supplies and Materials		15,662	15,662	15,662	
General Supplies					
Total Instruction		<u>15,662</u>	<u>15,662</u>	<u>15,662</u>	
Support Services					
Personal Services - Employee Benefits					
Cleaning/Repair/Required Maintenance		146	146	146	
General Supplies		3,784	3,784	3,784	
Total Support Services		<u>3,930</u>	<u>3,930</u>	<u>3,930</u>	
Facilities Acquisition and Construction Services:					
Buildings					
Instructional Equipment					
Non-instructional Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures		<u>19,592</u>	<u>19,592</u>	<u>19,592</u>	
Other Financing Sources (Uses)					
Total Outflows		<u>19,592</u>	<u>19,592</u>	<u>19,592</u>	
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET -TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - 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 basis) "revenue"					
from the budgetary comparison schedule	[C-1] \$	4,668,595		[C-2] \$	19,592
Difference - budget to GAAP:					
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.					
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$	4,668,595		[B-2] \$	19,592
Uses/outflows of resources					
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$	4,889,264		[C-2] \$	19,592
Differences - budget to GAAP					
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.					
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$	4,889,264		[B-2] \$	19,592

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.

SALEM COUNTY SPECIAL SERVICES DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULES OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	REAP 09/10	REAP 10/11	NJSBAIG Safety Grant	Totals	
				2011	2010
REVENUES:					
Federal sources	\$ 8,771	\$ 6,891	\$	\$ 15,662	\$ 13,199
State sources					
Other sources			3,930	3,930	4,524
Total Revenues	8,771	6,891	3,930	19,592	17,723
EXPENDITURES:					
Instruction:					
Other Salaries					
Supplies and Materials	8,771	6,891		15,662	14,536
Other Objects					3,187
Total Instruction	8,771	6,891		15,662	17,723
Support Services - General Administration:					
Employee Benefits					
Total Support Services					
Required Maintenance:					
Cleaning, Repair, Maintenance			146	146	
General Supplies			3,784	3,784	
Total Required Maintenance			3,930	3,930	
Total Expenditures	\$ 8,771	\$ 6,891	\$ 3,930	\$ 19,592	\$ 17,723

CAPITAL PROJECTS FUND DETAIL STATEMENT

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2011</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Building Improvement	October 1, 2009	\$ 6,000,000	\$ 5,819,709	\$ 15,300	\$ 164,991
			Encumbrances		\$ 114,762
			Unencumbered Balance		50,229
					\$ 164,991

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Revenues and Other Financing Sources

Bonds Issued by Salem County	\$	
Total revenues		

Expenditures and Other Financing Uses

Salaries		
Legal Services		
Purchased Professional & Technical Services		
Construction Services		2,500
General Supplies		
Land and Improvements		12,800
Buildings		
Other Objects		
Total expenditures		15,300
Excess (deficiency) of revenues over (under) expenditures		(15,300)
Fund Balance - beginning		65,529
Fund Balance - ending	\$	50,229

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 Services Fund – This fund provides for the operation of food services in all schools within the school district.

Alternative High School Enterprise Fund – This fund provides for the operation of the District’s Alternative High School.

Transportation Enterprise Fund – This fund provides for transportation services provided to other local educational associations.

Related Services Enterprise Fund – This fund provides for student support services which are provided to other local educational associations.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010**

	Related Services Fund	Alternative Middle & High School Fund	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Services Fund	Fairfield Initiative	Food Service Fund	Totals	
									2011	2010
ASSETS:										
Current Assets:										
Cash and cash equivalents	\$ (223,935)	\$ 57,755	\$ (57,131)	\$ 53,564	\$ 175,703	\$ 54,254	\$ 156,587	\$ (2,730)	\$ 214,067	\$ 1,110,913
Accounts receivable:										
State								155	155	463
Federal								11,264	11,264	9,783
Inventory								1,758	1,758	2,012
Intergovernmental	232,815	129,168	380,752	25,000	104,486	10,478			882,699	558,180
Total Current Assets	8,880	186,923	323,621	78,564	280,189	64,732	156,587	10,447	1,109,943	1,681,351
Fixed Assets										
Equipment	9,738		33,209				4,576		47,523	\$47,523
Less: Depreciation	(5,515)		(26,568)				(2,290)		(34,373)	(\$18,389)
	4,223		6,641				2,286		13,150	\$29,134
Total Assets	13,103	186,923	330,262	78,564	280,189	64,732	158,873	10,447	1,123,093	1,710,485
LIABILITIES:										
Current Liabilities:										
Accounts Payable	200		923		1,731	8,636		7,639	19,129	11,031
Interfund payable										
Total Current Liabilities	200		923		1,731	8,636		7,639	19,129	11,031
NET ASSETS:										
Reserve for Encumbrances Unreserved	12,903	186,923	329,339	525 78,039	278,458	56,096	525 158,348	2,808	1,050 1,102,914	4,554 1,694,900
Total Net Assets	\$ 12,903	\$ 186,923	\$ 329,339	\$ 78,564	\$ 278,458	\$ 56,096	\$ 158,873	\$ 2,808	\$ 1,103,964	\$ 1,699,454

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	Transportation Fund	Related Services Fund	Alternative Middle & High School Fund	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Service Fund	Fairfield Initiative	Food Service Fund	Totals		
										2011	2010	
OPERATING REVENUES:												
Local Sources:												
Daily sales - reimbursable programs:												
School lunch and breakfast program	\$	\$	\$	\$	\$	\$	\$	\$	\$	6,903	6,903	7,214
Total daily sales - reimbursable programs										6,903	6,903	7,214
N.J. Dept of Human Services - Fees						818,160				818,160		662,793
Cumberland County Freeholders												12,450
Rentals												1,326,212
Tuition		137,700	546,632		312,667			564,038		1,561,037		187,253
Transportation												1,604,016
Non-Public School Program				1,442,742						1,442,742		2,784,435
Services provided other LEAs		2,522,640			35,833		424,741			2,983,214		
Total Operating Revenue		2,660,340	546,632	1,442,742	348,500	818,160	424,741	564,038	6,903	6,812,056		6,584,373
OPERATING EXPENSES:												
Salaries		2,257,179	341,514	1,005,837	284,144	293,827	307,202	192,145		4,681,848		4,465,487
Employee benefits		714,685	77,732	440,970		50,509	110,970	94,853		1,489,719		1,111,559
Purchased professional and technical services							8,950		9,216	18,166		60,655
Purchased Technical Services							1,720		1,000	2,720		87,225
Purchased Professional /Educ services		21,086		35,275		334,044				390,405		389,895
Purchased Professional Services		302	603	37,513	603	73,342		603		112,966		105,271
Purchased Education services												15,631
Purchased property services										12,765		94,753
Rental of Buildings		16,000	86,134							102,134		16,000
Maintenance												
Energy				5,353						5,353		6,198
Other purchased services		45,912	13,340	18,262	7,949	3,187	14,993	3,420	994	108,057		116,659
Communications Telephone			2,705			7,105				9,810		9,994
Supplies and materials		20,694		9,930	9,214	8,590	5,471			53,899		152,555
General Supplies			4,340							4,340		53,999
Textbooks												2,463
Travel		5,118		5,510		970	3,137			14,735		24,364
Cost of sales									62,472	62,472		50,515
Other objects		612			8,834			5,270		14,716		7,231
Required Maintenance:												
General Supplies				17,265				12,593		29,858		3,370
Cleaning /Repair /Maintenance			332	142,071						142,403		154,870
Utilities												19,099
Depreciation		1,784		13,284				916		15,984		8,884
Total Operating Expenses	\$	\$ 3,083,372	\$ 526,700	\$ 1,731,270	\$ 310,744	\$ 784,339	\$ 452,443	\$ 309,800	\$ 73,682	\$ 7,272,350		\$ 6,956,677

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	Transportation Fund	Related Services Fund	Alternative Middle & High School Fund	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Service Fund	Construction Service Fund	Custodial Maintenance Fund	Fairfield Initiative	Food Service Fund	Totals	
												2011	2010
Operating Income (Loss)	\$ -	\$ (423,032)	\$ 19,932	\$ (288,528)	\$ 37,756	\$ 33,821	\$ (27,702)	\$ -	\$ -	\$ 254,238	\$ (66,779)	\$ (460,294)	\$ (372,304)
Non-Operating Revenues:													
Local Sources - Board Subsidy											9,216	9,216	9,756
Prior Year Revenue Adjustment		(12,645)		(150)			322				1,440	(11,033)	(9,864)
State Sources:													
State school breakfast program													829
State school lunch program											786	786	1,153
Federal Sources:													
School breakfast program											18,838	18,838	12,221
Food Distribution Program											1,048	1,048	
National school lunch program											35,925	35,925	28,662
Total Non-Operating Revenues		(12,645)		(150)			322				67,253	54,780	42,757
Transfers	(63,159)	213,159		225,000	(250,000)			(81,735)	(21,923)	(211,318)		(189,976)	(147,257)
Net Increase in Net Assets	(63,159)	(222,518)	19,932	(63,678)	(212,244)	33,821	(27,380)	(81,735)	(21,923)	42,920	474	(595,490)	(476,804)
Net Assets - July 1	63,159	235,421	166,991	393,017	290,808	244,637	83,476	81,735	21,923	115,953	2,334	1,699,454	2,176,258
Net Assets - June 30	\$ -	\$ 12,903	\$ 186,923	\$ 329,339	\$ 78,564	\$ 278,458	\$ 56,096	\$ -	\$ -	\$ 158,873	\$ 2,808	\$ 1,103,964	\$ 1,699,454

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	Transportation Fund	Related Services Fund	Alternative Middle & High School Fund	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Business Services Fund	Construction Service Fund	Custodial Maintenance Fund	Fairfield Initiative	Food Service Fund	Totals	
												2011	2010
Cash Flows from Operating Activities:													
Operating income (loss)	\$ -	\$ (423,032)	\$ 19,932	\$ (288,528)	\$ 37,756	\$ 33,821	\$ (27,702)	\$ -	\$ -	\$ 254,238	\$ (66,779)	\$ (460,294)	\$ (372,304)
Adjustments to reconcile operating income (loss) to cash used by operating activities:													
Depreciation		1,784		13,284						916		15,984	8,884
Change in assets and liabilities:													
(Increase)/ decrease in accounts receivable		(109,984)	(51,860)	(171,937)	(21,000)	2,197	16,499	10,566		1,000	(1,173)	(325,692)	494,152
(Increase)/ decrease in inventory											254	254	(1,008)
(Increase)/ decrease in interfund receivables													
(Increase)/ decrease in prepaid expenses													
Increase/(decrease) in accounts payable		(2,969)		(3,084)		(819)	7,451			(120)	7,639	8,098	(38,714)
Net Cash Provided By (Used For) Operating Activities		(534,201)	(31,928)	(450,265)	16,756	35,199	(3,752)	10,566	-	256,034	(60,059)	(761,650)	91,010
Cash Flows from Noncapital Financing Activities:													
Board Subsidy											9,216	9,216	9,756
Cash received from state and federal reimbursements											56,597	56,597	42,865
Prior-Year Revenue Adjustment		(12,645)		(150)			322				1,440	(11,033)	(9,864)
Transfer	(63,159)	213,159		225,000	(250,000)			(81,735)	(21,923)	(211,318)		(189,976)	(147,257)
Net Cash Provided by (Used For) Noncapital Financing Activities	(63,159)	200,514		224,850	(250,000)		322	(81,735)	(21,923)	(211,318)	67,253	(135,196)	(104,500)
Cash Flows from Capital and Related Financing Activities													
Purchase of Capital Assets													
Net Cash Provided by (Used For) Capital and Related Financing Activities													
Net Decrease in Cash and Cash Equivalents	(63,159)	(333,687)	(31,928)	(225,415)	(233,244)	35,199	(3,430)	(71,169)	(21,923)	44,716	7,194	(896,846)	(13,490)
Cash and Cash Equivalents, July 1	63,159	109,752	89,683	168,284	286,808	140,504	57,684	71,169	21,923	111,871	(9,924)	1,110,913	1,124,403
Cash and Cash Equivalents, June 30	\$ -	\$ (223,935)	\$ 57,755	\$ (57,131)	\$ 53,564	\$ 175,703	\$ 54,254	\$ -	\$ -	\$ 156,587	\$ (2,730)	\$ 214,067	\$ 1,110,913

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 an/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school district.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	<u>Agency</u>				
	<u>Expendable</u>	<u>Student</u>	<u>Payroll</u>	<u>Total</u>	<u>Total</u>
	<u>Trust</u>	<u>Activity</u>		<u>2011</u>	<u>2010</u>
	<u>Funds</u>				
ASSETS:					
Cash and Cash Equivalents	\$ 1,086	\$ 873	\$ 81	\$ 2,040	\$ 3,517
Total Assets	<u>\$ 1,086</u>	<u>\$ 873</u>	<u>\$ 81</u>	<u>\$ 2,040</u>	<u>\$ 3,517</u>
LIABILITIES:					
Payroll Deductions and Withholdings	\$	\$	\$	\$	867
Interfund Payables			81	81	1,524
Due to Student Groups		873		873	44
Total Liabilities		<u>873</u>	<u>81</u>	<u>954</u>	<u>2,435</u>
NET ASSETS:					
Held in Trust	<u>\$ 1,086</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,086</u>	<u>1,082</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
MEMORIAL EXPENDABLE TRUST FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:		
Local Sources	\$	\$
Interest on Investments	12	3
	<u> </u>	<u> </u>
OPERATING EXPENSES		
Withdrawals		
Operating Income (Loss)	<u>12</u>	<u>3</u>
Net Assets - July 1,	1,074	1,071
	<u> </u>	<u> </u>
Net Assets - June 30,	<u>\$ 1,086</u>	<u>\$ 1,074</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SECURITY UPGRADES TO SCHOOL FACILITIES
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1</u> <u>2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u>	<u>Balance</u> <u>June 30</u> <u>2011</u>
Alternative High School Authorized Cost	\$ 44	\$ 2861	\$ 2032	\$	\$ 873

SALEM COUNTY SPECIAL SERVICES DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,391	\$ 8,057,772	\$ 8,060,082	\$ 81
Total Assets	<u>\$ 2,391</u>	<u>\$ 8,057,772</u>	<u>\$ 8,060,082</u>	<u>\$ 81</u>
LIABILITIES:				
Payroll Deductions, Withholdings and Net Pay	\$ 867	\$ 8,057,691	\$ 8,058,558	
Interfund Payables	1,524	81	1,524	81
Total Liabilities	<u>\$ 2,391</u>	<u>\$ 8,057,772</u>	<u>\$ 8,060,082</u>	<u>\$ 81</u>

LONG-TERM DEBT SCHEDULES

N/A

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 1,102,038	\$ 1,095,947	\$ 1,077,938	\$ 1,047,320	\$ 1,037,489	\$ 6,580,711	\$ 6,756,746	\$ 5,748,409
Restricted	100,000	119,678	100,000	100,000	100,000	537,565	280,291	264,991
Unrestricted	228,379	195,814	184,865	172,917	359,640	384,306	352,606	282,342
Total Governmental Activities Net Assets	\$ 1,430,417	\$ 1,411,439	\$ 1,362,803	\$ 1,320,237	\$ 1,497,129	\$ 7,502,582	\$ 7,389,643	\$ 6,295,742
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$	\$ 5,587	\$ 38,018	\$ 29,134	\$ 13,150
Restricted	360			3,790	6,161	10,088	4,554	1,050
Unrestricted	641,169	930,427	1,207,935	1,314,064	2,005,361	2,128,152	1,665,766	1,089,764
Total Business-Type Activities Net Assets	\$ 641,529	\$ 930,427	\$ 1,207,935	\$ 1,317,854	\$ 2,017,109	\$ 2,176,258	\$ 1,699,454	\$ 1,103,964
District-Wide								
Invested in Capital Assets, Net of Related Debt	\$ 1,102,038	\$ 1,095,947	\$ 1,077,938	\$ 1,047,320	\$ 1,043,076	\$ 6,618,729	\$ 6,785,880	\$ 5,761,559
Restricted	100,360	119,678	100,000	103,790	106,161	547,653	284,845	266,041
Unrestricted	869,548	1,126,241	1,392,800	1,486,981	2,365,001	2,512,458	2,018,372	1,372,106
Total District-Wide Net Assets	\$ 2,071,946	\$ 2,341,866	\$ 2,570,738	\$ 2,638,091	\$ 3,514,238	\$ 9,678,840	\$ 9,089,097	\$ 7,399,706

Source: CAFR Schedule A-1

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities								
Instruction								
Regular	\$ 94,940	\$	\$	\$	\$	\$	\$	\$
Special Education	935,990	1,047,034	1,122,846	1,237,510	942,183	1,360,947	1,731,368	2,135,308
Support Services								
Student and Instruction Related Services	312,094	314,486	140,711	129,621	94,409	224,344	277,711	249,218
General Administrative Services	214,234	202,142	146,397	192,934	217,877	174,791	99,999	165,842
School Administrative Services	186,295	151,938	154,922	161,042	143,233	210,138	213,903	237,011
Central Services and Info. Technology				102,205	63,481	101,416	113,430	166,174
Plant Operations and Maintenance	278,410	243,453	277,089	297,945	246,768	431,645	613,757	406,797
Pupil Transportation	10,640	28,516	23,337	32,782	21,520	29,615	28,911	23,487
Employee Benefits	570,270	620,784	653,436	1,020,574	933,288	1,104,636	1,397,518	1,537,040
Business and Other Support Services	113,424	104,910	196,159					
Interest on Long-Term Debt	20,186							
Unallocated Depreciation and Amortization	39,034	30,442	32,351	34,138	40,485	116,025	134,182	162,619
Total Governmental Activities Expenses	2,775,517	2,743,705	2,747,248	3,208,751	2,703,244	3,753,557	4,610,779	5,083,496
Business-Type Activities								
Food Service	32,449	43,239	40,362	40,182	35,613	47,649	60,405	73,682
Other Enterprise	1,266,884	2,410,189	2,848,785	3,373,834	5,098,138	6,149,082	6,896,272	7,198,668
Total Business-Type Activities Expense	1,299,333	2,453,428	2,889,147	3,414,016	5,133,751	6,196,731	6,956,677	7,272,350
Total District Expenses	\$ 4,074,850	\$ 5,197,133	\$ 5,636,395	\$ 6,622,767	\$ 7,836,995	\$ 9,950,288	\$ 11,567,456	\$ 12,355,846
Program Revenues								
Governmental Activities								
Operating Grants and Contributions	\$ 140,511	\$ 11,691	\$ 237,732	\$ 480,433	\$ 491,156	\$ 569,471	\$ 611,956	\$ 693,365
Total Governmental Activities Program Revenues	140,511	11,691	237,732	480,433	491,156	569,471	611,956	693,365
Business-Type Activities								
Charges for Services								
Food Service	8,123	8,041	7,068	5,227	3,036	3,958	7,214	6,903
Other Enterprise	1,436,663	2,700,853	3,127,391	3,576,437	5,871,287	6,370,164	6,577,159	6,805,153
Operating Grants and Contributions	24,522	24,662	23,372	20,846	23,077	30,187	42,865	56,597
Total Business-Type Activities Program Revenues	1,469,308	2,733,556	3,157,831	3,602,510	5,897,400	6,404,309	6,627,238	6,868,653
Total District Program Revenues	\$ 1,609,819	\$ 2,745,247	\$ 3,395,563	\$ 4,082,943	\$ 6,388,556	\$ 6,973,780	\$ 7,239,194	\$ 7,562,018
Net (Expense)/Revenue								
Governmental Activities	\$ (2,635,006)	\$ (2,732,014)	\$ (2,509,516)	\$ (2,728,318)	\$ (2,212,088)	\$ (3,184,086)	\$ (3,998,823)	\$ (4,390,131)
Business-Type Activities	169,975	280,128	268,684	188,494	763,649	207,578	(329,439)	(403,697)
Total District-Wide Net Expense	\$ (2,465,031)	\$ (2,451,886)	\$ (2,240,832)	\$ (2,539,824)	\$ (1,448,439)	\$ (2,976,508)	\$ (4,328,262)	\$ (4,793,828)
General Revenues and Other Changes in Net Assets								
Governmental Activities								
Property Taxes Levied for General Purposes, net	\$ 272,611	\$ 272,611	\$ 280,789	\$ 303,117	\$ 315,242	\$ 315,242	\$ 305,000	\$ 305,000
Unrestricted Grants and Contributions	144,773	211,067	654	5,353				
Tuition Received	2,482,421	2,237,979	2,220,440	2,395,832	2,088,533	2,853,686	3,421,523	3,668,047
Investment Earnings		1,863	1,545	1,644	7,234	16,208	7,004	3,860
Miscellaneous Income	882	(1,354)	6,843	2,389	2,313	8,415	14,856	17,915
Compensated Absences			(40,567)					
Fixed Assets Adjustment						6,005,507		(879,352)
Prior Year Adjustments					1,251			
Transfers	(5,000)	(9,130)	(8,824)	(10,925)	(13,468)	(9,519)	137,501	180,760
Total Governmental Activities	2,895,687	2,713,036	2,460,880	2,697,410	2,401,105	9,189,539	3,885,884	3,296,230
Business-Type Activities								
Prior Year Revenue Adjustment				(89,500)	(77,862)	(57,948)	(9,864)	(11,033)
Transfer	5,000	9,130	8,824	10,925	13,468	9,519	(137,501)	(180,760)
Total Business-Type Activities	5,000	9,130	8,824	(78,575)	(64,394)	(48,429)	(147,365)	(191,793)
Total District-Wide	\$ 2,900,687	\$ 2,722,166	\$ 2,469,704	\$ 2,618,835	\$ 2,336,711	\$ 9,141,110	\$ 3,738,519	\$ 3,104,437
Change in Net Assets								
Governmental Activities	\$ 260,681	\$ (18,978)	\$ (48,636)	\$ (30,908)	\$ 189,017	\$ 6,005,453	\$ (112,939)	\$ (1,093,901)
Business-Type Activities	174,975	289,258	277,508	109,919	699,255	159,149	(476,804)	(595,490)
Total District-Wide	\$ 435,656	\$ 270,280	\$ 228,872	\$ 79,011	\$ 888,272	\$ 6,164,602	\$ (589,743)	\$ (1,689,391)

Source: CAFR Schedule A-2

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund								
Reserved	\$ 141,945	\$ 119,678	\$ 101,472	\$ 100,000	\$ 222,729	\$ 210,626	\$ 157,811	\$ 100,000
Unreserved	202,578	216,951	245,097	277,280	283,586	322,185	339,065	356,967
Total General Fund	\$ 344,523	\$ 336,629	\$ 346,569	\$ 377,280	\$ 506,315	\$ 532,811	\$ 496,876	\$ 456,967
All Other Governmental Funds								
Reserved	\$	\$	\$	\$	\$	\$	\$ 114,762	\$ 114,762
Unreserved, Reported in:								
Special Revenue Fund								
Capital Projects Fund						437,565	65,529	50,229
Total All Other Governmental Funds	\$	\$	\$	\$	\$	\$ 437,565	\$ 180,291	\$ 164,991

Source: CAFR Schedule B-1

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
County Tax Levy	\$ 272,611	\$ 272,611	\$ 272,611	\$ 272,611	\$ 280,789	\$ 291,459	\$ 303,117	\$ 315,242	\$ 305,000	\$ 305,000
Tuition Charges	1,718,859	2,181,574	2,482,421	2,237,979	2,220,440	2,395,832	2,088,533	2,853,686	3,421,523	3,668,047
Interest Earnings	8,783	2,914				1,644	7,234	16,208	7,004	3,860
Miscellaneous	22,784	20,197	1,382	509	8,388	2,389	2,313	8,415	19,380	21,845
Other Sources					3,500					
State Sources	340,378	369,971	156,370	222,257	234,232	431,513	491,156	524,485	594,233	673,773
Federal Sources	27,741	4,120	128,414	501	654	54,273		44,986	13,199	15,662
Total Revenues	2,391,156	2,851,387	3,041,198	2,733,857	2,748,003	3,177,110	2,892,353	3,763,022	4,360,339	4,688,187
Expenditures										
Instruction										
Regular	154,774	168,940	94,940							
Special Education Instruction	748,517	882,845	935,990	1,047,034	1,122,846	1,237,510	942,183	1,360,947	1,731,368	2,135,308
Support Services										
Student and Instruction Related Services	336,031	307,442	312,094	314,486	140,711	129,621	94,409	224,344	277,711	249,218
General Administrative Services	197,487	207,357	214,234	151,938	146,397	192,934	217,877	174,791	99,999	165,842
School Administrative Services	164,163	175,493	186,295	202,142	154,922	161,042	143,233	210,138	213,903	237,011
Central Services	130,732	135,670	133,610	104,910	196,159	101,745	61,493	96,999	100,148	120,192
Administrative Information Tech, Serv						460	1,988	4,417	13,282	45,982
Plant Operations and Maintenance	240,925	267,838	278,410	243,453	277,089	297,945	246,768	431,645	613,757	406,797
Pupil Transportation	8,461	9,575	10,640	28,516	23,337	32,782	21,520	29,615	28,911	23,487
Unallocated Employee Benefits	399,503	507,176	570,270	615,791	653,436	977,915	990,976	1,102,806	1,401,753	1,506,685
Capital Outlay	49,026	52,794	194,846	24,351	14,342	3,520	25,194	5,653,740	310,217	33,634
Total Expenditures	2,429,619	2,715,130	2,931,329	2,732,621	2,729,239	3,135,474	2,745,641	9,289,442	4,791,049	4,924,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,463)	136,257	109,869	1,236	18,764	41,636	146,712	(5,526,420)	(430,710)	(235,969)
Other Financing Sources (Uses)										
Bond Proceeds								6,000,000		
Cancellation of Prior Year Receivables	(25,000)						(4,209)			
Capital Lease (Non-budgeted)										
Transfers	(1,000)	(28,563)	(5,000)	(9,130)	(8,824)	(10,925)	(13,468)	(9,519)	137,501	180,760
Total Other Financing Sources (Uses)	(26,000)	(28,563)	(5,000)	(9,130)	(8,824)	(10,925)	(17,677)	5,990,481	137,501	180,760
Net Change in Fund Balances	\$ (64,463)	\$ 107,694	\$ 104,869	\$ (7,894)	\$ 9,940	\$ 30,711	\$ 129,035	\$ 464,061	\$ (293,209)	\$ (55,209)
Debt Service as a Percentage of										
Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Prior Year Accounts Payable Cancelled	Refund of Prior Year Expenditure	Insurance Refund	Payment in Lieu of Debt Service	Internal Service Revenue	Misc.	Total
2011	\$ 3,860	\$ 3,668,047	\$	\$	\$	\$	\$	\$ 16,471	\$ 3,688,378
2010	7,004	3,421,523						14,856	3,443,383
2009	16,208	2,853,686						8,415	2,878,309
2008	7,234	2,088,533		2,049				264	2,098,080
2007	1,644	2,395,832						2,389	2,399,865
2006	1,545	2,220,440		289				6,554	2,228,828
2005	1,863	2,237,979						(1,354)	2,238,488
2004	821	2,482,421						561	2,483,803
2003	2,914	2,181,574				16,188		4,009	2,204,685
2002	8,783	1,718,859		450		19,537		2,797	1,750,426

Source: District Records

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>		<u>Population ^a</u>		<u>Personal Income (thousands of dollars) ^b</u>		<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2011	**	68,354	\$	2,737,740,881	\$	40,052	N/A
2010	**	68,332		2,696,413,529		39,460	11.3%
2009		66,342		2,541,628,362		38,311	10.7%
2008		66,194		2,516,894,462		38,023	6.3%
2007		65,981		2,401,774,381		36,401	4.9%
2006		65,929		2,316,085,770		35,130	5.0%
2005		65,465		2,178,216,945		33,273	4.8%
2004		64,914		2,129,373,942		32,803	5.3%
2003		64,407		2,013,620,448		31,264	6.9%
2002		64,516		1,946,447,720		30,170	6.4%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income

^c Per Capita

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

** Estimates

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</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>	<u>2011</u>
Instruction										
Regular							1	1	1	2
Special education	15	15	15	14	15	14	15	16	16	20
Other special education	24	24	24	20	23	17	20	27	27	27
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services	7	7	8	8	8 *	17	18	18	20	20
General administrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	2	2	2	2	2	2	2	2	2	2
Business administrative services			1	1	1	-		1.25	2.5	2.5
Plant operations and maintenance										
Pupil transportation										
Food Service										
Total	49	49	51	46	50	51	57	66.25	69.5	74.5

* Increase in Child Study Team Staff

Source: District Personnel Records

School Aide Position Report as of 9/30 each year.

Certified Staff report as of 10/15 each year.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Emotionally Disturbed	Cognitive - Severe	Autistic	Multi-Handicapped				
2011	170	\$ 4,890,522	\$ 28,768	-30.02%	26	6.0 : 1	3.0 : 1	5.0 : 0	9.0 : 0	160.9	149.5	15.18%	92.91%
2010	109	4,480,832	41,109	-5.02%	25	5.0 : 1	7.0 : 1	6.0 : 0	4.0 : 0	139.7	128.5	17.59%	91.98%
2009	84	3,635,702	43,282	32.05%	17	6.0 : 1	6.0 : 1	4.0 : 1	5.0 : 1	118.8	91.9	39.93%	77.36%
2008	83	2,720,447	32,776	2.56%	15	7.0 : 1	5.0 : 1	4.0 : 1	3.4 : 0	84.9	90.6	-0.82%	106.71%
2007	98	3,131,954	31,959	-2.30%	14	7.0 : 1	5.0 : 1	5.5 : 1	3.7 : 1	85.6	79.1	15.21%	92.41%
2006	83	2,714,897	32,710	6.89%	15	5.4 : 1	4.7 : 1	5.2 : 1	3.6 : 1	74.3	93.8	-17.17%	126.24%
2005	89	2,708,270	30,602	-4.95%	14	6.0 : 1	5.0 : 1	6.0 : 1	5.0 : 1	89.7	83.3	-7.05%	92.87%
2004	85	2,736,483	32,194	16.09%	15	6.0 : 1	5.0 : 1	6.0 : 1	5.0 : 1	96.5	89.4	-4.93%	92.64%
2003	96	2,662,336	27,733	3.68%	15	6.0 : 1	5.0 : 1	6.0 : 1	5.0 : 1	101.5	93.4	3.89%	92.02%
2002	89	2,380,593	26,748	10.98%	15	6.0 : 1	5.0 : 1	6.0 : 1	5.0 : 1	97.7	90.8	-11.66%	92.94%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on June Student Placement Report

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- 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).

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	<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>	<u>2011</u>
<u>District Building</u>										
<u>Elementary, Middle & High</u>										
Daretown										
Square Feet	22,464	22,464	22,464	22,464	22,464	22,464	22,464	22,464	22,464	22,646
Capacity (students)	80	80	80	80	80	80	80	80	80	80
Enrollment	41	47	49	41	44	38	48	48	49	47
Cumberland										
Square Feet								32,619	32,619	32,619
Capacity (students)								80	80	80
Enrollment								24	60	43
<u>Other</u>										
Administration Building										
Square Feet										
Transportation										
Square Feet										
Maintenance Offices										
Square Feet										

Number of Schools at June 30, 2011

- Elementary = 2
- Middle School = 2
- High School = 2
- Other =

Source: District records, ASSA

Note: Increases in square footage and capacity are the result of additions.

Enrollment is based on the student placement report 6/20/10.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
(UNAUDITED)

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

<u>School Facilities</u>	<u>Project #</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Daretown	\$	44,986	\$ 82,373	\$ 141,364	\$ 32,642	\$ 23,470	\$ 20,755	\$ 14,977	\$ 13,669	\$ 21,704	\$ 16,711
Cumberland Campus		27,656	44,854	18,559							
Total School Facilities		<u>72,642</u>	<u>127,227</u>	<u>159,923</u>	<u>32,642</u>	<u>23,470</u>	<u>20,755</u>	<u>14,977</u>	<u>13,669</u>	<u>21,704</u>	<u>16,711</u>
Other Facilities											
Grand Total	\$	<u>72,642</u>	<u>\$ 127,227</u>	<u>\$ 159,923</u>	<u>\$ 32,642</u>	<u>\$ 23,470</u>	<u>\$ 20,755</u>	<u>\$ 14,977</u>	<u>\$ 13,669</u>	<u>\$ 21,704</u>	<u>\$ 16,711</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	School Package Policy		
	Blanket Building & Personal Property	\$ 9,297,652	\$ 1,000
	Comprehensive General Liability		
	Products and Completed Operations Limit	11,000,000	
	Personal Advertising Injury Limit	11,000,000	
	Bodily Injury and Property Damage	11,000,000	
	Comprehensive Automobile Liability	11,000,000	
	Board of Education Legal Liability	11,000,000	5,000
	Boiler & Machinery - Property & Extra Expense	100,000,000	1,000
	Commercial Crime Section	1,000,000	1,000
	Workers' Compensation	2,000,000	
Commercial Inland Marine	285,000	1,000	
NJSBAIG	Workers' Compensation Supplement Policy	Full Salary Less Temp. Disability Benefit	
Fireman's Fund	Excess Liability Policy	50,000,000	
Markel Insurance Co	Compulsory Student Accident Insurance	1,000,000	
	Catastrophic Student Accident		
	Accident Medical Expense - Maximum per Participant	5,000,000	
	Catastrophic Cash Benefit - Maximum Benefit	500,000	
Ohio Casualty Ins Co.	Surety Bonds		
	Business Administrator	10,000	
	Business Administrator	10,000	
	Treasurer	150,000	

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
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Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

September 23, 2011

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable President and
Members of the Board of Education
Salem County Special Services School District
County of Salem, New Jersey 08079

We have audited the financial statements of the governmental activities, the business – type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education of the Salem county Special Services School District's basic financial statements and have issued our report thereon dated September 23, 2011. We conducted our audit 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; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Salem County Special Services Board of Education'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 Salem County Special Services Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Salem County Special Services Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Salem County Special Services Board of Education'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 and Regulatory Compliance, Department of Education, State of New Jersey. However, we noted four other immaterial matters that were reported to the Board of Education of the Salem County Special Services School District in a separate report entitled, Auditor's Management Report on Administrative Findings-Financial Compliance and Performance dated September 23, 2011.

This report is intended solely for the information and use of the audit committee, management, the Salem County Special Services Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

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A Professional Association

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September 23, 2011

INDEPENDENT AUDITOR'S 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 NEW JERSEY OMB CIRCULAR 04-04

The Honorable President and
Members of the Board of Education
Salem County Special Services School District
County of Salem, New Jersey 08079

Compliance

We have audited the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2011. The Salem County Special Services Board of Education's major 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 state programs is the responsibility of the Salem County Special Services Board of Education's management. Our responsibility is to express an opinion on the Salem County Special Services 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 and Regulatory Compliance, Department of Education, State of New Jersey and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, New Jersey OMB's 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 state program occurred. An audit includes examining, on a test basis, evidence about the Salem County Special Services 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 Salem County Special Services Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the Salem County Special Services School District, in the County of Salem, 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 state programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of the Salem County Special Services School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Salem County Special Services Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with NJ 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 Salem County Special Services School District's 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 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 state program will not be prevented or detected and corrected, on a timely basis.

Our consideration of the 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.

This report is intended solely for the information and use of the audit committee, management, the Salem County Special Services Board of Education, the New Jersey State Department of Education, other 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. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2010	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	Balance at June 30, 2011			
				From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor	
Enterprise Fund:															
School Breakfast Program	10.553	N/A	\$18,838	7/1/10	- 6/30/11	\$		\$ 14,675	\$ (18,838)			\$	(4,163)		
School Breakfast Program	10.553	N/A	12,221	7/1/09	- 6/30/10	(3,058)		4,437		(1,379)					
Food Distribution Program	10.550	N/A	1,048	7/1/10	- 6/30/11			1,048	(1,048)						
National School Lunch Program	10.555	N/A	35,925	7/1/10	- 6/30/11			28,824	(35,925)				(7,101)		
National School Lunch Program	10.555	N/A	28,662	7/1/09	- 6/30/10	(6,725)		6,725							
Total U.S. Department of Agriculture						(9,783)		55,709	(55,811)	(1,379)			(11,264)		
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Special Revenue Fund:															
REAP - II	84.358A	S358AO56158	25,663	7/1/10	- 9/30/11			6,891	(6,891)						
REAP - II	84.358A	S358AO56158	21,970	7/1/09	- 9/30/10			8,771	(8,771)						
								15,662	(15,662)						
Total Federal Awards						\$ (9,783)		\$ 71,371	\$ (71,473)	\$ (1,379)			\$ (11,264)		

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

A Single Audit was not required in accordance with OMB Circular A-133 since the total of all federal grant expenditures was less than \$500,000.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Adj./ Repayment of Prior Years' Balances	Balance at June 30, 2011			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor at	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
General Fund														
On Behalf TPAF Non-Contributory Ins	11-495-034-5095-007	\$ 13,774	7/1/10- 6/30/11	\$			\$ 13,774	\$ (13,774)	\$				*	\$ 13,774
On Behalf TPAF Post Retirement Contrib.	11-495-034-5095-001	292,556	7/1/10- 6/30/11				292,556	(292,556)					*	292,556
Reimbursed TPAF Social Security Contrib.	11-495-034-5095-002	367,443	7/1/10- 6/30/11				349,339	(367,443)		(18,104)			*	367,443
Reimbursed TPAF Social Security Contrib.	10-495-034-5095-002	357,986	7/1/09 - 6/30/10	(17,827)			17,827							
				(17,827)			673,496	(673,773)		(18,104)				673,773
Special Revenue Fund														
State Department of Education:														
Food Service Enterprise Fund														
State Department of Agriculture:														
National School Breakfast Prog.(State Share)	10-100-010-3350-021	829	7/1/09 - 6/30/10	(196)			257		(61)					
National School Lunch Program (State Share)	10-100-010-3350-023	786	7/1/10- 6/30/11				631	(786)		(155)			*	786
National School Lunch Program (State Share)	10-100-010-3350-023	1,153	7/1/09 - 6/30/10	(267)			267							
				(463)			1,155	(786)	(61)	(155)				786
Total State Financial Assistance				\$ (18,290)			\$ 674,651	\$ (674,559)	\$ (61)	\$ (18,259)				\$ 674,559

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.

These funds were not audited in accordance with NJ OMB Circular 04-04 since the total of all state grant expenditures was less than \$500,000.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Salem County Special Services School District. The Board of Education 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.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the 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 this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits for States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 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 *N.J.S.A.*, 18A:22-44.2. 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:22-44.2.

There were no net adjustments to reconcile from the budgetary basis to the GAAP basis for the general or special revenue funds. See Note 1 (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:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT.
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 673,773	\$ 673,773
Special Revenue Fund	15,662		15,662
Food Service Fund	<u>55,811</u>	<u>786</u>	<u>56,597</u>
Total Awards & Financial Assistance	\$ <u>71,473</u>	\$ <u>674,559</u>	\$ <u>746,032</u>

NOTE 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.

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The Salem County Special Services School District had no outstanding loans at June 30, 2011.

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2011. 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, 2011.

NOTE 7: SCHOOLWIDE PROGRAM FUNDS

As the District's Federal Programs are on a targeted student group basis, there are no schoolwide programs in the District.

NOTE 8: MAJOR PROGRAMS

The award designated as a major program is identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Cost.

NOTE 9: ADJUSTMENTS

Included on Schedule A and B are immaterial prior year revenue adjustments of \$1,379 and \$61 respectively.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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? _____ yes X no

2) Significant deficiencies identified? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards N/A

Internal control over major programs:

1) Material weakness (es) identified? _____ yes _____ no

2) Significant deficiencies identified? _____ yes _____ none reported

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

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

CFDA Number(s) _____ Name of Federal Program or Cluster _____

No Major Federal Programs

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

Auditee qualified as low-risk auditee? X yes _____ no

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

Section II - Financial Statement Findings

Finding: 2011-2

Criteria or specific requirement:

Generally Accepted Accounting Principles for New Jersey School Districts requires that districts maintain a fixed asset accounting system that includes asset descriptions, historical cost, funding source, estimated useful lives, depreciation expense and accumulated depreciation.

Condition:

The fixed asset report, provided by the contracted outside appraisal company, did not appear to include a portion of the building cost and depreciation for the Cumberland Campus. In addition, there was also \$33,634 in current year acquisition costs that were not included in the updated report. An adjustment was included in the financial statements to reflect these costs, as well as other adjustments, reflected in the fixed asset report prepared by the outside company.

Context:

Fixed asset reporting is required by GASB 34 and included in the District-wide Financial Statements.

Effect:

Material misstatement of the financial statements would have resulted, pertaining to historical cost and accumulated depreciation on the statement of net assets and depreciation expense on the statement of activities, if the adjustments were not made as part of the audit.

Cause:

Inadvertent oversight.

Recommendation:

Additional fixed asset information should be provided to the outside appraisal company, in order to acquire an updated fixed asset report as of June 30, 2011.

Management's response:

The finding will be addressed in the corrective action plan, as required by the New Jersey Department of Education.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)

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

FEDERAL AWARDS

Finding: 2011-1

Information on the state program:

National School Lunch Program CFDA# 10.555, National School Breakfast Program CFDA# 10.553

Criteria or specific requirement:

In order to receive reimbursement for free and reduced meals, appropriate approved applications must be on file.

Condition:

The number of free, reduced and paid meals submitted for federal and state reimbursement appeared to exceed the numbers supported by available documentation and approved applications. While the exact amount of potential over-claim was not determined, it was not considered material.

Questioned Costs: N/A

Effect:

While the effect is considered immaterial, the actual amount of over-claim has not been determined.

Cause:

Children that did not possess the money for their meals were fed and these meals appeared to be reported as free or reduced meals on the monthly reimbursement claim forms, rather than paid meals funded by the District.

Recommendation:

The district should review and revise procedures to calculate and report the proper number of free, reduced and paid meals served in the food service operation.

Management's response:

The finding will be addressed in the corrective action plan, as required by the New Jersey Department of Education.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (CONT'D)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs (continued)**

STATE FINANCIAL ASSISTANCE

Finding: 2011-1

Information on the state program:

National School Lunch Program and National School Breakfast Program

Criteria or specific requirement:

In order to receive reimbursement for free and reduced meals, appropriate approved applications must be on file.

Condition:

The number of free, reduced and paid meals submitted for federal and state reimbursement appeared to exceed the numbers supported by available documentation and approved applications. While the exact amount of potential over-claim was not determined, it was not considered material.

Questioned Costs: N/A

Effect:

While the effect is considered immaterial, the actual amount of over-claim has not been determined.

Cause:

Children that did not possess the money for their meals were fed and these meals appeared to be reported as free or reduced meals on the monthly reimbursement claim forms rather than paid meals funded by the District.

Recommendation:

The district should review and revise procedures to calculate and report the proper number of free, reduced and paid meals served in the food service operation.

Management's response:

The finding will be addressed in the corrective action plan, as required by the New Jersey Department of Education.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

NONE