

**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, 2012**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

**Salem County Special Services Board of Education**

**Salem County, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**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**

Superintendent

Phone (856)769-0101 Fax (856) 769-3602

**Melanie M.Allen**

Business Administrator/Board Secretary

Phone (856) 769-0101 x5312 Fax (856) 769-3602

November 7, 2012

Honorable President and

Members of the Board of Education

Salem County Special Services School District

PO Box 126

Woodstown, New Jersey 08098

The comprehensive annual financial report of the Salem County Special Services School District for the fiscal year ended June 30, 2012, 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.
  
3. **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, and superintendent. 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 and 91 students during the 2009-2010 school year to serving 103 students during the 2011-2012 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 2011-2012 school year saw significant growth, yet again, in the ASD programs. At the end of the fiscal year there were 6 classes in rented facilities in the Pittsgrove Township Middle School and 2 classes in rented facilities at the Upper Pittsgrove School. 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 2 full classes and occupies 3 rooms at the Cumberland Campus during 2011-2012. The program will be moving to the Salem County Vocational Technical Campus for the coming year. 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 2012 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, 2012.

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,



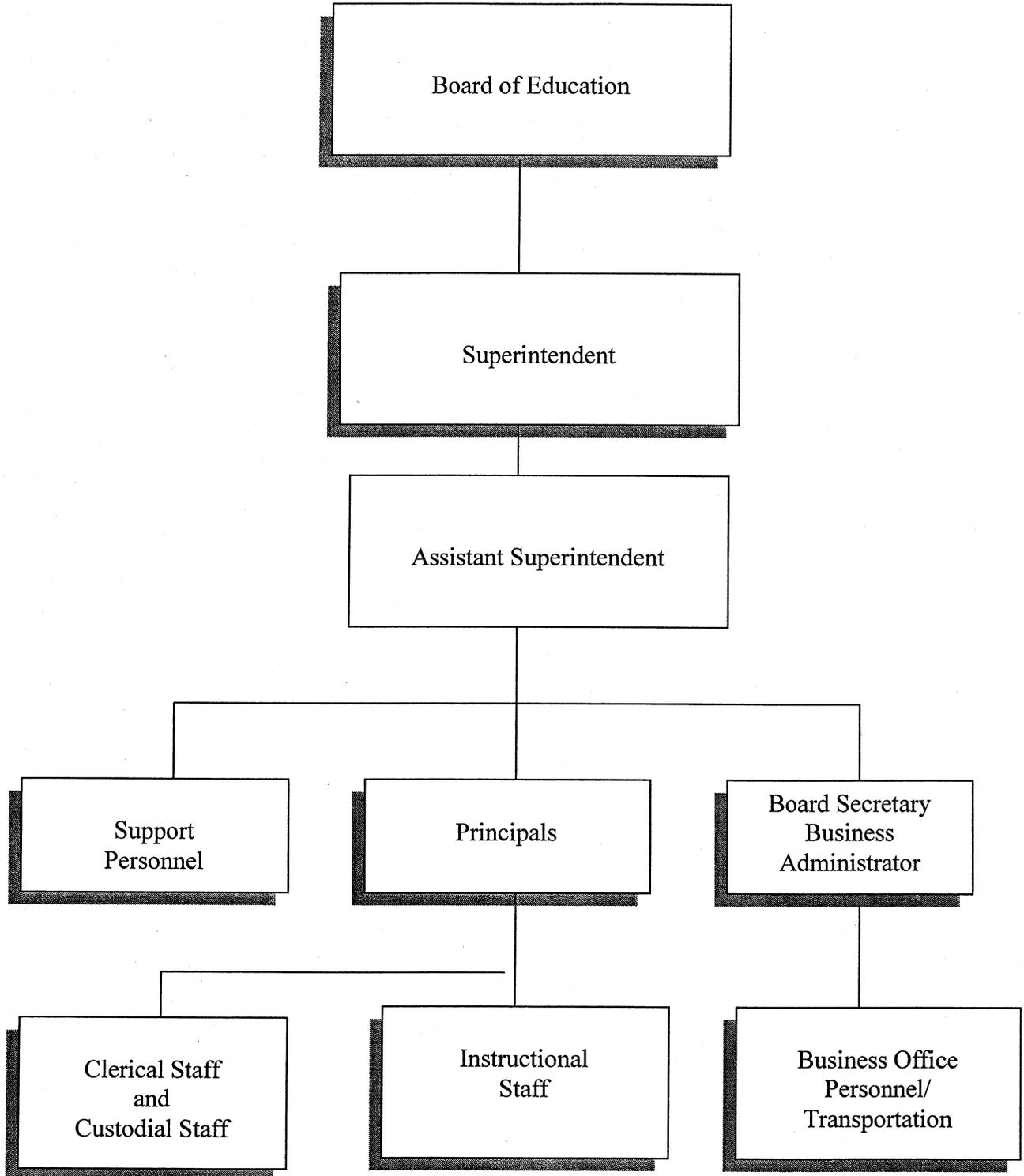
Loren D. Thomas  
Superintendent of Schools



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, 2012**

<b><u>MEMBERS OF THE BOARD OF EDUCATION</u></b>	<b><u>TERM EXPIRES</u></b>
Dr. James Field, President (To 5/8/12)	2012
David Moffett (From 5/8/12)	2015
Mary Cummings	2015
James Davis	2014
Nicole Stemberger, ex officio	2014
Patricia Bomba	2013
Earl Ransome	2013
Robert Bumpus - Executive County Superintendent of Schools	2012

**OTHER OFFICIALS**

Loren Thomas, Ed.D., Superintendent

Shay E. Richardson, Assistant Superintendent

Melanie Allen, Board Secretary/Business Administrator

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

**ARCHITECT**

Garrison Architects  
14000F Commerce Parkway  
Mount Laurel, New Jersey 08054

**AUDIT FIRM**

Raymond Colavita, CPA, RMA  
Nightlinger, Colavita and Volpa, P.A.  
P.O. Box 799  
Williamstown, New Jersey 08094

**ATTORNEY**

Mark G. Toscano  
Comegno Law Group, P.C.  
521 Pleasant Valley Ave.  
Moorestown, NJ 08057

**INSURANCE AGENT**

Conner Strong & Buckelew  
P.O. Box 358  
Bridgeton, New Jersey 08302

**OFFICIAL DEPOSITORY**

The Bank  
450 Bridgeton Pike  
Mantua, New Jersey 08051

**FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
Williamstown, NJ 08094

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

November 7, 2012

## 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, 2012, 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 Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012, 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 November 7, 2012 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 considering 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 financial statements as a whole. The introductory section, combining fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

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, 2012

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, 2012. 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 2012 are as follows:

- ❖ General revenues accounted for \$4,580,552 in revenue or 39.9 % 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 \$6,898,088 or 60.1 % percent to total revenues of \$11,478,640.
- ❖ Net assets of governmental activities decreased by \$277,492 comprised primarily of changes in cash and cash equivalents, liabilities and capital assets.
- ❖ The School District had \$12,251,024 in expenses. Of these expenses, \$6,898,088 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 \$5,445,505 in revenues, \$5,482,163 in expenditures and a transfer to the enterprise fund of \$9,868. The General Fund's balance decreased \$46,526 over 2011. This decrease was anticipated by the Board of Education.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand 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 2012?" 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 2012 and 2011.

**Table 1**  
**Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current and other assets	\$ 1,430,197	\$ 710,786
Capital assets, net	5,693,635	5,748,409
Total Assets	<u>7,123,832</u>	<u>6,459,195</u>
<b>Liabilities</b>		
Long-term liabilities	108,835	74,625
Other liabilities	387,675	88,828
Total Liabilities	<u>496,510</u>	<u>163,453</u>
<b>Net Assets</b>		
Invested in capital assets, net of debt	5,693,635	5,748,409
Restricted	127,734	264,991
Unrestricted	805,953	282,342
Total net assets	<u>\$ 6,627,322</u>	<u>\$ 6,295,742</u>

Table 2 shows the changes in net assets from fiscal year's 2012 and 2011.

**Table 2 - Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Programs revenues		
Charges for services	\$ 5,920,464	\$ 6,812,056
Operating grants and contributions	977,624	749,962
General Revenues		
County taxes	305,000	305,000
Tuition	4,240,117	3,668,047
Other	35,435	10,742
Total Revenues	<u>11,478,640</u>	<u>11,545,807</u>
<b>Program Expenses</b>		
Instruction	2,221,475	2,135,308
Support Services		
Pupils and instructional staff	266,142	249,218
General administration, school administration, business	645,731	569,027
Operations and maintenance of Facilities	422,323	406,797
Pupil Transportation	63,879	23,487
Employee Benefits	1,940,825	1,537,040
Enterprise Funds		
Food Service	73,800	73,682
Other Shared Service Funds	6,420,093	7,198,668
Fixed Asset Adjustment		879,352
Other	196,756	162,619
Total Expenses	<u>12,251,024</u>	<u>13,235,198</u>
Increase in net assets	<u>\$ (772,384)</u>	<u>\$ (1,689,391)</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 \$11,478,640 for the fiscal year ended June 30, 2012, which includes the transfer of \$9,868 to the Enterprise Fund. County taxes made up 2.7 % of revenues for governmental activities for fiscal year 2012. Tuition charges accounted for \$4,240,117, or 36.9% of total Governmental Activity revenue. Program revenues account for \$6,898,088, or 60.1% and Miscellaneous revenue accounted for another .3%.

The total cost of all program and services was \$12,251,024. Instruction costs of \$2,221,475 comprised 18.1% of District Governmental Activity expenses. Student Support costs were \$266,142 or 2.2%, Administration costs were \$645,731 or 5.3%, Plant Operation costs were \$422,323 or 3.5%, transportation costs were \$63,879 or .5%, Employee benefits of \$1,940,825 represents 15.8, enterprise costs of \$6,493,893 were 53%, and other costs of \$196,756 were 1.6%.

## 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 \$4,927 and combined other enterprise fund expenses exceeded revenues by \$507,472. This excludes a prior year revenue adjustment of \$7,639 for the food service function. In addition, there was a transfer from the General Fund in the amount of \$9,868 to the food service enterprise fund.
- ❖ Federal and state reimbursements for free and reduced meals were \$61,030.
- ❖ Charges for food services were \$7,843 or 11.4% of revenue. This represents amount paid by patrons for daily food services. Revenue for other enterprises was \$5,912,621 consisting of \$691,329 in N.J. Dept. Of Human Services fees, \$1,322,898 in tuition, \$2,613,028 in services provided other LEA's and \$1,285,366 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 6.7 % of the total governmental activity revenues while 93.3 % of the burden represents tuition charges and other miscellaneous revenues.

**Table 3**

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$ 2,221,475	\$ 2,177,473	\$ 2,135,308	\$ 2,115,716
Support services				
Pupils and instructional staff	266,142	266,142	249,218	249,218
General administration, school administration, business	645,731	645,731	569,027	569,027
Operation and maintenance of facilities	422,323	422,323	406,797	406,797
Pupil Transportation	63,879	63,879	23,487	23,487
Employee Benefit Costs	1,940,825	1,068,233	1,537,040	863,267
Other	196,756	196,756	162,619	162,619
<b>Total Expenses</b>	<b>\$ 5,757,131</b>	<b>\$ 4,840,537</b>	<b>\$ 5,083,496</b>	<b>\$ 4,390,131</b>

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 \$5,489,507 and expenditures of \$5,663,422. The net positive/negative change in General fund balance for the year was a decrease of \$183,783 that included a transfer to the enterprise funds in the net amount of \$9,868. 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, 2012, 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 2011</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 4,572,933	83%	\$ 574,181	18%
State Sources	872,592	16%	198,819	38%
Federal Sources	43,982	1%	28,320	63%
Total	\$ 5,489,507	100%	\$ 801,320	21%

The increase in Local Sources is attributed to increases in tuition revenue of \$572,070, miscellaneous revenue of \$3,227 and a decrease in interest revenue of \$1,116.

The increase in State Sources is attributed to increases in on-behalf pension contributions and social security reimbursements of \$198,819.

The increase in Federal Sources is attributed to increased project funding in the amount of \$28,320.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2012. This excludes the Capital Project Fund.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2011</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 2,221,475	39%	\$ 86,167	6%
Undistributed expenditures	3,304,690	58%	549,476	24%
Capital Outlay	137,257	2%	103,623	113%
Total	\$ 5,663,422	100%	\$ 739,266	20%

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 student and instruction related costs of \$16,924, general administrative expenses of \$48,134, school administrative and central service expenses of \$37,757, plant operations and maintenance of \$15,526, transportation costs of \$40,392 and employee benefits of \$399,930, offset by lower information technology service expenses of \$9,187

The increase of \$103,623 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 2012, 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 \$46,526.

- ❖ Actual revenues were \$125,973 less than expected, due to a shortfall in tuition revenue of \$135,926 and interest on investments of \$256, offset by an excess in miscellaneous income of \$9,552 and other state aid of \$657. This excludes On-Behalf pension and social security state aid of \$871,935.
- ❖ The actual expenditures were \$79,448 lower than expected, excluding the state On-Behalf pension and social security aid of \$871,935. The positive variances were noted on several line items.

## Capital Assets

At the end of the fiscal year 2012, the School District had \$5,693,635 invested in land, buildings, furniture and equipment. Table 4 shows fiscal 2012 balances compared to 2011.

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

	<u>2012</u>	<u>2011</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	6,175	6,650
Building and Improvements	5,583,583	5,627,504
Machinery and Equipment	53,877	77,405
	<u>                    </u>	<u>                    </u>
Totals	\$ 5,693,635	\$ 5,761,559

Overall capital assets decreased \$67,924 from fiscal year 2011. Increases were \$137,257 from the Capital Project Fund for improvements to the Cumberland School, offset by depreciation expense of \$205,181 for the year.

## Debt Administration

At June 30, 2012, the School District had \$108,835 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 on a budget basis, but is facing cash flow issues due to the timing of payments received by other districts for services rendered. District administration is currently working on implementing several new strategies in order to increase cash flowing into the district on a more regular basis.

The District is fully dedicated to the concept of shared services realizing that collaborative arrangements maximize both efficiency and effectiveness. During the 2011-2012 school year, the Salem County Special Services School District provided shared services in the areas of child study team, related services, business administration/board secretary, and superintendent. The shared CTS and Related Services programs are growing and continually adding new schools and districts. During the 2011-2012 school year this program expanded to include counseling in regular K-8 schools. However, these programs need to be financially restructured. The fees charged by the District no longer make the programs profitable.

During the 2011-2012 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 lost some schools during the year due to fewer students attending non public schools and the closure of several local Catholic schools. The outlook for the future of the non public program is uncertain at this time.

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. It remains a strong school and will be for the foreseeable future.

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 8<sup>th</sup> 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](mailto: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, 2012**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 265,666	\$ 6,397	\$ 272,063
Receivables, Net	87,583	820,770	908,353
Interfund Receivable	38,300		38,300
Inventory		80	80
Restricted Assets:			
Cash and Cash Equivalents	211,401		211,401
Capital Assets, Net (Note 5):	5,688,910	4,725	5,693,635
Total Assets	<u>6,291,860</u>	<u>831,972</u>	<u>7,123,832</u>
<b>LIABILITIES</b>			
Accounts Payable	164,775	1,500	166,275
Cash Overdraft		221,320	221,320
Deferred Revenue		80	80
Non-current Liabilities (Note 6):			
Due Within One Year	7,350		7,350
Due Beyond One Year	101,485		101,485
Total liabilities	<u>273,610</u>	<u>222,900</u>	<u>496,510</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,688,910	4,725	5,693,635
Restricted for:			
Capital Projects	27,734		27,734
Other Purposes	100,000		100,000
Unrestricted	201,606	604,347	805,953
Total Net Assets	<u>\$ 6,018,250</u>	<u>\$ 609,072</u>	<u>\$ 6,627,322</u>

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, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Special Education	\$ 2,221,475	\$	\$ 44,002	\$ (2,177,473)	\$	\$ (2,177,473)
Support Services:						
Student & Instruction Related Services	266,142			(266,142)		(266,142)
General and Business Admin Services	213,976			(213,976)		(213,976)
School Administrative Services	235,496			(235,496)		(235,496)
Central Services	159,464			(159,464)		(159,464)
Administrative Info Tech. Services	36,795			(36,795)		(36,795)
Plant Operations and Maintenance	422,323			(422,323)		(422,323)
Pupil Transportation	63,879			(63,879)		(63,879)
Employee Benefits	1,940,825		872,592	(1,068,233)		(1,068,233)
Unallocated Depreciation	196,756			(196,756)		(196,756)
Total Governmental Activities	5,757,131		916,594	(4,840,537)		(4,840,537)
Business-type Activities:						
Food Service	73,800	7,843	61,030		(4,927)	(4,927)
Other Enterprise	6,420,093	5,912,621			(507,472)	(507,472)
Total Business-type Activities	6,493,893	5,920,464	61,030		(512,399)	(512,399)
Total Primary Government	\$ 12,251,024	\$ 5,920,464	\$ 977,624	(4,840,537)	(512,399)	(5,352,936)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				305,000		305,000
Tuition Received				4,240,117		4,240,117
Investment Earnings				2,744		2,744
Miscellaneous Income				25,052		25,052
Prior Year Revenue Adjustment					7,639	7,639
Transfers - Enterprise Funds				(9,868)	9,868	
Total General Revenues, Special Items, Extraordinary Items and Transfers				4,563,045	17,507	4,580,552
Change in Net Assets				(277,492)	(494,892)	(772,384)
Net Assets—Beginning				6,295,742	1,103,964	7,399,706
Net Assets—Ending				\$ 6,018,250	\$ 609,072	\$ 6,627,322

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, 2012**

	<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>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 237,932	\$	\$ 27,734	\$ 265,666
Cash with Fiscal Agent	111,401			111,401
Interfunds Receivable	38,300			38,300
County Tax Levy Receivable	20,000			20,000
Receivables from Other Governments	5,429			5,429
Federal Aid Receivable		43,982		43,982
State Aid Receivable	18,172			18,172
Restricted Cash and Cash Equivalents	100,000			100,000
<b>Total Assets</b>	<b>531,234</b>	<b>43,982</b>	<b>27,734</b>	<b>602,950</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	9,392			9,392
Interfund Payable		37,832		37,832
Deferred Revenue		6,150		6,150
Accrued Employee Benefits	111,401			111,401
<b>Total Liabilities</b>	<b>120,793</b>	<b>43,982</b>		<b>164,775</b>
<b>Fund Balances:</b>				
<b>Restricted For:</b>				
Maintenance Reserve	100,000			100,000
Capital Projects Fund			27,734	27,734
<b>Unassigned, Reported In:</b>				
General fund	310,441			310,441
<b>Total Fund Balances</b>	<b>410,441</b>		<b>27,734</b>	<b>438,175</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 531,234</b>	<b>\$ 43,982</b>	<b>\$ 27,734</b>	

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 \$7,638,394 and the accumulated depreciation is \$1,949,484 (Note 5).

5,688,910

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).

(108,835)

Net Assets of Governmental Activities

\$ 6,018,250

**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, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources:				
County Tax Levy	\$ 305,000	\$	\$	\$ 305,000
Tuition Charges	4,240,117			4,240,117
Interest on Investments	2,744			2,744
Miscellaneous	25,052	20		25,072
Total - Local Sources	<u>4,572,913</u>	<u>20</u>		<u>4,572,933</u>
Other Sources:				
Federal Sources		43,982		43,982
State Sources	872,592			872,592
Total Revenues	<u>5,445,505</u>	<u>44,002</u>		<u>5,489,507</u>
<b>EXPENDITURES</b>				
Current:				
Special Education Instruction	2,177,473	44,002		2,221,475
Support Services:				
Student & Instruction Related Services	266,142			266,142
General Administrative Expenses	213,976			213,976
School Administrative Expenses	235,496			235,496
Central Services	159,464			159,464
Administrative Information Tech Serv.	36,795			36,795
Plant Operations and Maintenance	422,323			422,323
Pupil Transportation	63,879			63,879
Employee Benefits	1,906,615			1,906,615
Capital Outlay			137,257	137,257
Total Expenditures	<u>5,482,163</u>	<u>44,002</u>	<u>137,257</u>	<u>5,663,422</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(36,658)</u>		<u>(137,257)</u>	<u>(173,915)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers - Enterprise Funds	(9,868)			(9,868)
Total Other Financing Sources and Uses	<u>(9,868)</u>			<u>(9,868)</u>
Net Change in Fund Balances	(46,526)		(137,257)	(183,783)
Fund Balance—July 1	456,967		164,991	621,958
Fund Balance—June 30	<u>\$ 410,441</u>	<u>\$ -</u>	<u>\$ 27,734</u>	<u>\$ 438,175</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, 2012**

**Total net change in fund balances - governmental funds (from B-2)** \$ (183,783)

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. (34,210)

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	\$	(196,756)	
Capital outlays		137,257	
			(59,499)

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.

**Change in net assets of governmental activities (A-2)** \$ (277,492)

**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, 2012**

	<b>Business-type Activities -</b>		
	<b>Enterprise Funds</b>		
	<b><u>Food</u></b>	<b><u>Other</u></b>	<b><u>Totals</u></b>
	<b><u>Service</u></b>	<b><u>Enterprise</u></b>	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,397	\$	\$ 6,397
Accounts Receivable:	8,991	811,779	820,770
Inventories	80		80
Total Current Assets	<u>15,468</u>	<u>811,779</u>	<u>827,247</u>
Fixed Assets			
Equipment		47,523	47,523
Less: Depreciation		(42,798)	(42,798)
		<u>4,725</u>	<u>4,725</u>
Total Assets	<u>15,468</u>	<u>816,504</u>	<u>831,972</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable		1,500	1,500
Cash Overdraft		221,320	221,320
Deferred Revenue	80		80
Total Current Liabilities	<u>80</u>	<u>222,820</u>	<u>222,900</u>
<b>NET ASSETS</b>			
Unrestricted	<u>15,388</u>	<u>593,684</u>	<u>609,072</u>
Total Net Assets	<u>\$ 15,388</u>	<u>\$ 593,684</u>	<u>\$ 609,072</u>

**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, 2012**

	Business-type Activities - Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 7,843	\$	\$ 7,843
N.J. Dept. of Human Services - Fees		691,329	691,329
Tuition		1,322,898	1,322,898
Non-Public School Program		1,285,366	1,285,366
Services Provided Other LEA's		2,613,028	2,613,028
	<hr/>	<hr/>	<hr/>
Total Operating Revenue:	7,843	5,912,621	5,920,464
Operating Expenses:			
Salaries		3,294,630	3,294,630
Employee Benefits		1,234,328	1,234,328
Meetings		1,300	1,300
Purchased Professional and Tech Services	1,030	281,629	282,659
Purchased Technical Services	708	3,261	3,969
Purchased Professional /Educ Services		19,019	19,019
Purchased Professional Services		1,182,362	1,182,362
Purchased Property Service		7,740	7,740
Rental of Buildings		132,439	132,439
Other Purchase Services		76,707	76,707
Communications Telephone		8,086	8,086
Supplies and Materials		44,997	44,997
General Supplies		29,514	29,514
Travel		11,715	11,715
Cost of Sales	72,062		72,062
Other Objects		2,096	2,096
Cleaning/Repair/Maintenance		72,172	72,172
Utilities		9,673	9,673
Depreciation		8,425	8,425
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	73,800	6,420,093	6,493,893
Operating Income (Loss)	<hr/> (65,957)	<hr/> (507,472)	<hr/> (573,429)
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	848		848
Other	37		37
Federal Sources:			
National School Breakfast Program	17,527		17,527
Food Distribution Program	4,743		4,743
National School Lunch Program	37,875		37,875
	<hr/>	<hr/>	<hr/>
Total Non-operating Revenues (Expenses)	61,030		61,030
Income (Loss) Before Contributions & Transfers	<hr/> (4,927)	<hr/> (507,472)	<hr/> (512,399)
Transfers In (Out)	9,868		9,868
Prior Year Revenue Adjustment	7,639		7,639
	<hr/>	<hr/>	<hr/>
Change in Net Assets	12,580	(507,472)	(494,892)
Total Net Assets—Beginning	2,808	1,101,156	1,103,964
	<hr/>	<hr/>	<hr/>
Total Net Assets—Ending	\$ 15,388	\$ 593,684	\$ 609,072

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, 2012**

	<b>Business-type Activities -</b>		
	<b>Enterprise Funds</b>		
	<b>Food Service</b>	<b>Other Enterprise</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 7,923	\$ 5,983,541	\$ 5,991,464
Payments to employees		(3,294,630)	(3,294,630)
Payments for employee benefits		(1,234,328)	(1,234,328)
Payments to suppliers	(77,333)	(1,892,700)	(1,970,033)
	<hr/>	<hr/>	<hr/>
Net cash provided by (used for) operating activities	(69,410)	(438,117)	(507,527)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	885		885
Federal Sources	60,145		60,145
Operating subsidies and transfers to other funds	9,868		9,868
Prior-Year revenue Adjustment	7,639		7,639
	<hr/>	<hr/>	<hr/>
Net cash provided by (used for) non-capital financing activities	78,537		78,537
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets			
	<hr/>	<hr/>	<hr/>
Net cash provided by (used for) capital and related financing activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends			
Proceeds from sale/maturities of investments			
	<hr/>	<hr/>	<hr/>
Net cash provided by (used for) investing activities			
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	9,127	(438,117)	(428,990)
Balances—beginning of year	(2,730)	216,797	214,067
	<hr/>	<hr/>	<hr/>
Balances—end of year	\$ 6,397	\$ (221,320)	\$ (214,923)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (65,957)	\$ (507,472)	\$ (573,429)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation		8,425	8,425
(Increase) decrease in accounts receivable, net	2,428	70,920	73,348
(Increase) decrease in inventory	1,678		1,678
Increase (decrease) in accounts payable	(7,639)	(9,990)	(17,629)
Increase (decrease) in deferred revenue	80		
	<hr/>	<hr/>	<hr/>
Total adjustments	(3,453)	69,355	65,822
	<hr/>	<hr/>	<hr/>
Net cash provided by (used for) operating activities	\$ (69,410)	\$ (438,117)	\$ (507,607)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2012**

	<b>Memorial Expendable Trust</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,089	\$ 11,902
	<hr/>	<hr/>
Total Assets	1,089	11,902
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Interfunds Payable		468
Payable to Student Groups		4,188
Payroll Deductions and Withholdings		7,246
	<hr/>	<hr/>
Total Liabilities		\$ 11,902
	<hr/> <hr/>	<hr/> <hr/>
<b>NET ASSETS</b>		
Held in Trust for Memorial	\$ 1,089	
	<hr/> <hr/>	

**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, 2012

	<u>Memorial Expendable Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Plan member	
Interest Income	\$ 3
	<hr/>
Total additions	3
<b>DEDUCTIONS</b>	
Withdrawals from Investments	
	<hr/>
Total Deductions	
	<hr/>
Change in Net Assets	3
Net Assets—Beginning of the Year	1,086
	<hr/>
Net Assets—End of the Year	\$ 1,089
	<hr/> <hr/>

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

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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
-----------------------------	----------

**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, 2012**

**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, 2012**

**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, 2012**

**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 2009-10 fiscal year was computed based on the certified rates as provided by the New Jersey Department of Education and invoiced to the various sending districts. The 2009-10 adjustment of (\$41,655) was reflected in the 2011-12 billings.

**G. Tuition Payable:**

Tuition charges for the fiscal years 2009-10, 2010-11 and 2011-12, 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, 2012.

**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, 2012.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 consisted of the following:

Food	\$	80
Supplies		0
	\$	80

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 2011-2012 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, 2012 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:

A sset Class	Estimated Useful Lives
Scho ol 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, 2012**

**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 \$108,835 at June 30, 2012.

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012, \$955,041 of the districts bank balance of \$1,205,041 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, 2012, 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, 2012.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
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	7,273,865	137,257		7,411,122
Machinery and Equipment	167,772			167,772
Totals at Historical Cost	<u>7,441,637</u>	<u>137,257</u>	-	<u>7,578,894</u>
Less Accumulated Depreciation for :				
Land Improvements	(2,850)	(475)		(3,325)
Building and Improvements	(1,646,361)	(181,178)		(1,827,539)
Equipment	(103,517)	(15,103)		(118,620)
Total Accumulated Depreciation	<u>(1,752,728)</u>	<u>(196,756)</u>	-	<u>(1,949,484)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	5,688,909	(196,756)		5,629,410
<b>Government activities capital assets, net</b>	<u>\$ 5,748,409</u>	<u>\$ (59,499)</u>	<u>\$ -</u>	<u>\$ 5,688,910</u>

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Depreciation expense was charged to governmental functions  
as follows:

Unallocated	<u>\$ 196,756</u>
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<b>Business-Type Activities - Equipment</b>	\$ 47,523	\$ -	\$ -	\$ 47,523
Less Accumulated Depreciation for :	(34,373)	(8,425)		(42,798)
Business-Type Activities Capital Assets - Net	<u>\$ 13,150</u>	<u>\$ (8,425)</u>	<u>\$ -</u>	<u>\$ 4,725</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6. GENERAL LONG-TERM DEBT**

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
<b>Governmental Activities:</b>						
Bonds payable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities:						
Obligations under capital lease						
Compensated absences payable	74,625	34,210		108,835	7,350	101,485
Total other liabilities	<u>\$ 74,625</u>	<u>\$ 34,210</u>	<u>\$ -</u>	<u>\$ 108,835</u>	<u>\$ 7,350</u>	<u>\$ 101,485</u>
<b>Business-Type Activities:</b>						
Compensated absences payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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
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
<b>Total</b>	<u>\$ 5,370,000</u>	<u>\$ 2,518,725</u>	<u>\$ 7,888,725</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012.

**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 \$33,096. Six and one-half 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 \$107,562. 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 \$87,876.12 from August 1, 2011 to July 31, 2012. A new lease was negotiated for the period between August 1, 2012 and July 31, 2015. Offices were subleased in Pennsville, New Jersey from July 1 to June 30 for \$7,740. In addition, custodial services were performed by GCA Services Group, Inc. for \$113,847.85 in the 2011- 2012 school year. The contract was re- bid during the 2010-11 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,	<u>Amount</u>
2013	\$ 80,596
2014	80,448
2015	<u>81,029</u>
Total future minimum lease payments	<u>\$242,073</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, 2012**

**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, 2012**

**NOTE 9. PENSION PLANS (CONT'D)**

**Significant Legislation** - P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the SPRS and PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for the new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7<sup>th</sup> of the required amount, beginning in Fiscal year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the States Defined Contribution Retirement Program.

**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 <u>Funding</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/12	\$ 169,432	100 %	\$ 169,432
6/30/11	136,013	100	136,013
6/30/10	84,978	100	84,978

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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>
6/30/12	\$ 470,992	100%	\$ 0
6/30/11	306,330	100%	0
6/30/10	236,247	100%	0

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$156,462 to the TPAF for Non-Contributory Insurance, \$314,530 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 \$400,943 during the year ended June 30, 2012 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, 2011, there were 93,323 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 2011, the State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 11. COMPENSATED ABSENCES**

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

District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policies. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreement with the various employee unions.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, a liability existed for compensated absences in the General Fund of \$108,835 and none 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, 2012**

**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>
2011-2012	\$ 23,598	\$ 25,052	\$ 48,650	\$ -0-
2010-2011	27,359	29,045	56,404	-0-
2009-2010	24,073	25,535	49,608	-0-

**NOTE 14. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 38,300	\$
Special Projects Fund		37,832
Trust and Agency Fund		468
Total	<u>\$ 38,300</u>	<u>\$ 38,300</u>

**NOTE 15. FUND BALANCE APPROPRIATED**

Of the \$410,441 General Fund balance at June 30, 2012, none is reserved for encumbrances; nothing has been appropriated and also included as anticipated revenue for the year ending June 30, 2012; \$100,000 is reserved for Maintenance Reserve and \$310,441 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, 2012**

**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

**BUDGETARY COMPARISON SCHEDULES**

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original</u> <u>Actual</u>	<u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>(Unfavorable</u>
<b>Revenues:</b>					
<b>Local Sources:</b>					
County Tax Levy	\$ 305,000	\$	\$ 305,000	\$ 305,000	\$
Tuition from LEA's	4,103,298	272,745	4,376,043	4,240,117	(135,926)
Interest on Investments		3,000	3,000	2,744	(256)
Unrestricted Miscellaneous Revenues	18,500	(3,000)	15,500	25,052	9,552
<b>Total - Local Sources</b>	<b>4,426,798</b>	<b>272,745</b>	<b>4,699,543</b>	<b>4,572,913</b>	<b>(126,630)</b>
<b>State Sources:</b>					
Anti-bullying Aid				657	657
On-behalf TPAF Non-Contributory Insurance				156,462	156,462
On-behalf TPAF Postretirement Medical Contributions				314,530	314,530
Reimbursement TPAF Social Security				400,943	400,943
<b>Total - State Sources</b>				<b>872,592</b>	<b>872,592</b>
<b>Federal Sources - Medicaid</b>					
<b>TOTAL REVENUES</b>	<b>4,426,798</b>	<b>272,745</b>	<b>4,699,543</b>	<b>5,445,505</b>	<b>745,962</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES:</b>					
<b>Special Education:</b>					
<b>Behavioral Disabilities:</b>					
Salaries of Teachers	691,408	(104,330)	587,078	576,611	10,467
Other Salaries for Instruction	154,102	(284)	153,818	119,883	33,935
Purchased Professional - Educational Services	6,000	(4,680)	1,320		1,320
Purchased Technical Services	2,000		2,000		2,000
Other Purchased Services	5,994		5,994	3,105	2,889
General Supplies	15,000	72	15,072	15,072	
Textbooks	3,000		3,000		3,000
Other Objects	10,000	(3,317)	6,683	5,794	889
<b>Total Behavioral Disabilities</b>	<b>887,504</b>	<b>(112,539)</b>	<b>774,965</b>	<b>720,465</b>	<b>54,500</b>
<b>Multiply Disabilities:</b>					
Salaries of Teachers	241,109	(8,193)	232,916	232,916	
Other Salaries for Instruction	97,512	59,713	157,225	157,225	
Purchased Professional - Educational Services	6,000	42,051	48,051	48,051	
Other Purchased Services	1,500	454	1,954	1,954	
General Supplies	13,000	(5,901)	7,099	7,099	
Textbooks	500	(500)			
Other Objects	3,300	(1,314)	1,986	1,823	163
<b>Total Multiply Disabilities</b>	<b>362,921</b>	<b>86,310</b>	<b>449,231</b>	<b>449,068</b>	<b>163</b>
<b>Autism:</b>					
Salaries of Teachers	343,664	66,528	410,192	410,187	5
Other Salaries for Instruction	142,627	58,084	200,711	200,641	70
Purchased Professional - Educational Services	33,000	110,694	143,694	143,694	
Purchased Technical Services	1,000	(1,000)			
Other Purchased Services	1,000	(276)	724	611	113
General Supplies	12,000	3,640	15,640	15,628	12
Textbooks	1,000	(1,000)			
Other Objects	5,000	(281)	4,719	4,115	604
<b>Total Autism</b>	<b>539,291</b>	<b>236,389</b>	<b>775,680</b>	<b>774,876</b>	<b>804</b>
<b>Preschool Disabilities - Full Time</b>					
Salaries of Teachers	83,056	5,021	88,077	88,077	
Other Salaries for Instruction	76,388	(27,482)	48,906	48,862	44
Purchased Professional-Educational Services	2,500	1,483	3,983	3,983	
Other Purchased Services		1,696	1,696	1,696	
General Supplies	4,000	54	4,054	3,994	60
Other Objects	3,500	(2,517)	983	760	223
<b>Total Preschool Disabilities - Full Time</b>	<b>169,444</b>	<b>(21,745)</b>	<b>147,699</b>	<b>147,372</b>	<b>327</b>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**  
**(CONTINUED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Cognitive - Severe:</b>					
Salaries of Teachers	\$ 80,833	\$ (4,940)	\$ 75,893	\$ 75,893	
Purchased Professional - Educational Services	8,000	(4,449)	3,551	3,551	
Other Purchased Services	1,500	312	1,812	1,812	
General Supplies	5,000	(750)	4,250	3,857	393
Other Objects	2,800	(2,221)	579	579	
<b>Total Cognitive Severe</b>	<b>98,133</b>	<b>(12,048)</b>	<b>86,085</b>	<b>85,692</b>	<b>393</b>
<b>Total Special Education</b>	<b>2,057,293</b>	<b>176,367</b>	<b>2,233,660</b>	<b>2,177,473</b>	<b>56,187</b>
<b>Total Instruction</b>	<b>2,057,293</b>	<b>176,367</b>	<b>2,233,660</b>	<b>2,177,473</b>	<b>56,187</b>
<b>Undistributed Expenditures:</b>					
<b>Attendance and Social Work Services</b>					
Salaries	24,408	(2,992)	21,416	21,416	
Other Purchased Services	8,073	(2,473)	5,600	5,600	
<b>Total Attendance and Social Work Services</b>	<b>32,481</b>	<b>(5,465)</b>	<b>27,016</b>	<b>27,016</b>	
<b>Health Services:</b>					
Salaries	126,169	3,451	129,620	129,620	
Purchased Professional and Technical Services	2,000	(400)	1,600	1,600	
Other Purchased Services	2,400	(1,417)	983	982	1
Supplies and Materials	7,200	3,385	10,585	10,585	
<b>Total Health Services</b>	<b>137,769</b>	<b>5,019</b>	<b>142,788</b>	<b>142,787</b>	<b>1</b>
<b>Other Support Services - Students - Related Services:</b>					
Salaries	46,581	3,162	49,743	49,743	
Supplies and Materials	3,200	(3,155)	45		45
Other Objects	1,210	(1,210)			
<b>Total Other Support Services - Stud. - Related Serv</b>	<b>50,991</b>	<b>(1,203)</b>	<b>49,788</b>	<b>49,743</b>	<b>45</b>
<b>Other Support Services - Students - Special:</b>					
Salaries of Secretarial and Clerical Assistants	3,231	(566)	2,665	2,484	181
Other Purchased Services	150		150	100	50
Supplies and Materials	500	(418)	82		82
<b>Total Other Support Services - Students - Special</b>	<b>3,881</b>	<b>(984)</b>	<b>2,897</b>	<b>2,584</b>	<b>313</b>
<b>Improvement of Instruction Services/Other Support Services- Instructional Staff</b>					
Salaries of Secretarial and Clerical Assistants	3,231	(373)	2,858	2,484	374
Other Salaries	50,000	(19,706)	30,294	30,201	93
Purchased Professional - Educational Services	1,000	(1,000)			
<b>Total Improvement of Instruction</b>	<b>54,231</b>	<b>(21,079)</b>	<b>33,152</b>	<b>32,685</b>	<b>467</b>
<b>Educational Media Services: School Library</b>					
Salaries	3,231	(622)	2,609	2,609	
Purchased Professional and Technical Services	5,000	(4,575)	425	425	
<b>Total Educational Media Services</b>	<b>8,231</b>	<b>(5,197)</b>	<b>3,034</b>	<b>3,034</b>	
<b>Instructional Staff Training Services:</b>					
Salaries of Secretarial and Clerical Assistants	3,231	(746)	2,485	2,360	125
Purchased Professional - Educational Services	1,500	(1,000)	500	500	
Other Purchased Services	6,500	(1,067)	5,433	5,433	
Supplies and Materials	2,000	(2,000)			
Other Objects	500	(500)			
<b>Total Instructional Staff Training Services</b>	<b>13,731</b>	<b>(5,313)</b>	<b>8,418</b>	<b>8,293</b>	<b>125</b>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**  
**(CONTINUED)**

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actual</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Undistributed Expenditures: (Continued)</b>					
<b>Support Services - General Administration:</b>					
Salaries	\$ 91,866	\$ 67,987	\$ 159,853	\$ 156,903	\$ 2,950
Legal Services	12,500	4,899	17,399	17,399	
Audit Fees	7,500		7,500	7,500	
Other Purchased Professional Services	5,000	(922)	4,078	4,078	
Communication/Telephone	7,000	(5,954)	1,046	761	285
Other Purchased Services	11,222	(782)	10,440	10,440	
General Supplies	7,998	341	8,339	8,339	
BOE In-House Training/Meeting Supplies	100	(50)	50		50
Miscellaneous Expenditures	4,237	(1,428)	2,809	2,809	
BOE Membership Dues and Fees	2,700	3,047	5,747	5,747	
<b>Total Support Services - General Administration</b>	<b>150,123</b>	<b>67,138</b>	<b>217,261</b>	<b>213,976</b>	<b>3,285</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	168,274	1,382	169,656	169,656	
Salaries of Secretarial and Clerical Assistants	39,812	6,406	46,218	46,218	
Purchased Professional and Technical Services	500	(500)			
Other Purchased Services	15,873	(2,869)	13,004	12,454	550
Supplies and Materials	10,000	(1,967)	8,033	7,129	904
Other Objects	1,500	(952)	548	39	509
<b>Total Support Services - School Administration</b>	<b>235,959</b>	<b>1,500</b>	<b>237,459</b>	<b>235,496</b>	<b>1,963</b>
<b>Central Services</b>					
Salaries	93,948	41,765	135,713	135,713	
Purchased Professional Services		17,555	17,555	17,555	
Purchased Technical Services	12,000	(12,000)			
Miscellaneous Purchased Services	2,350	(661)	1,689	1,689	
Supplies and Materials	1,000	3,507	4,507	4,507	
Miscellaneous Expenditures	300	(300)			
<b>Total Central Services</b>	<b>109,598</b>	<b>49,866</b>	<b>159,464</b>	<b>159,464</b>	
<b>Admin. Info. Technology</b>					
Salaries	46,350	(10,350)	36,000	36,000	
Purchased Technical Services	3,100	(2,861)	239	99	140
Other Purchased Services	160	(130)	30		30
Supplies and Materials	840		840	696	144
<b>Total Admin. Info. Technology</b>	<b>50,450</b>	<b>(13,341)</b>	<b>37,109</b>	<b>36,795</b>	<b>314</b>
<b>Required Maintenance for School Facilities</b>					
Salaries	81,603	(29,909)	51,694	51,694	
Cleaning, Repair, and Maintenance Services		35,339	35,339	32,589	2,750
General Supplies	17,000	(5,267)	11,733	11,048	685
<b>Total Required Maintenance for School Facilities</b>	<b>98,603</b>	<b>163</b>	<b>98,766</b>	<b>95,331</b>	<b>3,435</b>
<b>Operation And Maintenance Of Plant Services:</b>					
Salaries	1,615	(47)	1,568	1,491	77
Purchased Professional and Technical Services	6,695	115	6,810	6,810	
Cleaning, Repair and Maintenance Services	125,386	(1,123)	124,263	124,262	1
Rental - Other than Lease Purchase Agreements	99,118	(3,022)	96,096	96,096	
Other Purchased Property Services	700	(24)	676		676
Insurance	28,525	(3,736)	24,789	24,788	1
General Supplies	9,650	(6,871)	2,779	2,767	12
Energy (Natural Gas)	12,500	(7,899)	4,601	4,483	118
Energy (Electricity)	57,890	(7,254)	50,636	49,068	1,568
Energy (Oil)	34,960	(17,730)	17,230	17,227	3
<b>Total Operation of Plant Services</b>	<b>377,039</b>	<b>(47,591)</b>	<b>329,448</b>	<b>326,992</b>	<b>2,456</b>
<b>Total Operation And Maintenance of Plant Services</b>	<b>475,642</b>	<b>(47,428)</b>	<b>428,214</b>	<b>422,323</b>	<b>5,891</b>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**  
(CONTINUED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Undistributed Expenditures: (Continued)</b>					
<b>Student Transportation Services</b>					
Salaries - Other Than Between Home and School	\$ 8,077	\$ (1,500)	\$ 6,577	\$ 6,522	\$ 55
Cont Services - Other than between Home and School - Vendors	13,000	44,357	57,357	57,357	
<b>Total Student Transportation Services</b>	<u>21,077</u>	<u>42,857</u>	<u>63,934</u>	<u>63,879</u>	<u>55</u>
<b>Unallocated Benefits - Employee Benefits:</b>					
Social Security Contributions	82,000	31,707	113,707	106,576	7,131
Other Retirement Contributions - Regular	42,106	252	42,358	42,358	
Unemployment Compensation	14,000	14,221	28,221	28,221	
Workers' Compensation	76,731	12,552	89,283	88,557	726
Health Benefits	770,876	(28,545)	742,331	739,386	2,945
Tuition Reimbursements	25,000	4,582	29,582	29,582	
Other Employee Benefits	5,000	(5,000)			
<b>Total Unallocated Benefits - Employee Benefits</b>	<u>1,015,713</u>	<u>29,769</u>	<u>1,045,482</u>	<u>1,034,680</u>	<u>10,802</u>
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				156,462	(156,462)
On-behalf TPAF Postretirement Contributions				314,530	(314,530)
Reimbursed TPAF Social Security Contributions Not-Budgeted)				400,943	(400,943)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<u>871,935</u>	<u>(871,935)</u>
<b>TOTAL UNALLOCATED BENEFITS</b>	<u>1,015,713</u>	<u>29,769</u>	<u>1,045,482</u>	<u>1,906,615</u>	<u>(861,133)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>2,359,877</u>	<u>96,139</u>	<u>2,456,016</u>	<u>3,304,690</u>	<u>(848,674)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>4,417,170</u>	<u>272,506</u>	<u>4,689,676</u>	<u>5,482,163</u>	<u>(792,487)</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment:</b>					
Instructional					
<b>Total Equipment</b>					
<b>Facilities Acquisition and Construction Services:</b>					
<b>Total Facilities Acquisition and Construction Services</b>					
<b>TOTAL CAPITAL OUTLAY</b>					
<b>TOTAL EXPENDITURES</b>	<u>4,417,170</u>	<u>272,506</u>	<u>4,689,676</u>	<u>5,482,163</u>	<u>(792,487)</u>
<b>Excess (Deficiency) of Revenues and Other Over/(Under) Expenditures</b>	<u>9,628</u>	<u>239</u>	<u>9,867</u>	<u>(36,658)</u>	<u>(46,525)</u>
<b>Other Financing Sources (uses):</b>					
<b>Operating Transfers Out:</b>					
Food Service - Transfer to Cover Deficit		(9,868)	(9,868)	(9,868)	
<b>Total Other Financing Sources (Uses)</b>		<u>(9,868)</u>	<u>(9,868)</u>	<u>(9,868)</u>	
<b>Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses</b>	<u>9,628</u>	<u>(9,629)</u>	<u>(1)</u>	<u>(46,526)</u>	<u>(46,525)</u>
<b>Fund Balances, July 1</b>	<u>456,967</u>		<u>456,967</u>	<u>456,967</u>	
<b>Fund Balances, June 30</b>	<u>\$ 466,595</u>	<u>\$ (9,629)</u>	<u>\$ 456,966</u>	<u>\$ 410,441</u>	<u>\$ (46,525)</u>
<b>RECAPITULATION</b>					
<b>Restricted Fund Balance:</b>					
Maintenance Reserve				\$ 100,000	
<b>Unassigned Fund Balance</b>				<u>310,441</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<u>\$ 410,441</u>	

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**AS OF JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources	\$	\$ 20	\$ 20	\$ 20	\$
State Sources					
Federal Sources		43,982	43,982	43,982	
<b>Total Revenues</b>		<u>44,002</u>	<u>44,002</u>	<u>44,002</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Other Salaries		43,982	43,982	43,982	
Supplies and Materials		20	20	20	
<b>Total Instruction</b>		<u>44,002</u>	<u>44,002</u>	<u>44,002</u>	
<b>Support Services</b>					
Personal Services - Employee Benefits					
Cleaning/Repair/Required Maintenance					
General Supplies					
<b>Total Support Services</b>					
<b>Facilities Acquisition and Construction Services:</b>					
Buildings					
Instructional Equipment					
Non-instructional Equipment					
<b>Total Facilities Acquisition and Construction Services</b>					
<b>Total Expenditures</b>		<u>44,002</u>	<u>44,002</u>	<u>44,002</u>	
<b>Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>		<u>44,002</u>	<u>44,002</u>	<u>44,002</u>	
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
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>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 5,445,505		[C-2] \$ 44,002
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
	<hr/>		<hr/>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 5,445,505		[B-2] \$ 44,002
	<hr/>		<hr/>
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 5,482,163		[C-2] \$ 44,002
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.			
	<hr/>		<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$ 5,482,163		[B-2] \$ 44,002
	<hr/>		<hr/>

**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**

			<u>Totals</u>	
	<u>REAP</u>	<u>NJSBAIG</u>		
	<u>11/12</u>	<u>Safety</u>	<u>2012</u>	<u>2011</u>
		<u>Grant</u>		
<b>REVENUES:</b>				
Federal sources	\$ 43,982	\$	\$ 43,982	\$ 15,662
State sources				
Other sources		20	20	3,930
Total Revenues	<u>43,982</u>	<u>20</u>	<u>44,002</u>	<u>19,592</u>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers	43,982		43,982	
Supplies and Materials		20	20	15,662
Total Instruction	<u>43,982</u>	<u>20</u>	<u>44,002</u>	<u>15,662</u>
Support Services - General Administration:				
Employee Benefits				
Total Support Services				
Required Maintenance:				
Cleaning, Repair, Maintenance				146
General Supplies				3,784
Total Required Maintenance				<u>3,930</u>
Total Expenditures	<u>\$ 43,982</u>	<u>\$ 20</u>	<u>\$ 44,002</u>	<u>\$ 19,592</u>

## **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, 2012**

<u>Project Title/Issue</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2012</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Building Improvement	October 1, 2009	\$ 6,000,000	\$ 5,835,009	\$ 137,257	\$ 27,734

**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, 2012**

**Revenues and Other Financing Sources**

Bonds Issued by Salem County	\$	<hr/>
Total revenues		<hr/>

**Expenditures and Other Financing Uses**

Land and Improvements		22,495	<hr/>
Total expenditures		22,495	<hr/>
Excess (deficiency) of revenues over (under) expenditures		(22,495)	
Fund Balance - beginning		50,229	<hr/>
Fund Balance - ending	\$	27,734	<hr/> <hr/>

## **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, 2012 AND 2011**

	Related	Alternative	Nonpublic	Summer	Early	Business	Fairfield	Food	Totals	
	Services	Middle &	Interlocal	Programs	Intervention	Services	Initiative	Service	2012	2011
	Fund	High School	Fund		Program	Fund		Fund		
<b>ASSETS:</b>										
Current Assets:										
Cash and cash equivalents	\$	\$ 99,802	\$	\$ 63,564	\$ 55,479	\$ 50,765	\$ 68,515	\$ 6,397	\$ 344,522	\$ 214,067
Accounts receivable:										
State								136	136	155
Federal								8,855	8,855	11,264
Inventory								80	80	1,758
Intergovernmental	290,826	60,937	321,972	15,000	114,972		8,072		811,779	882,699
<b>Total Current Assets</b>	<b>290,826</b>	<b>160,739</b>	<b>321,972</b>	<b>78,564</b>	<b>170,451</b>	<b>50,765</b>	<b>76,587</b>	<b>15,468</b>	<b>1,165,372</b>	<b>1,109,943</b>
Fixed Assets										
Equipment	9,738		33,209				4,576		47,523	\$47,523
Less: Depreciation	(7,299)		(33,209)				(2,290)		(42,798)	(\$34,373)
	2,439		-				2,286		4,725	\$13,150
<b>Total Assets</b>	<b>293,265</b>	<b>160,739</b>	<b>321,972</b>	<b>78,564</b>	<b>170,451</b>	<b>50,765</b>	<b>78,873</b>	<b>15,468 #</b>	<b>1,170,097</b>	<b>1,123,093</b>
<b>LIABILITIES:</b>										
Current Liabilities:										
Accounts Payable			1,200			300			1,500	19,129
Cash Overdraft	293,265		266,180						559,445	
Interfund payable								80	80	
<b>Total Current Liabilities</b>	<b>293,265</b>		<b>267,380</b>			<b>300</b>		<b>80</b>	<b>561,025</b>	<b>19,129</b>
<b>NET ASSETS:</b>										
Reserve for Encumbrances										1,050
Unreserved	-	160,739	54,592	78,564	170,451	50,465	78,873	15,388	609,072	1,102,914
<b>Total Net Assets</b>	<b>\$ 293,265</b>	<b>\$ 160,739</b>	<b>\$ 321,972</b>	<b>\$ 78,564</b>	<b>\$ 170,451</b>	<b>\$ 50,765</b>	<b>\$ 78,873</b>	<b>\$ 15,468</b>	<b>\$ 1,170,097</b>	<b>\$ 1,103,964</b>

**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, 2012 AND 2011**

	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	
									2012	2011
<b>OPERATING REVENUES:</b>										
Local Sources:										
Daily sales - reimbursable programs:										
School lunch and breakfast program		\$	\$	\$	\$	\$	\$	\$	7,843	6,903
Total daily sales - reimbursable programs								7,843	7,843	6,903
N.J. Dept of Human Services - Fees					691,329				691,329	818,160
Tuition	166,212	452,513		324,333			379,840		1,322,898	1,561,037
Non-Public School Program			1,285,366						1,285,366	1,442,742
Services provided other LEAs	2,498,508			28,500		77,948	8,072		2,613,028	2,983,214
<b>Total Operating Revenue</b>	<b>2,664,720</b>	<b>452,513</b>	<b>1,285,366</b>	<b>352,833</b>	<b>691,329</b>	<b>77,948</b>	<b>387,912</b>	<b>7,843</b>	<b>5,920,464</b>	<b>6,812,056</b>
<b>OPERATING EXPENSES:</b>										
Salaries	1,125,546	286,112	1,011,940	254,547	363,122	46,624	206,739		3,294,630	4,681,848
Meetings						1,300			1,300	
Employee benefits	685,807	80,264	335,460		47,783	19,732	65,282		1,234,328	1,489,719
Purchased professional and technical services					280,756	873		1,030	282,659	18,166
Purchased Technical Services						3,261		708	3,969	2,720
Purchased Professional /Educ services	4,765		(1,107)	10,035			5,326		19,019	390,405
Purchased Professional Services	1,144,445	2,590	2,931	1,295	29,101		2,000		1,182,362	112,966
Purchased property services					7,740				7,740	12,765
Rental of Buildings		87,877					44,562		132,439	102,134
Energy										5,353
Other purchased services	33,531	9,923	13,351	12,808	4,974	23	2,097		76,707	108,057
Communications Telephone		2,322			5,764				8,086	9,810
Supplies and materials	28,084		6,474	609	9,386	444			44,997	53,899
General Supplies		8,794	12,342				8,378		29,514	4,340
Travel	6,698		3,306		710	1,001			11,715	14,735
Cost of sales								72,062	72,062	62,472
Other objects	596			251			1,249		2,096	14,716
Required Maintenance:										
General Supplies										29,858
Cleaning /Repair /Maintenance	6,830	166	65,176						72,172	142,403
Utilities	6,074		3,599						9,673	
Depreciation	1,784		6,641						8,425	15,984
<b>Total Operating Expenses</b>	<b>3,044,160</b>	<b>\$ 478,048</b>	<b>\$ 1,460,113</b>	<b>\$ 279,545</b>	<b>\$ 749,336</b>	<b>\$ 73,258</b>	<b>\$ 335,633</b>	<b>\$ 73,800</b>	<b>\$ 6,493,893</b>	<b>\$ 7,272,350</b>

**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, 2012 AND 2011**

	<b>Related Services Fund</b>	<b>Alternative Middle &amp; High School Fund</b>	<b>Nonpublic Interlocal Fund</b>	<b>Summer Programs</b>	<b>Early Intervention Program</b>	<b>Business Service Fund</b>	<b>Fairfield Initiative</b>	<b>Food Service Fund</b>	<b>Totals</b>	
									<b>2012</b>	<b>2011</b>
Operating Income (Loss)	(379,440)	\$ (25,535)	\$ (174,747)	\$ 73,288	\$ (58,007)	\$ 4,690	\$ 52,279	\$ (65,957)	\$ (573,429)	\$ (460,294)
Non-Operating Revenues:										
Local Sources - Board Subsidy								9,868	9,868	9,216
Prior Year Revenue Adjustment								7,639	7,639	(11,033)
State Sources:										
State school lunch program								848	848	786
Other								37	37	
Federal Sources:										
School breakfast program								17,527	17,527	18,838
Food Distribution Program								4,743	4,743	1,048
National school lunch program								37,875	37,875	35,925
Total Non-Operating Revenues								78,537	# 78,537	# 54,780
Transfers	366,537	(649)	(100,000)	(73,288)	(50,000)	(10,321)	(132,279)		-	(189,976)
Net Increase in Net Assets	(12,903)	(26,184)	(274,747)	-	(108,007)	(5,631)	(80,000)	12,580	(494,892)	(595,490)
Net Assets - July 1	12,903	186,923	329,339	78,564	278,458	56,096	158,873	2,808	1,103,964	1,699,454
Net Assets - June 30	-	\$ 160,739	\$ 54,592	\$ 78,564	\$ 170,451	\$ 50,465	\$ 78,873	\$ 15,388	\$ 609,072	\$ 1,103,964

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>Related Services Fund</u>	<u>Alternative Middle &amp; High School Fund</u>	<u>Nonpublic Interlocal Fund</u>	<u>Summer Programs</u>	<u>Early Intervention Program</u>	<u>Business Services Fund</u>	<u>Fairfield Initiative</u>	<u>Food Service Fund</u>	<u>Totals</u>	<u>Totals</u>
									2012	2011
Cash Flows from Operating Activities:										
Operating income (loss)	\$ (379,440)	\$ (25,535)	\$ (174,747)	\$ 73,288	\$ (58,007)	\$ 4,690	\$ 52,279	\$ (65,957)	\$ (573,429)	\$ (460,294)
Adjustments to reconcile operating income (loss) to cash used by operating activities:										
Depreciation	1,784		6,641						8,425	15,984
Change in assets and liabilities:										
(Increase)/ decrease in accounts receivable	(58,011)	68,231	58,780	10,000	(10,486)	10,478	(8,072)	2,428	73,348	(325,692)
(Increase)/ decrease in inventory								1,678	1,678	254
(Increase)/ decrease in interfund receivables										
(Increase)/ decrease in prepaid expenses										
Increase/(decrease) in accounts payable	(200)		277		(1,731)	(8,336)		(7,639)	(17,629)	8,098
Increase/(decrease) in deferred revenue								80	80	
<b>Net Cash Provided By (Used For) Operating Act</b>	<b>(435,867)</b>	<b>42,696</b>	<b>(109,049)</b>	<b>83,288</b>	<b>(70,224)</b>	<b>6,832</b>	<b>44,207</b>	<b>(69,410)</b>	<b>(507,527)</b>	<b>(761,650)</b>
Cash Flows from Noncapital Financing Activities:										
Board Subsidy								9,868	9,868	9,216
Cash received from state and federal reimbursements								61,030	61,030	56,597
Prior-Year Revenue Adjustment								7,639	7,639	(11,033)
Transfer	366,537	(649)	(100,000)	(73,288)	(50,000)	(10,321)	(132,279)			(189,976)
<b>Net Cash Provided by (Used For) Noncapital Financing Activities</b>	<b>366,537</b>	<b>(649)</b>	<b>(100,000)</b>	<b>(73,288)</b>	<b>(50,000)</b>	<b>(10,321)</b>	<b>(132,279)</b>	<b>78,537</b>	<b>78,537</b>	<b>(135,196)</b>
Cash Flows from Capital and Related Financing Activities										
Purchase of Capital Assets										
<b>Net Cash Provided by (Used For) Capital and Related Financing Activities</b>										
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(69,330)</b>	<b>42,047</b>	<b>(209,049)</b>	<b>10,000</b>	<b>(120,224)</b>	<b>(3,489)</b>	<b>(88,072)</b>	<b>9,127</b>	<b>(428,990)</b>	<b>(896,846)</b>
<b>Cash and Cash Equivalents, July 1</b>	<b>(223,935)</b>	<b>57,755</b>	<b>(57,131)</b>	<b>53,564</b>	<b>175,703</b>	<b>54,254</b>	<b>156,587</b>	<b>(2,730)</b>	<b>214,067</b>	<b>1,110,913</b>
<b>Cash and Cash Equivalents, June 30</b>	<b>\$ (293,265)</b>	<b>\$ 99,802</b>	<b>\$ (266,180)</b>	<b>\$ 63,564</b>	<b>\$ 55,479</b>	<b>\$ 50,765</b>	<b>\$ 68,515</b>	<b>\$ 6,397</b>	<b>\$ (214,923)</b>	<b>\$ 214,067</b>

## **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, 2012**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)**

	<u>Agency</u>				
	<u>Expendable</u>	<u>Student</u>	<u>Payroll</u>	<u>Total</u>	
	<u>Trust</u>	<u>Activity</u>		<u>2011</u>	
	<u>Funds</u>			<u>2010</u>	
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,089	\$ 4,188	\$ 7,714	\$ 12,991	\$ 2,040
Total Assets	<u>\$ 1,089</u>	<u>\$ 4,188</u>	<u>\$ 7,714</u>	<u>\$ 12,991</u>	<u>\$ 2,040</u>
<b>LIABILITIES:</b>					
Payroll Deductions and Withholdings	\$	\$	\$ 7,246	\$ 7,246	\$
Interfund Payables			468	468	81
Due to Student Groups		4,188		4,188	873
Total Liabilities		<u>4,188</u>	<u>7,714</u>	<u>11,902</u>	<u>954</u>
<b>NET ASSETS:</b>					
Held in Trust	<u>\$ 1,089</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,089</u>	<u>\$ 1,086</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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Local Sources	\$	\$
Interest on Investments	3	12
<b>OPERATING EXPENSES</b>		
Withdrawals		
Operating Income (Loss)	<u>3</u>	<u>12</u>
Net Assets - July 1,	1,086	1,074
Net Assets - June 30,	<u>\$ 1,089</u>	<u>\$ 1,086</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, 2012

	<u>Balance</u> <u>July 1</u> <u>2011</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>2012</u>
Alternative High School Authorized Cost	\$ 873	\$ 7,108	\$ 3,793	\$	\$ 4,188

**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, 2011</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 81	\$	8,305,452	\$	8,297,819	\$	7,714
Total Assets	<u>\$ 81</u>	<u>\$</u>	<u>8,305,452</u>	<u>\$</u>	<u>8,297,819</u>	<u>\$</u>	<u>7,714</u>
<b>LIABILITIES:</b>							
Payroll Deductions, Withholdings and Net Pay	\$	\$	8,304,984	\$	8,297,738	\$	7,246
Interfund Payables	81		468		81		468
Total Liabilities	<u>\$ 81</u>	<u>\$</u>	<u>8,305,452</u>	<u>\$</u>	<u>8,297,819</u>	<u>\$</u>	<u>7,714</u>

**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	2012
<b>Governmental Activities</b>									
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	\$ 5,688,910
Restricted	100,000	119,678	100,000	100,000	100,000	537,565	280,291	264,991	127,734
Unrestricted	228,379	195,814	184,865	172,917	359,640	384,306	352,606	282,342	201,606
<b>Total Governmental Activities Net Assets</b>	<b>\$ 1,430,417</b>	<b>\$ 1,411,439</b>	<b>\$ 1,362,803</b>	<b>\$ 1,320,237</b>	<b>\$ 1,497,129</b>	<b>\$ 7,502,582</b>	<b>\$ 7,389,643</b>	<b>\$ 6,295,742</b>	<b>\$ 6,018,250</b>
<b>Business-Type Activities</b>									
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$	\$ 5,587	\$ 38,018	\$ 29,134	\$ 13,150	\$ 4,725
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	604,347
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 641,529</b>	<b>\$ 930,427</b>	<b>\$ 1,207,935</b>	<b>\$ 1,317,854</b>	<b>\$ 2,017,109</b>	<b>\$ 2,176,258</b>	<b>\$ 1,699,454</b>	<b>\$ 1,103,964</b>	<b>\$ 609,072</b>
<b>District-Wide</b>									
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	\$ 5,693,635
Restricted	100,360	119,678	100,000	103,790	106,161	547,653	284,845	266,041	127,734
Unrestricted	869,548	1,126,241	1,392,800	1,486,981	2,365,001	2,512,458	2,018,372	1,372,106	805,953
<b>Total District-Wide Net Assets</b>	<b>\$ 2,071,946</b>	<b>\$ 2,341,866</b>	<b>\$ 2,570,738</b>	<b>\$ 2,638,091</b>	<b>\$ 3,514,238</b>	<b>\$ 9,678,840</b>	<b>\$ 9,089,097</b>	<b>\$ 7,399,706</b>	<b>\$ 6,627,322</b>

Source: CAFR Schedule A-1

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

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
<b>Governmental activities</b>									
<b>Instruction</b>									
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	2,221,475
<b>Support Services</b>									
Student and Instruction Related Services	312,094	314,486	140,711	129,621	94,409	224,344	277,711	249,218	266,142
General Administrative Services	327,658	307,052	342,556	192,934	217,877	174,791	99,999	165,842	213,976
School Administrative Services	186,295	151,938	154,922	161,042	143,233	210,138	213,903	237,011	235,496
Central Services and Info. Technology				102,205	63,481	101,416	113,430	166,174	196,259
Plant Operations and Maintenance	278,410	243,453	277,089	297,945	246,768	431,645	613,757	406,797	422,323
Pupil Transportation	10,640	28,516	23,337	32,782	21,520	29,615	28,911	23,487	63,879
Employee Benefits	570,270	620,784	653,436	1,020,574	933,288	1,104,636	1,397,518	1,537,040	1,940,825
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	196,756
<b>Total Governmental Activities Expenses</b>	<b>2,775,517</b>	<b>2,743,705</b>	<b>2,747,248</b>	<b>3,208,751</b>	<b>2,703,244</b>	<b>3,753,557</b>	<b>4,610,779</b>	<b>5,083,496</b>	<b>5,757,131</b>
<b>Business-Type Activities</b>									
Food Service	32,449	43,239	40,362	40,182	35,613	47,649	60,405	73,682	73,800
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	6,420,093
<b>Total Business-Type Activities Expense</b>	<b>1,299,333</b>	<b>2,453,428</b>	<b>2,889,147</b>	<b>3,414,016</b>	<b>5,133,751</b>	<b>6,196,731</b>	<b>6,956,677</b>	<b>7,272,350</b>	<b>6,493,893</b>
<b>Total District Expenses</b>	<b>\$ 4,074,850</b>	<b>\$ 5,197,133</b>	<b>\$ 5,636,395</b>	<b>\$ 6,622,767</b>	<b>\$ 7,836,995</b>	<b>\$ 9,950,288</b>	<b>\$ 11,567,456</b>	<b>\$ 12,355,846</b>	<b>\$ 12,251,024</b>
<b>Program Revenues</b>									
<b>Governmental Activities</b>									
Operating Grants and Contributions	\$ 140,511	\$ 11,691	\$ 237,732	\$ 480,433	\$ 491,156	\$ 569,471	\$ 611,956	\$ 693,365	\$ 916,594
<b>Total Governmental Activities Program Revenues</b>	<b>140,511</b>	<b>11,691</b>	<b>237,732</b>	<b>480,433</b>	<b>491,156</b>	<b>569,471</b>	<b>611,956</b>	<b>693,365</b>	<b>916,594</b>
<b>Business-Type Activities</b>									
Charges for Services									
Food Service	8,123	8,041	7,068	5,227	3,036	3,958	7,214	6,903	7,843
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	5,912,621
Operating Grants and Contributions	24,522	24,662	23,372	20,846	23,077	30,187	42,865	56,597	61,030
<b>Total Business-Type Activities Program Revenues</b>	<b>1,469,308</b>	<b>2,733,556</b>	<b>3,157,831</b>	<b>3,602,510</b>	<b>5,897,400</b>	<b>6,404,309</b>	<b>6,627,238</b>	<b>6,868,653</b>	<b>5,981,494</b>
<b>Total District Program Revenues</b>	<b>\$ 1,609,819</b>	<b>\$ 2,745,247</b>	<b>\$ 3,395,563</b>	<b>\$ 4,082,943</b>	<b>\$ 6,388,556</b>	<b>\$ 6,973,780</b>	<b>\$ 7,239,194</b>	<b>\$ 7,562,018</b>	<b>\$ 6,898,088</b>
<b>Net (Expense)/Revenue</b>									
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)	\$ (4,840,537)
Business-Type Activities	169,975	280,128	268,684	188,494	763,649	207,578	(329,439)	(403,697)	(512,399)
<b>Total District-Wide Net Expense</b>	<b>\$ (2,465,031)</b>	<b>\$ (2,451,886)</b>	<b>\$ (2,240,832)</b>	<b>\$ (2,539,824)</b>	<b>\$ (1,448,439)</b>	<b>\$ (2,976,508)</b>	<b>\$ (4,328,262)</b>	<b>\$ (4,793,828)</b>	<b>\$ (5,352,936)</b>
<b>General Revenues and Other Changes in Net Assets</b>									
<b>Governmental Activities</b>									
Property Taxes Levied for General Purposes, net	\$ 272,611	\$ 272,611	\$ 280,789	\$ 303,117	\$ 315,242	\$ 315,242	\$ 305,000	\$ 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	4,240,117
Investment Earnings		1,863	1,545	1,644	7,234	16,208	7,004	3,860	2,744
Miscellaneous Income	882	(1,354)	6,843	2,389	2,313	8,415	14,856	17,915	25,052
Compensated Absences			(40,567)						
Fixed Assets Adjustment					1,251	6,005,507		(879,352)	
Transfers	(5,000)	(9,130)	(8,824)	(10,925)	(13,468)	(9,519)	137,501	180,760	(9,868)
<b>Total Governmental Activities</b>	<b>2,895,687</b>	<b>2,713,036</b>	<b>2,460,880</b>	<b>2,697,410</b>	<b>2,401,105</b>	<b>9,189,539</b>	<b>3,885,884</b>	<b>3,296,230</b>	<b>4,563,045</b>
<b>Business-Type Activities</b>									
Prior Year Revenue Adjustment				(89,500)	(77,862)	(57,948)	(9,864)	(11,033)	7,639
Transfer	5,000	9,130	8,824	10,925	13,468	9,519	(137,501)	(180,760)	9,868
<b>Total Business-Type Activities</b>	<b>5,000</b>	<b>9,130</b>	<b>8,824</b>	<b>(78,575)</b>	<b>(64,394)</b>	<b>(48,429)</b>	<b>(147,365)</b>	<b>(191,793)</b>	<b>17,507</b>
<b>Total District-Wide</b>	<b>\$ 2,900,687</b>	<b>\$ 2,722,166</b>	<b>\$ 2,469,704</b>	<b>\$ 2,618,835</b>	<b>\$ 2,336,711</b>	<b>\$ 9,141,110</b>	<b>\$ 3,738,519</b>	<b>\$ 3,104,437</b>	<b>\$ 4,580,552</b>
<b>Change in Net Assets</b>									
Governmental Activities	\$ 260,681	\$ (18,978)	\$ (48,636)	\$ (30,908)	\$ 189,017	\$ 6,005,453	\$ (112,939)	\$ (1,093,901)	\$ (277,492)
Business-Type Activities	174,975	289,258	277,508	109,919	699,255	159,149	(476,804)	(595,490)	(494,892)
<b>Total District-Wide</b>	<b>\$ 435,656</b>	<b>\$ 270,280</b>	<b>\$ 228,872</b>	<b>\$ 79,011</b>	<b>\$ 888,272</b>	<b>\$ 6,164,602</b>	<b>\$ (589,743)</b>	<b>\$ (1,689,391)</b>	<b>\$ (772,384)</b>

Source: CAFR Schedule A-2

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

	<u>Fiscal Year Ending June 30,</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>2012</u>
General Fund									
Reserved	\$ 141,945	\$ 119,678	\$ 101,472	\$ 100,000	\$ 222,729	\$ 210,626	\$ 157,811	\$ 100,000	\$ 100,000
Unreserved	202,578	216,951	245,097	277,280	283,586	322,185	339,065	356,967	310,441
Total General Fund	<u>\$ 344,523</u>	<u>\$ 336,629</u>	<u>\$ 346,569</u>	<u>\$ 377,280</u>	<u>\$ 506,315</u>	<u>\$ 532,811</u>	<u>\$ 496,876</u>	<u>\$ 456,967</u>	<u>\$ 410,441</u>
All Other Governmental Funds									
Reserved	\$	\$	\$	\$	\$	\$	\$ 114,762	\$ 114,762	\$
Unreserved, Reported in:									
Special Revenue Fund									
Capital Projects Fund						437,565	65,529	50,229	27,734
Total All Other Governmental Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 437,565</u>	<u>\$ 180,291</u>	<u>\$ 164,991</u>	<u>\$ 27,734</u>

Source: CAFR Schedule B-1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
County Tax Levy	\$ 272,611	\$ 272,611	\$ 272,611	\$ 280,789	\$ 291,459	\$ 303,117	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000
Tuition Charges	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	4,240,117
Interest Earnings	2,914				1,644	7,234	16,208	7,004	3,860	2,744
Miscellaneous	20,197	1,382	509	8,388	2,389	2,313	8,415	19,380	21,845	25,072
Other Sources				3,500						
State Sources	369,971	156,370	222,257	234,232	431,513	491,156	524,485	594,233	673,773	872,592
Federal Sources	4,120	128,414	501	654	54,273		44,986	13,199	15,662	43,982
<b>Total Revenues</b>	<b>2,851,387</b>	<b>3,041,198</b>	<b>2,733,857</b>	<b>2,748,003</b>	<b>3,177,110</b>	<b>2,892,353</b>	<b>3,763,022</b>	<b>4,360,339</b>	<b>4,688,187</b>	<b>5,489,507</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular	168,940	94,940								
Special Education Instruction	882,845	935,990	1,047,034	1,122,846	1,237,510	942,183	1,360,947	1,731,368	2,135,308	2,221,475
<b>Support Services</b>										
Student and Instruction Related Services	307,442	312,094	314,486	140,711	129,621	94,409	224,344	277,711	249,218	266,142
General Administrative Services	207,357	214,234	151,938	146,397	192,934	217,877	174,791	99,999	165,842	213,976
School Administrative Services	175,493	186,295	202,142	154,922	161,042	143,233	210,138	213,903	237,011	235,496
Central Services	135,670	133,610	104,910	196,159	101,745	61,493	96,999	100,148	120,192	159,464
Administrative Information Tech, Serv					460	1,988	4,417	13,282	45,982	36,795
Plant Operations and Maintenance	267,838	278,410	243,453	277,089	297,945	246,768	431,645	613,757	406,797	422,323
Pupil Transportation	9,575	10,640	28,516	23,337	32,782	21,520	29,615	28,911	23,487	63,879
Unallocated Employee Benefits	507,176	570,270	615,791	653,436	977,915	990,976	1,102,806	1,401,753	1,506,685	1,906,615
Capital Outlay	52,794	194,846	24,351	14,342	3,520	25,194	5,653,740	310,217	33,634	137,257
<b>Total Expenditures</b>	<b>2,715,130</b>	<b>2,931,329</b>	<b>2,732,621</b>	<b>2,729,239</b>	<b>3,135,474</b>	<b>2,745,641</b>	<b>9,289,442</b>	<b>4,791,049</b>	<b>4,924,156</b>	<b>5,663,422</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	136,257	109,869	1,236	18,764	41,636	146,712	(5,526,420)	(430,710)	(235,969)	(173,915)
<b>Other Financing Sources (Uses)</b>										
Bond Proceeds							6,000,000			
Cancellation of Prior Year Receivables						(4,209)				
Transfers	(28,563)	(5,000)	(9,130)	(8,824)	(10,925)	(13,468)	(9,519)	137,501	180,760	(9,868)
<b>Total Other Financing Sources (Uses)</b>	<b>(28,563)</b>	<b>(5,000)</b>	<b>(9,130)</b>	<b>(8,824)</b>	<b>(10,925)</b>	<b>(17,677)</b>	<b>5,990,481</b>	<b>137,501</b>	<b>180,760</b>	<b>(9,868)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 107,694</b>	<b>\$ 104,869</b>	<b>\$ (7,894)</b>	<b>\$ 9,940</b>	<b>\$ 30,711</b>	<b>\$ 129,035</b>	<b>\$ 464,061</b>	<b>\$ (293,209)</b>	<b>\$ (55,209)</b>	<b>\$ (183,783)</b>
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)*

<b>Fiscal Year Ended June 30,</b>	<b>Interest on Investments</b>	<b>Tuition Revenue</b>	<b>Rent</b>	<b>Refund of Prior Year Expenditure</b>	<b>Payment in Lieu of Debt Service</b>	<b>Misc.</b>	<b>Total</b>
2012	\$ 2,744	\$ 4,240,117	\$ 14,450	\$ 3,106		\$ 7,496	\$ 4,267,913
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

Source: District Records

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

<u>Year</u>		<u>Population<sup>a</sup></u>	<u>Personal Income (thousands of dollars)<sup>b</sup></u>	<u>Per Capita Personal Income<sup>c</sup></u>	<u>Unemployment Rate<sup>d</sup></u>
2012	**	65,889	\$ 2,721,745,553	\$ 41,308	10.5%
2011	**	65,902	2,668,904,468	40,498	10.8%
2010		65,996	2,620,305,184	39,704	11.3%
2009		66,342	2,557,417,758	38,549	10.7%
2008		66,194	2,593,878,084	39,186	6.3%
2007		65,981	2,403,885,773	36,433	4.9%
2006		65,929	2,288,395,590	34,710	5.0%
2005		65,465	2,160,999,650	33,010	4.8%
2004		64,914	2,111,133,108	32,522	5.3%
2003		64,407	1,991,400,033	30,919	6.9%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income

<sup>c</sup> Per Capita Source: Regional Economic Information System

<sup>d</sup> 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**

<b><u>Function/Program</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Instruction										
Regular						1	1	1	2	3
Special education	15	15	14	15	14	15	16	16	20	21
Other special education	24	24	20	23	17	20	27	27	27	26
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services	7	8	8	8 *	17	18	18	20	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	2.5
Plant operations and maintenance										2
Pupil transportation										
Food Service										
<b>Total</b>	<b>49</b>	<b>51</b>	<b>46</b>	<b>50</b>	<b>51</b>	<b>57</b>	<b>66.25</b>	<b>69.5</b>	<b>74.5</b>	<b>77.1</b>

\* 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 <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Emotionally Disturbed	Cognitive - Severe	Autistic	Multi-Handicapped				
2012	170	\$ 5,526,165	\$ 32,507	13.00%	26	4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	161.2	151.8	0.19%	94.17%
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	101.5	93.4	3.89%	92.02%

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>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>2012</u>
<b><u>District Building</u></b>										
<b><u>Elementary, Middle &amp; High</u></b>										
Daretown										
Square Feet	22,464	22,464	22,464	22,464	22,464	22,464	22,464	22,464	22,646	22,646
Capacity (students)	80	80	80	80	80	80	80	80	80	80
Enrollment	47	49	41	44	38	48	48	49	47	44
Cumberland										
Square Feet							32,619	32,619	32,619	32,619
Capacity (students)							80	80	80	80
Enrollment							24	60	43	55

**Other**

- Administration Building
  - Square Feet
- Transportation
  - Square Feet
- Maintenance Offices
  - Square Feet

**Number of Schools at June 30, 2012**

- 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>2012</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>
Daretown	\$	42,555	\$ 44,986	\$ 82,373	\$ 141,364	\$ 32,642	\$ 23,470	\$ 20,755	\$ 14,977	\$ 13,669	\$ 21,704
Cumberland Campus		52,776	27,656	44,854	18,559						
<b>Total School Facilities</b>		<u>95,331</u>	<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>
Other Facilities											
<b>Grand Total</b>	\$	<u><u>95,331</u></u>	<u><u>\$ 72,642</u></u>	<u><u>\$ 127,227</u></u>	<u><u>\$ 159,923</u></u>	<u><u>\$ 32,642</u></u>	<u><u>\$ 23,470</u></u>	<u><u>\$ 20,755</u></u>	<u><u>\$ 14,977</u></u>	<u><u>\$ 13,669</u></u>	<u><u>\$ 21,704</u></u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**INSURANCE SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
*(UNAUDITED)*

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	<b>School Package Policy</b>		
	Blanket Building & Personal Property	\$ 10,265,142	\$ 1,000
	<b>Comprehensive General Liability</b>		
	Products and Completed Operations Limit	11,000,000	
	Personal Advertising Injury Limit	11,000,000	
	Bodily Injury and Property Damage	11,000,000	
	<b>Commercial Inland Marine</b>		
	Blanket Hardware and Software	285,000	1,000
	<b>Boiler &amp; Machinery - Property &amp; Extra Expense</b>		
	Combined Single Limit per Accident and Property Damage	100,000,000	1,000
	<b>Commercial Crime Section</b>		
	Employee Dishonesty Coverage	1,000,000	1,000
	<b>Comprehensive Automobile Liability</b>		
	Combined Single Limit	11,000,000	
	<b>School District Legal Liability</b>		
	Limit of Liability	11,000,000	
	Insured Retained Limit	5,000	
	<b>Workman's Compensation Policy</b>		
	Bodily Injury by Accident	2,000,000	
	Bodily Injury by Disease	2,000,000	
Bodily Injury by Disease	2,000,000		
<b>Excess Liability</b>			
Limits of Insurance (Occurrence)	50,000,000		
Aggregate Limit	50,000,000		
<b>Student Accident Policy</b>			
Full Excess Maximum Benefit Amount	1,000,000		
Markel Ins. Co.	<b>Catastrophic Student Accident Coverage</b>		
		Accident Medical Expense - Maximum per Participant	5,000,000
		Catastrophic Cash Benefit - Maximum Benefit	500,000
Berkley Ins. Co./Mcclosky	<b>Surety Bonds</b>		
		Business Administrator	10,000
		Treasurer	150,000
Ohio Casualty Ins Co.	<b>Surety Bonds</b>		
		Business Administrator	10,000
	Treasurer	150,000	

Source: District Records

**SINGLE AUDIT SECTION**

# **NIGHTLINGER, COLAVITA & VOLPA**

*A Professional Association*

*Certified Public Accountants*

991 S. Black Horse Pike  
P.O. Box 799  
Williamstown, NJ 08094

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

November 7, 2012

## **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, 2012, 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 November 7, 2012. 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 office of School Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

Management of the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, is responsible for establishing and maintaining effective 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 opinions 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 identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above, labeled Finding 2012-2.

### **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 Office of School Finance, Department of Education, State of New Jersey.

However, we noted one other immaterial matter 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 November 7, 2012.

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

# NIGHTLINGER, COLAVITA & VOLPA

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November 7, 2012

## 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, 2012. 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 Office of School Finance, 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 and 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, 2012.

### **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.

The Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit the Board of Education of the Salem County Special Services School District's responses and, accordingly, we express no opinion on the responses.

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, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant or State Project Number</b>	<b>Program or Award Amount</b>	<b>Grant Period</b>		<b>Balance at June 30, 2011</b>	<b>Carryover (Walkover) Amount</b>	<b>Cash Received</b>	<b>Budgetary Expenditures</b>	<b>Balance at June 30, 2012</b>		
				<b>From</b>	<b>To</b>					<b>(Accounts Receivable)</b>	<b>Deferred Revenue</b>	<b>Due to Grantor</b>
Enterprise Fund:												
School Breakfast Program	10.553	N/A	\$17,527	7/1/11	- 6/30/12	\$		\$ 14,687	\$ (17,527)	\$	(2,840)	\$
School Breakfast Program	10.553	N/A	18,838	7/1/10	- 6/30/11		(4,163)	4,163				
Food Distribution Program	10.565	N/A	4,823	7/1/11	- 6/30/12			4,823	(4,743)			80
National School Lunch Program	10.555	N/A	37,875	7/1/11	- 6/30/12			31,860	(37,875)		(6,015)	
National School Lunch Program	10.555	N/A	35,925	7/1/10	- 6/30/11		(7,101)	7,101				
Total U.S. Department of Agriculture							(11,264)	62,634	(60,145)		(8,855)	80
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Special Revenue Fund:												
REAP - II	84.358B	S358AO56158	43,982	7/1/11	- 9/30/12				(43,982)		(43,982)	
									(43,982)		(43,982)	
Total Federal Awards							\$ (11,264)	\$ 62,634	\$ (104,127)	\$	(52,837)	\$ 80

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, 2012**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2011			Balance at June 30, 2012				Cumulative Total Expenditures
				Deferred Revenue (Accounts Receivable)	Due to Grantor at	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue/ Interfund Payable	
State Department of Education:											
General Fund											
Anti-Bullying Aid	N/A	\$ 657	7/1/11- 6/30/12				\$ 657	\$ (657)			* \$ 657
On Behalf TPAF Non-Contributory Ins	12-495-034-5095-007	156,462	7/1/11- 6/30/12				156,462	(156,462)			* 156,462
On Behalf TPAF Post Retirement Contrib.	12-495-034-5095-001	314,530	7/1/10- 6/30/11				314,530	(314,530)			* 314,530
Reimbursed TPAF Social Security Contrib.	11-495-034-5095-002	367,443	7/1/10- 6/30/11	\$ (17,827)			17,827				
Reimbursed TPAF Social Security Contrib.	12-495-034-5095-002	400,943	7/1/09 - 6/30/10				382,771	(400,943)	(18,172)		* 400,943
				(17,827)			715,128	(715,473)	(18,172)		715,473
Special Revenue Fund											
State Department of Education:											
Food Service Enterprise Fund											
State Department of Agriculture:											
National School Lunch Program (State Share)	11-100-010-3350-023	848	7/1/11- 6/30/12				712	(848)	(136)		* 848
National School Lunch Program (State Share)	10-100-010-3350-023	786	7/1/10- 6/30/11	(155)			155				
				(155)			867	(848)	(136)		848
<b>Total State Financial Assistance</b>				\$ (17,982)			\$ 715,995	\$ (716,321)	\$ (18,308)		\$ 716,321

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, 2012**

**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, 2012**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 872,592	\$ 872,592
Special Revenue Fund	43,982		43,982
Food Service Fund	<u>60,145</u>	<u>885</u>	<u>61,030</u>
Total Awards & Financial Assistance	\$ <u>104,127</u>	\$ <u>873,477</u>	\$ <u>977,604</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, 2012.

**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, 2012. 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, 2012.

**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**

There were no adjustments included on Schedule A and B.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

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, 2012  
(continued)**

**Section I - Summary of Auditor's Results (continued)**

**State Awards**

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

Auditee qualified as low-risk auditee?                     \_\_\_\_\_ X \_\_\_\_\_ yes \_\_\_\_\_ no

Internal control over major programs:

1) Material weakness (es) identified?                     \_\_\_\_\_ yes     \_\_\_\_\_ X no

2) Significant deficiencies identified that  
are not considered to be material  
weaknesses?                     \_\_\_\_\_ yes     \_\_\_\_\_ X \_\_\_\_\_ none  
reported

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

Any audit findings disclosed that are required to  
be reported in accordance with NJOMB  
Circular Letter 04-04                     \_\_\_\_\_ yes     \_\_\_\_\_ X \_\_\_\_\_ no

Identification of major programs:

<b><u>GMIS Number(s)</u></b>	<b><u>Name of State Program</u></b>
12-495-034-5120-002	TPAF Social Security Contribution
12-495-034-5095-001	On-Behalf TPAF Post Retirement

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(continued)

Section II - Financial Statement Findings

**Finding:** 2012-2

**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 \$137,257 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, 2012.

**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, 2012 (CONT'D)**

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

**FEDERAL AWARDS**

**Finding:** 2012-1

**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 feed 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, 2012**

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**

**Financial Statements**

**Finding:** 2011-2

**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.

**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.

**Current Status**

The finding has not been resolved.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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 (CONTINUED)**

**FEDERAL AWARDS**

**Finding: 2011-1**

**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.

**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.

**Current Status**

The finding has not been resolved.