

**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, 2016

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Prepared by

John Bolil

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

John R. Swain

Superintendent

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

John Bolil

Business Administrator

Phone (856) 358-7091 ext. 4313 Fax (856) 358-6748

November 28, 2016

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, 2016, 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 Title 2 CFR 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and state Treasury Circular Letter 15-08 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 Statement No. 14. All funds 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 following programs during the 2015-2016 school year included, alternative high and middle schools, behavior disabilities, transitional career programs, Pre-school, multiply-disabilities, cognitive, autistic, and deaf and hearing impaired. The following details the changes in the student enrollment of the last five years. This includes a redcutin of 33 students in the 2015-16 school year.

Average Daily Enrollment		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-16	262.0	-11.19%
2014-15	295.0	3.15%
2013-14	286.0	84.99%
2012-13	154.6	-4.09%
2011-12	161.2	0.19%
2010-11	160.9	15.18%

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 continues to provide a thorough and efficient education for students with mild to severe disabilities. It is currently a regional educational service agency that provides high quality and cost effective programs and services to the schools and districts of Salem and Cumberland Counties. The ongoing 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 cost. Among current services provided through a series of inter-local agreements are child study teams, related services, business administrator/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.

2015-2016 - Instruction and resources continued to be a primary focus of the district. The district continues to enhance instruction through the purchase and training of staff regarding Unique Learning System, Creative Curriculum, Letter People and P.E.C.'s. These resources have allowed our teachers to complement content standards and achieve the objectives and goals that are set for our students. The district continues to upgrade the technology infrastructure to aide in the ability of our staff to instruct, interact, and reinforce the appropriate instruction based on the learner's needs. Our district is now completely out of the county HUB and now has enhanced capabilities that are dedicated solely to our district buildings and programs.

2015-2016 continued with the transitioning of programming in the district. This year the multiply disabled and medically fragile were relocated from the Regional Day School site to the Cumberland Campus. 2017-2018 will see the final transitioning of the district. The Cumberland Campus will house all ASD, MD and medically fragile programming. This will allow our district to continue the rapid growth that continues in our TCP programming at the Regional Day School. Regional Day/Salem Campus saw the purchase of three vans to enhance the TCP.

Child Study Team and Related Services continue to explore different business models to remain competitive and provide quality service to the districts they serve. It is hoped that this new approach will allow for growth in the future. The district explored transportation options for 2017-2018 to reduce the cost to the district. The Alternative School continues to thrive as we have several strong relationships in Cumberland and Salem Counties which allows our district to continue to grow and plan for the future as we continue to be hosted at Salem Community College.

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 2016 is reflected in the financial section.

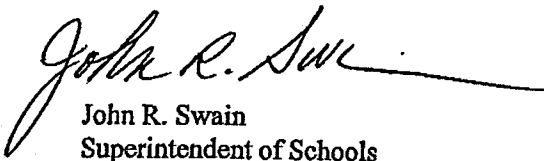
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

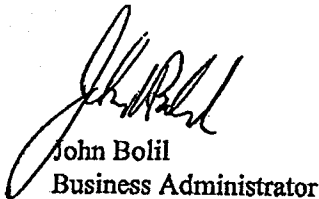
6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board

(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. The accounting firm of Nightlinger, Colavita and Volpa, Pa. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit 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.

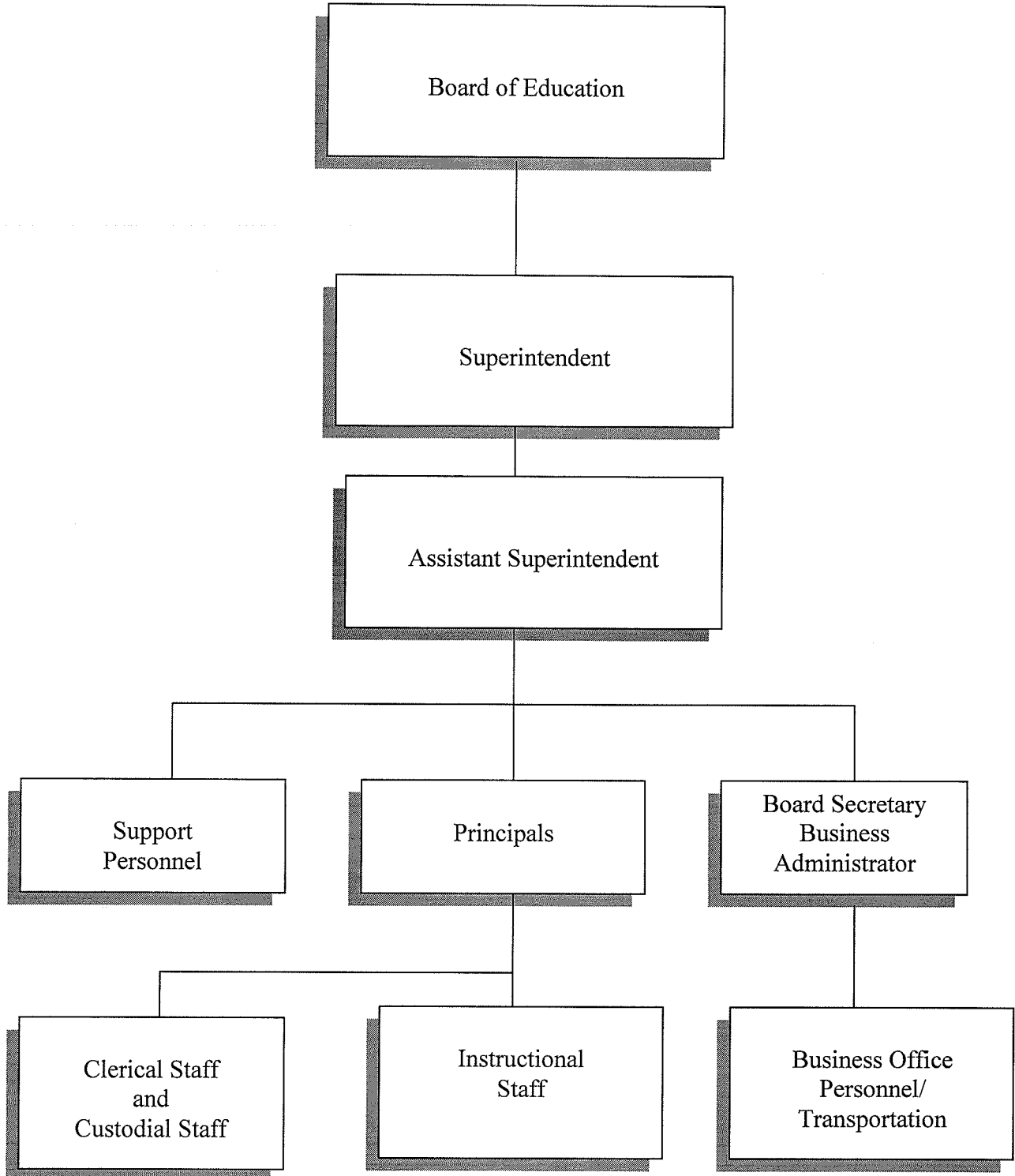
Respectfully submitted,


John R. Swain
Superintendent of Schools


John Bolil
Business Administrator

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, 2016

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
David Moffett, President	2017
Earl Ransome, Vice President	2017
James Davis	2017
Daryl Halter, Ex Officio	2017
Linwood Donelson III	2019
Mary Cummings	2018
Margaret Nicolosio - Executive County Superintendent of Schools	
<u>OTHER OFFICIALS</u>	<u>Surety Bonds</u>
John R. Swain, Superintendent	
John Bolil, Board Secretary/Business Administrator	\$ 10,000
Treasurer	150,000

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SALEM COUNTY, NEW JERSEY

CONSULTANTS AND ADVISORS

ARCHITECT

Garrison Architects
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AUDIT FIRM

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OFFICIAL DEPOSITORY

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FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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Fax (856) 728-2245
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November 28, 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the Salem County Special Services School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the audit requirements as prescribed by the Office of Administration and 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of the School District's proportionate share of the net pension liability and schedule of the School District's contributions, identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Woodbine Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2016 on our consideration of the Salem County Special Services Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governments Auditing Standard and should be considered in assessing the results of our audit.

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, 2016

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, 2016. 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 2016 are as follows:

- ❖ General revenues accounted for \$7,150,606 in revenue or 41.1% 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 \$10,262,079 or 58.9% percent to total revenues of \$17,412,685.
- ❖ Net position of governmental activities decreased by \$576,198, comprised primarily of changes in cash and cash equivalents, liabilities and capital assets.
- ❖ The School District had \$17,937,961 in expenses. Of these expenses, \$10,262,079 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 \$8,275,655 in revenues, \$8,653,439 in expenditures. The General Fund's balance increased by \$15,012 over 2015. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Salem County Special Services School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position 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 Position 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 2016?" The Statement of Net Position 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 Position and changes in those assets. This change in net position 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 Position 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 22. 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 Position 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 Position provides the perspective of the School District as a whole.

Table 1 provides a comparative summary of the School District's Net Position for the years ended 2016 and 2015.

Table 1
Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$ 3,511,857	\$ 4,414,574
Receivables, Net	987,706	
Capital Assets, Net	5,446,528	5,472,718
	<u>9,946,091</u>	<u>9,887,292</u>
	2,536,984	780,418
Deferred Outflows of Resources		
Liabilities		
Other Liabilities	270,635	91,447
Long-term Liabilities	7,331,574	5,004,667
	<u>7,602,209</u>	<u>5,096,114</u>
	112,673	278,127
Deferred Outflows of Resources		
Net Position		
Invested in capital assets, net of debt	5,379,512	5,472,718
Restricted	161,422	161,422
Unrestricted	(772,741)	(340,671)
	<u>4,768,193</u>	<u>5,293,469</u>
Total Net Position	\$ 4,768,193	\$ 5,293,469

Table 2 shows the changes in Net Position from fiscal years 2016 and 2015.

Table 2 - Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Programs revenues		
Charges for services	\$ 7,446,736	\$ 7,487,747
Operating grants and contributions	2,815,343	878,458
General Revenues		
County taxes	453,000	353,000
Tuition	6,673,808	7,379,312
Other	23,798	1,510,397
Total Revenues	<u>17,412,685</u>	<u>17,608,914</u>
Program Expenses		
Instruction	3,422,070	2,966,578
Support Services		
Pupils and instructional staff	670,143	731,793
General administration, school administration, business	882,686	1,149,424
Operations and maintenance of Facilities	445,334	630,673
Pupil Transportation	41,301	48,112
Employee Benefits	4,969,776	4,400,924
Enterprise Funds		
Food Service	91,749	71,996
Other Shared Service Funds	7,140,749	6,030,991
Other	274,153	269,262
Total Expenses	<u>17,937,961</u>	<u>16,299,753</u>
Excess of Revenues over Expenditures	(525,276)	1,309,161
Fixed Asset Adjustment		
Accounts Receivable Adjustment		(192,630)
Increase in Net Position	<u>\$ (525,276)</u>	<u>\$ 1,116,531</u>

Governmental Activities

As a special services school district, the budget is approved by the Salem County Freeholders. Of the \$17,412,685 in total revenues, \$7,150,606 was for Governmental Activities and \$10,262,079 was from Program Revenue for the fiscal year ended June 30, 2016. County taxes made up 6% of revenues for governmental activities for fiscal year 2016. Tuition charges accounted 93% of total governmental activity revenue and Miscellaneous revenue accounted for another 1%.

The total cost of all program and services was \$17,937,961, of which Governmental Activities accounted for \$10,705,463. Instruction costs of \$3,422,070 comprised 32.0% of District Governmental Activity expenses. Student support costs were \$670,143 or 6.3%, administration costs were \$882,686 or 8.2%, plant operation costs were \$445,334 or 4.1%, transportation costs were \$41,301 or .4%, Employee benefits of \$4,969,776 or 46.4% and depreciation of \$274,153 represents 2.6%.

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.

Table 3

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 3,422,070	\$ 3,407,291	\$ 2,966,578	\$ 2,933,415
Support services				
Pupils and instructional staff	670,143	670,143	731,793	731,793
General administration, school administration, business	882,686	882,686	1,149,424	1,149,424
Operation and maintenance of facilities	445,334	445,334	630,673	630,673
Pupil Transportation	41,301	41,301	48,112	48,112
Employee Benefit Costs	4,969,776	2,270,864	4,400,924	3,628,310
Other	274,153	274,153	269,262	269,262
Total Expenses	<u>\$ 10,705,463</u>	<u>\$ 7,991,772</u>	<u>\$ 10,196,766</u>	<u>\$ 9,390,989</u>

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.

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 revenues exceeded expenses by \$19,604 and combined other enterprise fund revenues exceeded expenses by \$296,286.
- ❖ Federal and state reimbursements for free and reduced meals were \$101,652.
- ❖ Charges for food services were \$9,701 or 8.7% of total food service revenue. This represents amount paid by patrons for daily food services.
- ❖ Revenue for other enterprises was \$7,437,035 consisting of \$812,285 in N.J. Dept. of Human Services fees, \$2,810,095 in tuition and \$3,814,655 in services provided other LEA's.

The School District's Funds

Information about the School District's major funds starts on page 22. 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 \$8,290,434 and expenditures of \$8,668,218. The net positive/negative change in General fund balance for the year was an increase of \$15,012. This increase shows that the School District was able to meet current operating costs. The District may have the need for additional funds in the near future.

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, 2015, 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 2015</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 7,164,094	87.9%	\$ (577,903)	-7%
Federal Sources	1,291	0.2%	(28,757)	-96%
State Sources	1,125,049	11.9%	83,991	8%
Total	\$ 8,290,434	100.0%	\$ (522,669)	-6%

The decrease in Local Sources is attributed to various increases and decreases but mainly in tuition.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2016. This excludes the Capital Project Fund.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease 2015</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 3,422,070	39%	\$ 455,492	15%
Undistributed expenditures	5,011,195	58%	(563,094)	-10%
Capital Outlay	234,953	3%	199,953	571%
Total	<u>\$ 8,668,218</u>	<u>100%</u>	<u>\$ 92,351</u>	<u>1%</u>

The increase in Instruction is attributed to the increases in salaries of teachers and related benefit costs, along with other variances.

The decrease in Undistributed Expenditures is attributed to decreases in student and instruction related services of \$61,650, employee benefits of \$41,947, transportation costs of \$6,811, plant operations and maintenance of \$185,948 and general school administrative expenditures of \$266,738.

The increase of \$199,953 in capital outlay is attributed to capital expenditures for building improvements and equipment made during the current year.

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 2016, 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 an excess of \$15,012.

For the General Fund, the original revenue amount budgeted on Exhibit C-1 was \$7,660,481, there were no adjustments. The actual revenue was \$7,150,606 and therefore, revenues were \$509,875 less than expected.

During the 2015-2016 year, the School District budgeted \$353,000 for county tax, \$7,305,481 for tuition LEA and \$2,000 for miscellaneous revenue. The School District had unanticipated revenue \$1,125,049 in reimbursed TPAF Social Security Aid and TPAF On-behalf Contributions.

The final budget basis expenditure appropriation estimate was \$7,666,713 compared to the original estimate of \$7,660,481.

There was a positive variance in expenditures of \$199,133, excluding reimbursed TPAF Social Security Aid and TPAF On-behalf Contributions of \$1,125,049.

Capital Assets

At the end of the fiscal year 2016, the School District had \$5,446,528 invested in land, buildings, machinery and equipment. Table 4 shows fiscal 2016 balances compared to 2015.

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

	<u>2016</u>	<u>2015</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	55,844	59,679
Building and Improvements	5,095,289	5,343,387
Machinery and Equipment	245,395	19,652
Totals	<u>\$ 5,446,528</u>	<u>\$ 5,472,718</u>

Overall capital assets decreased \$26,190 from fiscal year 2015. The decrease represents depreciation expense of \$281,790 netted with an addition to Fixed Assets of \$174,141 in the governmental activities and \$81,459 in business-type activities.

Debt Administration

At June 30, 2016, the School District had \$242,946 in outstanding debt, which was comprised of \$175,930 for compensated absences and \$67,016 associated with a capital lease.

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 has implemented a new position of registrar that has made accuracy and accountability to district's clearer and easier to understand.

The District is fully dedicated to the concept of shared services realizing that collaborative arrangements maximize both efficiency and effectiveness. During the 2015-2016 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, assistant superintendent, and superintendent.

During 2015-2016, the district continued operating the Cumberland Campus. The district continued offering classes for autistic children in that facility but has continued to expand its services. Now the building houses approximately 90 students, including ASD, MH, PSD classes. Relocation of mirrored programs at the RDS/Salem Campus were relocated to the Cumberland Campus with a completion of restructuring set occur in 2017-2018. For the 2016-2017 school year the principal for the Cumberland Campus has taken on the shared role of Child Study Team Director which has a significant cost savings to the district while still providing a stable forum of oversight administratively.

RDS/Salem Campus has moved several mirrored classes to the Cumberland Campus as the Transitional Career Program continues to see increased enrollment. It is anticipated that the program will completely fill the buildings occupancy with this program and will utilize additional space at the Salem County Vocational-Technical School. 2015-2016 saw a third van leased along with the hiring of a fourth job coach allowing more students to participate in job related skills in the workplace with potential employers. The district anticipates a partnership with Cumberland County Vocational School to work with their STRIVE Program which is in alignment with SCSSSD's TCP program. This alignment could potentially increase student enrollment by approximately 50 to 55 students.

The District continues to operate the Salem County Alternative High School and Alternative Middle School. Both have grown in numbers and appears stable. The district is now leasing space at the Salem Community College at a reduced cost from our previous location. This move has afforded our student the educational environment that is conducive to alternative students engaging to further their academic experience beyond high school. The Alternative high School continues to grow and is led by experienced administration and staff. Strong relationships with sending districts continue to be fostered and the district anticipates a continued growth moving forward. Continued improvements to curriculum and technology allow this program to be fitted to meet the particular needs of the students served, which results in successful results both socially and academically. The Daretown School is close to capacity and the district continues to explore ways for expansion without a costly building project. As one of two behavioral placements in the district, administration is currently exploring expansion of services to include psychiatric care.

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 John R. Swain, Superintendent of Schools at Salem County Special Services Board of Education, 880 Route 45, PO Box 126 Woodstown, NJ 08098 or email jswain@scvts.org.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The statement of net position 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 POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,176,698	\$ 2,235,159	\$ 3,411,857
Receivables, Net	212,624	775,082	987,706
Restricted Assets:			
Cash and Cash Equivalents	100,000		100,000
Capital Assets, Net (Note 5)	5,372,706	73,822	5,446,528
Total Assets	<u>6,862,028</u>	<u>3,084,063</u>	<u>9,946,091</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	2,536,984		2,536,984
LIABILITIES			
Accounts Payable	29,761	463	30,224
Interfund Payable	2,275		2,275
Due to SCVTS	44,538		44,538
Accrued Interest Payable	609		609
Prepaid County Tax	100,000		100,000
Unearned Revenue	22,326		22,326
Net Pension Liability	7,007,866		7,007,866
Accrued Employee Benefits	151,425		151,425
Non-current Liabilities (Note 6):			
Due Within One Year	70,663		70,663
Due Beyond One Year	172,283		172,283
Total Liabilities	<u>7,601,746</u>	<u>463</u>	<u>7,602,209</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	112,673		112,673
Net Position			
Invested in Capital Assets, Net of Related Debt	5,305,690	73,822	5,379,512
Restricted for:			
Maintenance Reserve	100,000	61,422	161,422
Unrestricted (Deficit)	(3,721,097)	2,948,356	(772,741)
Total Net Position	<u>\$ 1,684,593</u>	<u>\$ 3,083,600</u>	<u>\$ 4,768,193</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, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Special Education	\$ 3,422,070	\$	\$ 14,779	\$ (3,407,291)		\$ (3,407,291)
Support Services:						
Student & Instruction Related Services	670,143			(670,143)		(670,143)
General and Business Admin Services	194,252			(194,252)		(194,252)
School Administrative Services	335,349			(335,349)		(335,349)
Central Services	256,149			(256,149)		(256,149)
Administrative Info Tech. Services	96,936			(96,936)		(96,936)
Plant Operations and Maintenance	445,334			(445,334)		(445,334)
Pupil Transportation	41,301			(41,301)		(41,301)
Employee Benefits	4,969,776		2,698,912	(2,270,864)		(2,270,864)
Unallocated Depreciation	274,153			(274,153)		(274,153)
Total Governmental Activities	10,705,463		2,713,691	(7,991,772)		(7,991,772)
Business-type Activities:						
Food Service	91,749	9,701	101,652		19,604	19,604
Other Enterprise	7,140,749	7,437,035			296,286	296,286
Total Business-type Activities	7,232,498	7,446,736	101,652		315,890	315,890
Total Primary Government	\$ 17,937,961	\$ 7,446,736	\$ 2,815,343	(7,991,772)	315,890	(7,675,882)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				453,000		453,000
Tuition Received				6,673,808		6,673,808
Investment Earnings				4,132		4,132
Transfers				264,968	(264,968)	
Miscellaneous Income				19,666		19,666
Total General Revenues, Special Items, Extraordinary Items and Transfers				7,415,574	(264,968)	7,150,606
Change in Net Position				(576,198)	50,922	(525,276)
Net Position—Beginning				2,260,791	3,032,678	5,293,469
Net Position—Ending				\$ 1,684,593	\$ 3,083,600	\$ 4,768,193

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, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 988,602	\$ 22,326	\$	\$ 1,010,928
Cash with Fiscal Agent	151,425			151,425
Interfunds Receivable	14,345			14,345
Intergovernmental Accounts Receivable	194,341			194,341
State Aid Receivable	18,283			18,283
Restricted Cash and Cash Equivalents	100,000			100,000
Total Assets	1,466,996	22,326		1,489,322
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	29,761			29,761
Due to SCVTS	44,538			44,538
Interfunds Payable	2,275			2,275
Prepaid County Tax	100,000			100,000
Unearned Revenue		22,326		22,326
Accrued Employee Benefits	151,425			151,425
Total Liabilities	327,999	22,326		350,325
Fund Balances:				
Restricted For:				
Maintenance Reserve	100,000			100,000
Assigned to Year-end Encumbrances	531			531
General fund	1,038,466			1,038,466
Total Fund Balances	1,138,997			1,138,997
Total Liabilities and Fund Balances	\$ 1,466,996	\$ 22,326	\$	

Amounts reported for *governmental activities* in the Statement of Net Position (A-1) are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$10,144,791 and the accumulated depreciation is \$4,772,085 (Note 5). 5,372,706

Deferred Outflow of Resources - Deferred Pension Contribution. 2,536,984

Deferred Inflows of Resources - Pension Actuarial Gains. (112,673)

Long Term Net Pension Liability (7,007,866)

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). (243,555)

Net Position of Governmental Activities **\$ 1,684,593**

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, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
County Tax Levy	\$ 453,000	\$	\$	\$ 453,000
Tuition Charges	6,673,808			6,673,808
Interest on Investments	4,132			4,132
Miscellaneous	19,666	13,488		33,154
Total - Local Sources	7,150,606	13,488		7,164,094
Other Sources:				
Federal Sources		1,291		1,291
State Sources	1,125,049			1,125,049
Total Revenues	8,275,655	14,779		8,290,434
EXPENDITURES				
Current:				
Special Education Instruction	3,407,291	14,779		3,422,070
Support Services:				
Student & Instruction Related Services	670,143			670,143
General Administrative Expenses	194,252			194,252
School Administrative Expenses	335,349			335,349
Central Services	256,149			256,149
Administrative Information Tech Serv.	96,936			96,936
Plant Operations and Maintenance	444,725			444,725
Pupil Transportation	41,301			41,301
Employee Benefits	2,972,340			2,972,340
Capital Outlay	234,953			234,953
Total Expenditures	8,653,439	14,779		8,668,218
Excess (Deficiency) of Revenues over Expenditures	(377,784)			(377,784)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	127,828			127,828
Transfers	264,968			264,968
Total Other Financing Sources and Uses	392,796			392,796
Net Change in Fund Balances	15,012			15,012
Fund Balance—July 1	1,123,985			1,123,985
Fund Balance—June 30	\$ 1,138,997	\$	\$	\$ 1,138,997

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, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 15,012
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.	(6,707)
Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.	(416,866)
Repayment of Bond Principal or Capital Lease Principal is an Expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the Statement of Activities. Capital Lease Principal	60,812
In the Statement of Activities, interest expense on debt service is accrued, while only payments are charged as expenditures in the budget basis financial statements	(609)
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. Capital Outlays Depreciation expense	46,313 (274,153)
Change in Net Position of Governmental Activities (A-2)	\$ (576,198)

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

PROPRIETARY FUNDS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 23,825	\$ 2,225,679	\$ 2,249,504
Accounts Receivable:	16,952	758,130	775,082
	<hr/>	<hr/>	<hr/>
Total Current Assets	40,777	2,983,809	3,024,586
	<hr/>	<hr/>	<hr/>
Fixed Assets			
Equipment		146,355	146,355
Less: Depreciation		(72,533)	(72,533)
		<hr/>	<hr/>
Total Fixed Assets		73,822	73,822
		<hr/>	<hr/>
Total Assets	40,777	3,057,631	3,098,408
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current Liabilities:			
Accounts Payable		463	463
Interfund Payable	14,345		14,345
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	14,345	463	14,808
	<hr/>	<hr/>	<hr/>
Net Position			
Restricted			
Other Purposes		61,422	61,422
Invested in Fixed Assets		73,822	73,822
Unreserved	26,432	2,921,924	2,948,356
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 26,432	\$ 3,057,168	\$ 3,083,600
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 9,701	\$	\$ 9,701
N.J. Dept. of Human Services - Fees		812,285	812,285
Tuition		2,810,095	2,810,095
Services Provided Other LEA's		3,814,655	3,814,655
Total Operating Revenue:	9,701	7,437,035	7,446,736
Operating Expenses:			
Salaries		4,446,791	4,446,791
Employee Benefits		1,746,619	1,746,619
Purchased Professional and Technical Services		11,681	11,681
Purchased Professional /Educ services		563,258	563,258
Purchased Professional Services		21,288	21,288
Purchased Property services		9,000	9,000
Other Purchased Services		21,604	21,604
Communications Telephone		2,527	2,527
Supplies and Materials		3,725	3,725
General Supplies	100	58,614	58,714
Travel		8,239	8,239
Transportation		36,474	36,474
Cost of Sales	91,649		91,649
Other Objects		10,137	10,137
Cleaning /Repair /Maintenance		126,742	126,742
Insurance		3,747	3,747
Depreciation		7,637	7,637
Utilities		58,558	58,558
Equipment		4,108	4,108
Total Operating Expenses	91,749	7,140,749	7,232,498
Operating Income (Loss)	(82,048)	296,286	214,238
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,115		1,115
Federal Sources:			
National School Breakfast Program	33,539		33,539
Food Distribution Program	9,044		9,044
National School Lunch Program	57,954		57,954
Total Non-operating Revenues (Expenses)	101,652		101,652
Income (Loss) Before Contributions & Transfers	19,604	296,286	315,890
Transfers		(264,968)	(264,968)
Change in Net Position	19,604	31,318	50,922
Total Net Position—Beginning	6,828	3,025,850	3,032,678
Total Net Position—Ending	\$ 26,432	\$ 3,057,168	\$ 3,083,600

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, 2016

	Business-type Activities -		
	Enterprise Funds		
	Food Service	Other Enterprise	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 9,701	\$ 7,380,885	\$ 7,390,586
Payments to Employees		(4,446,791)	(4,446,791)
Payments for Employee Benefits		(1,746,619)	(1,746,619)
Payments to Suppliers	(87,528)	(968,482)	(1,056,010)
Net Cash Provided by (Used for) Operating Activities	<u>(77,827)</u>	<u>218,993</u>	<u>141,166</u>
Cash from (Used for) Operating Activities-			
Transfers to the General Fund		(264,968)	(264,968)
Total Cash Provided by (Used for) Operating Activities	<u>(77,827)</u>	<u>(45,975)</u>	<u>(123,802)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	1,115		1,115
Federal Sources	100,537		100,537
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>101,652</u>		<u>101,652</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets		(81,459)	(81,459)
Net Cash Provided by (Used for) Capital and Related Financing Activities		<u>(81,459)</u>	<u>(81,459)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends			
Net Cash Provided by (Used for) Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	23,825	(127,434)	(103,609)
Balances—Beginning of Year		2,353,113	2,353,113
Balances—End of Year	<u>\$ 23,825</u>	<u>\$ 2,225,679</u>	<u>\$ 2,249,504</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ (82,048)	\$ 296,286	\$ 214,238
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation		7,637	7,637
(Increase) Decrease in Accounts Receivable, Net	7,247	(56,150)	(48,903)
Increase (Decrease) in Accounts Payable	(3,026)	(28,780)	(31,806)
Total Adjustments	<u>4,221</u>	<u>(77,293)</u>	<u>(73,072)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (77,827)</u>	<u>\$ 218,993</u>	<u>\$ 141,166</u>

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 POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Memorial Expendable Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,096	\$ 14,578
Interfunds Receivable		2,275
	<u>1,096</u>	<u>16,853</u>
Total Assets	<u>1,096</u>	<u>16,853</u>
LIABILITIES		
Payable to Student Groups		13,910
Payroll Deductions and Withholdings		2,943
		<u>16,853</u>
Total Liabilities		<u>\$ 16,853</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 1,096</u>	

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Memorial Expendable Trust</u>
ADDITIONS	
Contributions:	
Plan member	
Interest Income	\$ 2
Total additions	<u>2</u>
DEDUCTIONS	
Withdrawals from Investments	
Total Deductions	
Change in Net Position	<u>2</u>
Net Position—Beginning of the Year	<u>1,094</u>
Net Position—End of the Year	<u>\$ 1,096</u>

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 was 262 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.

B. New Accounting Standards:

The School District has adopted the following GASB statements:

- GASB No. 80 - *Blending Requirements for Certain Component Units - an Amendment of GASB No. 14*: The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 80, did not impact the financial statements of the School District.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (CONT'D)

B. New Accounting Standards (Continued):

The School District has adopted the following GASB statements:

- GASB No. 79 - *Certain External Investment Pools and Pool Participants*: This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 79, did not impact the financial statements of the School District.
- GASB Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 78, did not impact the financial statements of the School District.
- GASB No. 77, *Tax Abatement Disclosures*: This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 77, did not impact the financial statements of the School District.
- GASB No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*: The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 76, did not impact the financial statements of the School District.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (CONT'D)

B. New Accounting Standards (Continued):

The School District has adopted the following GASB statements:

- GASB No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*: The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 73, did not impact the financial statements of the School District.

- GASB No. 72 - *Fair Value Measurement and Application*: This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 72, did not impact the financial statements of the School District.

- GASB No. 82 - *Pensions - an Amendment of GASB No. 67, No. 68 and No. 73*: The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 82 on the School District's financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. New Accounting Standards (Continued):

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 81 - *Irrevocable Split-Interest Agreements*: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 81 on the School District's financial statements.

- GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.

- GASB No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*: The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 74 on the School District's financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 Position 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 Position 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 Position 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, 2016

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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUND TYPE (Cont'd)

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, Related Services, Alternative Middle and High School, Child Study, One on One Aides, Non-public Services, Summer Program, early Intervention, Business Services, and the Regional Day School.

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 position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. Fund Accounting (Cont'd):

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.

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 unearned 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

C. Basis of Accounting and Measurement Focus (Cont'd):

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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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 unearned revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year.

An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

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 2013-14 and 2014-15 fiscal years were computed based on the certified rates as provided by the New Jersey Department of Education and invoiced to the various sending districts. The district will recognize this adjustment in the next school year.

G. Tuition Payable:

Tuition charges for the fiscal years 2014-15 and 2015-16, if any, were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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, 2016.

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, 2016.

The Food Service Fund had no inventory on hand at June 30, 2016.

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 federal commodities during the 2015-2016 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, 2016 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

K. Compensated Absences:

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

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 \$175,930 at June 30, 2016.

L. Unearned Revenue:

Unearned revenue 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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. Other 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 Position:

Net Position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets.

Net Position is 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 Position is 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

W. Revenues – Exchange and Non-exchange Transactions (Cont'd):

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.

X. Lease Acquisition Costs:

As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

Deposits 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.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the School does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2016, the School District's bank balance of \$3,928,899 was exposed to custodial credit risk as follows:

Insured	\$	250,000
Uninsured and collateralized with securities held by pledging financial institutions		3,678,899
	\$	3,928,899

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, 2016, the District had no funds on deposit with the New Jersey Cash Management Fund.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital Assets that are not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total Capital Assets not being Depreciated	<u>50,000</u>			<u>50,000</u>
Land Improvements	146,854			146,854
Building and Building Improvements	9,535,022			9,535,022
Machinery and Equipment	238,774	174,141		412,915
Totals at Historical Cost	<u>9,920,650</u>	<u>174,141</u>		<u>10,094,791</u>
Less Accumulated Depreciation for :				
Land Improvements	(87,175)	(3,835)		(91,010)
Building and Improvements	(4,191,635)	(248,098)		(4,439,733)
Equipment	(219,122)	(22,220)		(241,342)
Total Accumulated Depreciation	<u>(4,497,932)</u>	<u>(274,153)</u>		<u>(4,772,085)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	5,422,718	(274,153)		5,322,706
Government activities capital assets, net	<u><u>\$ 5,472,718</u></u>	<u><u>\$ (100,012)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,372,706</u></u>
				To A-1
Depreciation expense was charged to governmental functions as follows:				
		Unallocated		<u><u>\$ 274,153</u></u>
Business-Type Activities - Equipment	\$ 64,896	\$ 81,459	\$ -	\$ 146,355
Less Accumulated Depreciation for :	(64,896)	(7,637)		(72,533)
Business-Type Activities Capital Assets - Net	<u><u>\$ -</u></u>	<u><u>\$ 73,822</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,822</u></u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
Governmental Activities:						
Capital Lease payable:	\$ -	\$ 209,173	\$ (142,157)	\$ 67,016	\$ 67,016	\$ -
Other Liabilities:						
Compensated absences payable	169,223	6,707		175,930	3,647	172,283
Total other liabilities	<u>\$ 169,223</u>	<u>\$ 215,880</u>	<u>\$ (142,157)</u>	<u>\$ 242,946</u>	<u>\$ 70,663</u>	<u>\$ 172,283</u>
Business-Type Activities:						
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.

On April 13, 2015, the County of Salem issued Special Services School Refunding Bonds, Series 2015, in the amount of \$3,885,000, of which \$270,000 was redeemed during 2015-16. These Bonds were issued for the purpose of advance refunding \$3,615,000 of outstanding principle on the County's Special Services School Bonds, Series 2008, maturing October 1, 2019 through 2028 and certain costs associated with the issuance of the Bonds. The remaining bonds not refunded were \$1,065,000. The combined principal and interest remaining on the Bonds is presented for "Memorandum Only" purposes as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 295,000	\$ 159,613	\$ 454,613
2017-18	305,000	147,094	452,094
2018-19	320,000	132,561	452,561
2019-20	330,000	120,136	450,136
2020-21	340,000	108,386	448,386
2021-22	355,000	98,036	453,036
2022-23	360,000	87,288	447,288
2023-24	375,000	72,588	447,588
2024-25	385,000	59,313	444,313
2025-26	395,000	47,613	442,613
2026-27	405,000	35,107	440,107
2027-28	410,000	21,351	431,351
2028-29	405,000	7,088	412,088
Total	<u>\$ 4,680,000</u>	<u>\$ 1,096,174</u>	<u>\$ 5,776,174</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

During the current 2015-16 fiscal school year, the District acquired Various Technology and Playground Equipment, along with Vehicles through a Capital Lease totaling \$209,173, with interest at 1.573%. The following is a schedule of the future minimum lease payments at June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 67,016	\$ 1,462	\$ 68,478
	\$ 67,016	\$ 1,462	\$ 68,478

NOTE 7. OPERATING LEASES

Three classrooms and related facilities are currently rented at the Upper Pittsgrove School for the period of July 1, 2016 to June 30, 2017, at a total cost of \$52,632.

On December 16, 2014, a lease agreement was signed for the use of various facilities and one fieldhouse office within the Salem Community College. The lease agreement is in effect for the period of July 1, 2016 through June 30, 2017, at a cost of \$102,000.

The District has outstanding lease agreements for copiers and a building. Future minimum lease payments are as follows:

Year Ending June 30	Amount
2016-17	\$ 180,981
2017-18	13,430
2018-19	6,723
Total	\$ 201,134

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, 2016

NOTE 9. PENSION PLANS

Description of Plans - All required employees of the School 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 School 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 - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit plan which was established as of January 1, 1955. The PERS provides retirement, death, disability and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, which equal the required contribution for each fiscal year, were as follows:

Public Employees Retirement System

Fiscal Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by District
2016	\$ 45,438	\$ 222,955	\$ 268,393	\$ N/A	\$ 268,393

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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, 2016

NOTE 9. PENSION PLANS (CONT'D)

Vesting and Benefit Provisions (Cont'd)

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A.43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 8 to 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for TPAF and PERS:

Tier Definition

- 1 Members enrolled before July 1, 2007
- 2 Members eligible for enrollment on or after July 1, 2007 and before November 2, 2008
- 3 Members eligible for enrollment on or after November 2, 2008 and on or before May 21, 2010
- 4 Members eligible for enrollment after May 21, 2010 and before June 28, 2011
- 5 Members eligible for enrollment on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, Accounting and Financial Reporting for Pensions.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLANS (CONT'D)

Contributions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at a fair value.

For the year ended June 30, 2016, the District recognized pension expense of \$1,916,216 and revenue of \$1,916,216 for support provided by the State.

The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2016 because of the 100.00% special funding situation with the State of New Jersey.

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

<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/16	\$ 750,001	100 %	\$ N/A
6/30/15	694,599	100	N/A
6/30/14	583,905	100	N/A

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$342,353 to the TPAF for pension contributions and \$407,648 for normal and post-retirement benefits on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the School District \$375,048 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

Contributions to the pension plan from the School District were \$268,393 for the fiscal year ended June 30, 2016. Employee contributions were \$174,410 for the fiscal year ended June 30, 2016.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Teachers' Pension and Annuity Fund - The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined.

At June 30, 2016, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the School District.

Public Employees' Retirement System - At June 30, 2016, the School District reported a liability of \$7,007,866 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the School District's proportion was .031218%, which represents a .0063% increase from the prior year.

For the fiscal year ended June 30, 2016, the School District recognized \$2,268,591 in the government-wide financial statements, for pension expense for PERS.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,183	\$
Changes of assumptions	752,589	
Net difference between projected and actual earnings on pension plan investments		112,673
Changes in proportion and differences between District contributions and proportionate share of contributions	1,348,819	
District contributions subsequent to the measurement date	268,393	
Total	\$ 2,536,984	\$ 112,673

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLANS (CONT'D)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Public Employees' Retirement System (Cont'd) - \$268,393 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS
2017	\$ 372,008
2018	372,008
2019	372,008
2020	372,008
2021	372,008
Thereafter	295,876
Total	<u>\$ 2,155,918</u>

Collective Balances at June 30, 2015 and 2016 are as follows:

		<u>6/30/2015</u>		<u>6/30/2014</u>
Collective deferred outflows of resources	\$	5,086,138,484	\$	1,032,618,058
Collective deferred inflows of resources	\$	478,031,236	\$	1,726,631,532
Collective net pension liability	\$	46,170,131,656	\$	38,849,838,953
District's Proportion		0.0312182240%		0.0249268068%

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>TPAF</u>
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Valuation Date	July 1, 2014	July 1, 2014
Interest Rate	7.90%	7.90%
Salary Scale (Based on Age):		
2012-2021	2.15% - 4.40%	Varies based
Thereafter	3.15% - 5.40%	on Experience
Inflation	3.04%	2.50%

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Preretirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Postretirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries.

Best estimates of arithmetic real rates of returns for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	PERS		TPAF	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	5.00%	0.53%
U.S. Treasuries	1.75%	1.64%	1.75%	1.39%
Investment Grade Credit	10.00%	1.79%	13.50%	2.72%
Mortgages	2.10%	1.62%	2.10%	2.54%
High Yield Bonds	2.00%	4.03%	2.00%	4.57%
Inflation-Indexed Bonds	1.50%	3.25%	1.50%	1.47%
Broad US Equities	27.25%	8.52%	27.25%	5.63%
Developed Foreign Equities	12.00%	6.88%	12.00%	6.22%
Emerging Market Equities	6.40%	10.00%	6.40%	8.46%
Private Equity	9.25%	12.41%	9.25%	9.15%
Hedge Funds/Absolute Return	12.00%	4.72%	12.00%	14.57%
Real Estate (Property)	2.00%	6.83%	4.25%	3.97%
Commodities	1.00%	5.32%	1.00%	3.58%
Timber	n/a	n/a	1.00%	4.61%
Farmland	n/a	n/a	1.00%	4.61%
Global Debt ex US	3.50%	-0.40%	n/a	n/a
Real Estate (REITS)	4.25%	5.12%	n/a	n/a
Total	100%		100%	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. PENSION PLANS (CONT'D)

Discount Rate - The discount rate used to measure the total pension liability was 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/ Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

Teachers' Pension and Annuity Fund (TPAF) - As indicated above, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution.

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2016 calculated using a discount rate of 4.90% for PERS, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (3.9%)	Current Discount (4.9%)	1% Increase (5.9%)
District's proportionate share of the net pension liability	\$ 8,709,920	\$ 7,007,866	\$ 5,580,876

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015, there were 107,314 retirees receiving post retirement medical benefits and the State contributed \$1.25 billion on their behalf. 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 benefits 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 employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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 Position, 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, 2016, a liability existed for compensated absences in the General Fund of \$175,930 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 Lincoln, Prudential, American General Life, ING, AFLAC, and Vanguard.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Contributed to UC System</u>	<u>Ending Reserve Balance</u>
2015-2016	\$ 43,646	\$ 23,849	\$ 67,495	\$ -0-
2014-2015	31,886	33,026	64,912	-0-
2013-2014	30,815	32,919	63,734	-0-

NOTE 14. LITIGATION

The District is currently involved in one matter concerning an employee, which has been referred to the District's insurance carrier. In addition, one Notice of Tort Claim was submitted against the District during the 2015-16 School Year. However, no formal complaint has been filed with regard to this matter, as of November 28, 2016.

Legal counsel are not aware of any other matters pending or threatened, which are likely to have a material adverse effect on the financial position of the District.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 14,345	\$ 2,275
Food Service		14,345
Trust and Agency Fund	2,275	
Total	<u>\$ 16,620</u>	<u>\$ 16,620</u>

NOTE 16. FUND BALANCE APPROPRIATED

Of the \$1,138,997 General Fund balance at June 30, 2016, \$531 is assigned for encumbrances; nothing has been appropriated and also included as anticipated revenue for the year ending June 30, 2016; \$100,000 is restricted for Maintenance Reserve and \$1,038,466 is unrestricted and unassigned.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17. 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 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".

NOTE 19. ACCOUNTS RECEIVABLES

Accounts Receivables at June 30, 2016 consisted of fees, tuition and grants are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
Receivables:			
State	\$ 18,283	\$	198
Federal			16,754
Intergovernmental	194,341		749,183
Other			8,947
Total	<u>\$ 212,624</u>	<u>\$</u>	<u>775,082</u>

NOTE 20. SUBSEQUENT EVENTS

There were no other events noted, between the year-end and the date of the audit report, requiring disclosure.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2016

	Original Actual	Transfers	Final Budget	Actual	(Unfavorable)
Revenues:					
Local Sources:					
County Tax Levy	\$ 353,000	\$	\$ 353,000	\$ 453,000	\$ 100,000
Tuition from LEA's	7,305,481		7,305,481	6,673,808	(631,673)
Interest on Investments				4,132	4,132
Unrestricted Miscellaneous Revenues	2,000		2,000	19,666	17,666
Total - Local Sources	7,660,481		7,660,481	7,150,606	(509,875)
State Sources:					
On-behalf TPAF Pension Contribution				342,353	342,353
On-behalf TPAF Post-Retirement Medical Contributions				407,648	407,648
Reimbursement TPAF Social Security				375,048	375,048
Total - State Sources				1,125,049	1,125,049
TOTAL REVENUES	7,660,481		7,660,481	8,275,655	615,174
EXPENDITURES:					
CURRENT EXPENSES:					
Special Education:					
Behavioral Disabilities:					
Salaries of Teachers	566,260	37,573	603,833	603,593	240
Other Salaries for Instruction	198,846	53,062	251,908	241,429	10,479
Purchased Professional - Educational Services	5,000	(1,709)	3,291	3,290	1
Purchased Technical Services	2,000	(2,000)			
Other Purchased Services	5,500	8,275	13,775	13,756	19
General Supplies	11,000	980	11,980	10,405	1,575
Textbooks	15,000	(879)	14,121	14,109	12
Other Objects	5,000	(3,291)	1,709	1,509	200
Total Behavioral Disabilities	808,606	92,011	900,617	888,091	12,526
Multiple Disabilities:					
Salaries of Teachers	507,258	61,160	568,418	567,231	1,187
Other Salaries for Instruction	336,661	7,737	344,398	322,078	22,320
Purchased Professional - Educational Services	10,000	31,043	41,043	36,495	4,548
Other Purchased Services	3,364	2,180	5,544	2,135	3,409
General Supplies	6,500	6,790	13,290	13,290	
Other Objects	3,500	266	3,766	3,715	51
Total Multiple Disabilities	867,283	109,176	976,459	944,944	31,515
Autism:					
Salaries of Teachers	512,799	(45,355)	467,444	441,730	25,714
Other Salaries for Instruction	225,739	(414)	225,325	217,566	7,759
Purchased Professional - Educational Services	20,000	11,544	31,544	25,215	6,329
Purchased Technical Services	350	(350)			
Other Purchased Services	800	2,216	3,016	1,561	1,455
General Supplies	25,000	(19,701)	5,299	4,836	463
Other Objects	4,000	25	4,025	4,024	1
Total Autism	788,688	(52,035)	736,653	694,932	41,721
Preschool Disabilities - Full Time					
Salaries of Teachers	112,061	(31,700)	80,361	72,343	8,018
Other Salaries for Instruction	36,389	12,161	48,550	46,665	1,885
Purchased Professional-Educational Services	2,000	2,919	4,919	4,894	25
Other Purchased Services	1,364	249	1,613	1,303	310
General Supplies	2,500	(2,008)	492	477	15
Other Objects	100	(6)	94	94	
Total Preschool Disabilities - Full Time	154,414	(18,385)	136,029	125,776	10,253

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Cognitive - Severe:					
Salaries of Teachers	\$ 81,097	\$ 12,840	\$ 93,937	\$ 92,101	\$ 1,836
Other Salaries for Instruction	35,666	(35,666)			
Purchased Professional - Educational Services	8,500	8,861	17,361	17,288	73
Other Purchased Services	3,364	(725)	2,639	2,168	471
General Supplies	6,367	(4,409)	1,958	1,915	43
Other Objects	2,000	(1,110)	890	889	1
Total Cognitive Severe	136,994	(20,209)	116,785	114,361	2,424
Total Special Education	2,755,985	110,558	2,866,543	2,768,104	98,439
Other Instructional Programs - Instruction					
Salaries	485,164.00	37,353	522,517	507,704	14,813
Purchased Services	147,080.00	(31,110)	115,970	113,811	2,159
Supplies & Materials	24,500.00	(1,534)	22,966	17,252	5,714
Other Objects	4,000.00	(3,580)	420	420	
Total Other Instruction Programs - Instruction	660,744.00	1,129.00	661,873	639,187	22,686
Total Instruction	3,416,729	111,687	3,528,416	3,407,291	121,125
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	16,931	51,831	68,762	61,433	7,329
Other Purchased Services	8,073	(8,073)			
Total Attendance and Social Work Services	25,004	43,758	68,762	61,433	7,329
Health Services:					
Salaries	132,016	33,357	165,373	164,363	1,010
Purchased Professional and Technical Services	800	(692)	108	50	58
Other Purchased Services	2,693	5,816	8,509	8,181	328
Supplies and Materials	9,800	(860)	8,940	8,516	424
Total Health Services	145,309	37,621	182,930	181,110	1,820
Speech, OT, PT & Related Services					
Salaries	395,435	18,542	413,977	413,975	2
Purchased Professional Educational Services	6,000	(2,400)	3,600	3,589	11
Supplies and Materials	1,000	(1,000)			
Other Objects	500	(500)			
Total Speech, OT, PT & Related Services	402,935	14,642	417,577	417,564	13
Child Study Team					
Salaries of Secretarial and Clerical Assistants					
Purchased Professionals Educational Services	17,500	(17,500)			
Other Purchased Services					
Supplies and Materials	500	(500)			
Total Child Study Teams	18,000	(18,000)			
Improvement of Instruction Services/Other Support					
Services- Instructional Staff					
Salaries of Secretarial and Clerical Assistants					
Supplies and Materials	23,500	(23,500)			
Total Improvement of Instruction	23,500	(23,500)			
Educational Media Services: School Library					
Purchased Professional and Technical Services	10,000	(5,791)	4,209	4,209	
Total Educational Media Services	10,000	(5,791)	4,209	4,209	
Instructional Staff Training Services:					
Purchased Professional - Educational Services	1,000	4,000	5,000	4,901	99
Other Purchased Services	7,500	(6,753)	747	747	
Supplies and Materials	1,000	(821)	179	179	
Total Instructional Staff Training Services	9,500	(3,574)	5,926	5,827	99

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Support Services - General Administration:					
Salaries	\$ 131,307	\$ (17,327)	\$ 113,980	\$ 113,978	\$ 2
Legal Services	27,000	(11,150)	15,850	5,655	10,195
Audit Fees	10,000		10,000	10,000	
Other Purchased Professional Services	50,000	(3,478)	46,522	40,947	5,575
Communication/Telephone	4,500	(3,900)	600	600	
Misc. Purchased Services	8,823	570	9,393	9,393	
General Supplies	5,000	(1,659)	3,341	3,340	1
BOE In-House Training/Meeting Supplies	500	(500)			
Miscellaneous Expenditures	4,500	796	5,296	5,161	135
BOE Membership Dues and Fees	6,000	(821)	5,179	5,178	1
Total Support Services - General Administration	247,630	(37,469)	210,161	194,252	15,909
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	323,426	(58,582)	264,844	241,784	23,060
Salaries of Secretarial and Clerical Assistants	77,145	(3,022)	74,123	73,833	290
Purchased Professional and Technical Services	1,000	(1,000)			
Other Purchased Services	25,638	(13,915)	11,723	11,490	233
Supplies and Materials	10,000	(4,467)	5,533	5,244	289
Other Objects	4,400	(1,122)	3,278	2,998	280
Total Support Services - School Administration	441,609	(82,108)	359,501	335,349	24,152
Central Services					
Salaries	187,000	36,971	223,971	220,203	3,768
Purchased Professional Services	1,000	(1,000)			
Purchased Technical Services	24,000	7,085	31,085	31,078	7
Miscellaneous Purchased Services	1,500		1,500	989	511
Supplies and Materials	4,500		4,500	3,677	823
Miscellaneous Expenditures	750		750	202	548
Total Central Services	218,750	43,056	261,806	256,149	5,657
Admin. Info. Technology					
Salaries	67,633	22,161	89,794	89,793	1
Purchased Technical Services	3,000	2,340	5,340	5,324	16
Other Purchased Services	500	(80)	420	420	
Supplies and Materials	1,500	(20)	1,480	1,399	81
Total Admin. Info. Technology	72,633	24,401	97,034	96,936	98
Total Central Services & Admin. Info. Technology					
	291,383	67,457	358,840	353,085	5,755
Required Maintenance for School Facilities					
Salaries	48,764	13,326	62,090	61,751	339
Cleaning, Repair, and Maintenance Services	58,000	(9,393)	48,607	48,028	579
General Supplies	16,000	4,701	20,701	20,176	525
Total Required Maintenance for School Facilities	122,764	8,634	131,398	129,955	1,443
Operation And Maintenance Of Plant Services:					
Purchased Professional and Technical Services	7,000		7,000	6,540	460
Cleaning, Repair and Maintenance Services	142,253	3,796	146,049	145,066	983
Rental - Other than Lease Purchase Agreements	58,040	(5,408)	52,632	52,632	
Other Purchased Property Services	200		200		200
Insurance	31,531		31,531	31,531	
General Supplies	9,000	(6,794)	2,206	932	1,274
Energy (Natural Gas)	13,000	(10,054)	2,946	2,796	150
Energy (Electricity)	62,995	(9,601)	53,394	53,393	1
Energy (Oil)	48,413	(35,945)	12,468	12,102	366
Total Operation of Plant Services	372,432	(64,006)	308,426	304,992	3,434
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	9,000	1,666	10,666	9,778	888
Total Operation And Maintenance of Plant Services	504,196	(53,706)	450,490	444,725	5,765

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Student Transportation Services					
Salaries - Other Than Between Home and School	\$	\$	\$	\$	\$
Cont Services-Other Than between Home and School-Vend	56,000	(14,699)	41,301	41,301	
Total Student Transportation Services	<u>56,000</u>	<u>(14,699)</u>	<u>41,301</u>	<u>41,301</u>	
Allocated Benefits:					
Health Benefits					
Total Allocated Benefits					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	181,924	53,884	235,808	222,109	13,699
Other Retirement Contributions - PERS	160,000	(86,071)	73,929	73,929	
Unemployment Compensation	10,000	(7,105)	2,895	2,895	
Workers' Compensation	101,632	3,619	105,251	104,764	487
Health Benefits	1,517,760	(95,225)	1,422,535	1,420,155	2,380
Tuition Reimbursements	35,000	(13,720)	21,280	20,680	600
Other Employee Benefits	12,370	(9,611)	2,759	2,759	
Total Unallocated Benefits - Employee Benefits	<u>2,018,686</u>	<u>(154,229)</u>	<u>1,864,457</u>	<u>1,847,291</u>	<u>17,166</u>
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				342,353	(342,353)
On-behalf TPAF Postretirement Contributions				407,648	(407,648)
Reimbursed TPAF Social Security Contributions Not-Budgeted)				375,048	(375,048)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>1,125,049</u>	<u>(1,125,049)</u>
TOTAL UNALLOCATED BENEFITS	<u>2,018,686</u>	<u>(154,229)</u>	<u>1,864,457</u>	<u>2,972,340</u>	<u>(1,107,883)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>4,193,752</u>	<u>(229,598)</u>	<u>3,964,154</u>	<u>5,011,195</u>	<u>(1,047,041)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>7,610,481</u>	<u>(117,911)</u>	<u>7,492,570</u>	<u>8,418,486</u>	<u>(925,916)</u>
CAPITAL OUTLAY					
Equipment					
Special Education Instruction:					
Behavioral Disabilities		3,790	3,790	3,789	1
Multiple Disabilities		9,511	9,511	9,510	1
Autism		5,721	5,721	5,721	
Preschool Disabilities - Full Time		4,751	4,751	4,751	
Cognitive - Severe		5,721	5,721	5,721	
		<u>29,494</u>	<u>29,494</u>	<u>29,492</u>	<u>2</u>
Facilities Acquisition and Construction Services:					
Construction Services					
Land and Improvements	50,000	94,649	144,649	16,821	127,828
Lease Purchase Agreement - Principal				60,812	(60,812)
Total Facilities Acquisition and Construction Services	<u>50,000</u>	<u>94,649</u>	<u>144,649</u>	<u>77,633</u>	<u>67,016</u>
Assets Acquired Under Capital Leases (Non-budget)				127,828	(127,828)
TOTAL CAPITAL OUTLAY	<u>50,000</u>	<u>124,143</u>	<u>174,143</u>	<u>234,953</u>	<u>(60,810)</u>
TOTAL EXPENDITURES	<u>7,660,481</u>	<u>6,232</u>	<u>7,666,713</u>	<u>8,653,439</u>	<u>(986,726)</u>
Excess (Deficiency) of Revenues and Other					
Over/(Under) Expenditures		<u>(6,232)</u>	<u>(6,232)</u>	<u>(377,784)</u>	<u>(371,552)</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Other Financing Sources (uses):					
Proceeds from Capital Lease	\$	\$	\$	\$ 127,828	\$ 127,828
Operating Transfers In(Out):					
Alternative Middle & High School Closeout				264,968	264,968
Food Service - Transfer to Cover Deficit					
Total Other Financing Sources (Uses)				<u>392,796</u>	<u>392,796</u>
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses		(6,232)	(6,232)	15,012	21,244
Fund Balances, July 1	<u>1,123,985</u>		<u>1,123,985</u>	<u>1,123,985</u>	
Fund Balances, June 30	\$ <u>1,123,985</u>	\$ <u>(6,232)</u>	\$ <u>1,117,753</u>	\$ <u>1,138,997</u>	\$ <u>21,244</u>
RECAPITULATION					
Restricted Fund Balance:					
Maintenance Reserve				\$ 100,000	
Assigned to:					
Year-End Encumbrances				531	
Unassigned Fund Balance				<u>1,038,466</u>	
Fund Balance per Governmental Funds (GAAP)				\$ <u>1,138,997</u>	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$	\$ 5,245	\$ 5,245	\$ 13,488	\$ 8,243
State Sources					
Federal Sources	38,830		38,830	1,291	(37,539)
Total Revenues	<u>38,830</u>	<u>5,245</u>	<u>44,075</u>	<u>14,779</u>	<u>(29,296)</u>
EXPENDITURES:					
Instruction					
Supplies and Materials	38,830		38,830	9,534	29,296
Purchased Professional ED. Services		5,245	5,245	5,245	
Total Instruction	<u>38,830</u>	<u>5,245</u>	<u>44,075</u>	<u>14,779</u>	<u>29,296</u>
Support Services					
Personal Services - Employee Benefits					
Cleaning/Repair/Required Maintenance					
General Supplies					
Total Support Services					
Facilities Acquisition and Construction Services:					
Instructional Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures	<u>38,830</u>	<u>5,245</u>	<u>44,075</u>	<u>14,779</u>	<u>29,296</u>
Other Financing Sources (Uses)					
Total Outflows	<u>38,830</u>	<u>5,245</u>	<u>44,075</u>	<u>14,779</u>	<u>29,296</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION PART II

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET -TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 8,275,655		[C-2] \$ 14,779
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 [B-2] \$ 8,275,655		 [B-2] \$ 14,779
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 8,653,439		[C-2] \$ 14,779
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.			
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 [B-2] \$ 8,653,439		 [B-2] \$ 14,779

REQUIRED SUPPLEMENTARY
INFORMATION PART III

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability(Asset)	0.031218%	0.024927%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 7,007,866	\$ 4,666,980
District's Covered-Employee Payroll	\$ 2,470,397	\$ 2,207,070
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	283.67%	211.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE L-2

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 268,393	\$ 205,493
Contributions in Relation to the Contractually Required Contribution	<u>(268,393)</u>	<u>(205,493)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>
 District's Covered-Employee Payroll	 \$ 2,470,397	 \$ 2,207,070
 Contributions as a Percentage of Covered-Employee Payroll	 10.86%	 9.31%

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER'S PENSION PLAN

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability(Asset)	0.049653%	0.052290%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 31,383,016	\$ 27,947,304
District's Covered-Employee Payroll	\$ 4,980,916	\$ 4,543,261
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	630.07%	615.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE L-4

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHERS' PENSION PLAN

The School District was not required to make any contributions towards TPAF.

Note: This schedule is required by GASB 68 to show information for a 10 year period. However, information is only currently available for three years. Additional years will be presented as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION PART III

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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.

Change of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Change of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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, 2016

	NJSIG Safety Grant	Dupont Grant	Education Foundation	Know to Grow Grant	REAP 2016	Totals	
						2016	2015
REVENUES:							
Federal sources	\$	\$	\$	\$	\$ 1,291	\$ 1,291	\$ 30,048
State sources							
Other sources	7,389	854	4,000	1,245		13,488	3,115
Total Revenues	7,389	854	4,000	1,245	1,291	14,779	33,163
EXPENDITURES:							
Instruction:							
Salaries of Teachers							
Purchased Professional ED. Services			4,000	1,245		5,245	
Supplies and Materials	7,389	854			1,291	9,534	33,163
Other							
Total Instruction	7,389	854	4,000	1,245	1,291	14,779	33,163
Support Services - General Administration:							
Supplies and Materials							
Total Support Services							
Facilities Acquisition and Construction Services:							
Instructional Equipment							
Total Facilities Acquisition and Construction Services							
Total Expenditures	\$ 7,389	\$ 854	\$ 4,000	\$ 1,245	\$ 1,291	\$ 14,779	\$ 33,163

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 POSITION
AS OF JUNE 30, 2016 AND 2015

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
										2016	2015
ASSETS:											
Current Assets:											
Cash and Cash Equivalents	\$ 406,652		\$ 268,267	\$ 501,555	\$ 4,787	\$ 381,655	\$ 27,869	\$ 634,894	\$ 23,825	\$ 2,249,504	\$ 2,381,094
Accounts Receivable:											
State									198	198	328
Federal									16,754	16,754	23,871
Intergovernmental	82,686		103,824	187,956				374,717		749,183	701,980
Other						8,947				8,947	
Total Current Assets	489,338		372,091	689,511	4,787	390,602	27,869	1,009,611	40,777	3,024,586	3,107,273
Fixed Assets											
Equipment	9,738				33,209			86,035	17,373	146,355	64,896
Less: Depreciation	(9,738)				(33,209)			(12,213)	(17,373)	(72,533)	(64,896)
								73,822		73,822	
Total Assets	489,338		372,091	689,511	4,787	390,602	27,869	1,083,433	40,777	3,098,408	3,107,273
LIABILITIES:											
Current Liabilities:											
Accounts Payable								463		463	32,269
Cash Overdraft											27,981
Interfund Payable									14,345	14,345	14,345
Total Current Liabilities								463	14,345	14,808	74,595
Net Position:											
Unrestricted	489,338		372,091	689,511	4,787	329,180	27,869	1,009,148	26,432	2,948,356	2,971,256
Invested in Fixed Assets								73,822		73,822	
Restricted for Other Purposes						61,422				61,422	61,422
Total Net Position	\$ 489,338	\$ 372,091	\$ 689,511	\$ 4,787	\$ 390,602	\$ 27,869	\$ 1,082,970	\$ 26,432	\$ 3,083,600	\$ 3,032,678	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2016 AND 2015

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Regional Day School	Food Service Fund	Totals		
										2016	2015	
OPERATING REVENUES:												
Local Sources:												
Daily sales - reimbursable programs:												
School lunch and breakfast program	\$	\$	\$	\$	\$	\$	\$	\$	\$	9,701	9,701	6,143
Total daily sales - reimbursable programs										9,701	9,701	6,143
N.J. Dept of Human Services - Fees							812,285			812,285		665,523
Tuition						670,924		2,139,171		2,810,095		1,562,836
Non-Public School Program Salem Campus												1,496,261
Services provided other LEAs	1,353,348		733,548	1,581,819	27,540	118,400				3,814,655		3,756,984
Total Operating Revenue	1,353,348		733,548	1,581,819	27,540	789,324	812,285	2,139,171	9,701	7,446,736		7,487,747
OPERATING EXPENSES:												
Salaries	915,207		566,591	785,563	21,456	541,526	193,757	1,422,691		4,446,791		4,161,640
Employee Benefits	262,748		164,017	575,515	878	212,539	60,830	470,092		1,746,619		1,036,882
Purchased Professional and Technical Services								11,681		11,681		14,901
Purchased Professional /Educ services			4,307				516,474	42,477		563,258		468,612
Purchased Professional Services	4,667		4,468					12,153		21,288		12,865
Purchased Property Services							9,000			9,000		8,879
Rental of Buildings												121,396
Other Purchased Services	6,378		2,400					12,826		21,604		18,848
Communications Telephone							2,527			2,527		3,811
Textbooks												7,344
Supplies and materials								3,725		3,725		6,673
General Supplies	12,377		8,782		361	13,618	1,828	21,648	100	58,714		94,567
Travel	2,306		3,297		58			2,578		8,239		8,545
Transportation						21,112		15,362		36,474		
Cost of sales									91,649	91,649		50,235
Other objects			820					9,317		10,137		18,721
Required Maintenance:												
Cleaning /Repair /Maintenance								126,742		126,742		65,638
Insurance								3,747		3,747		
Equipment								4,108		4,108		3,393
Depreciation								7,637		7,637		
Utilities								58,558		58,558		37
Total Operating Expenses	\$ 1,203,683	\$	\$ 754,682	\$ 1,361,078	\$ 22,753	\$ 788,795	\$ 784,416	\$ 2,225,342	\$ 91,749	\$ 7,232,498	\$	6,102,987

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2016 AND 2015

	<u>Child Study Team</u>	<u>Alternative Middle & High School Fund</u>	<u>Related Services Fund</u>	<u>One on One Aides</u>	<u>Nonpublic Interlocal Fund</u>	<u>Summer Programs</u>	<u>Early Intervention Program</u>	<u>Regional Day School</u>	<u>Food Service Fund</u>	<u>Totals</u>	
										<u>2015</u>	<u>2014</u>
Operating Income (Loss)	\$ 149,665	\$	\$ (21,134)	\$ 220,741	\$ 4,787	\$ 529	\$ 27,869	\$ (86,171)	\$ (82,048)	\$ 214,238	\$ 1,384,760
Non-Operating Revenues:											
Local Sources - Board Subsidy											
State Sources:											
State School Lunch Program									1,115	1,115	942
Other											
Federal Sources:											
School Breakfast Program									33,539	33,539	25,872
Food Distribution Program									9,044	9,044	
National School Lunch Program									57,954	57,954	45,867
Total Non-Operating Revenues									101,652	101,652	72,681
Transfer to General Fund		(264,968)								(264,968)	
Prior Year Accounts Receivable Adjustment											(192,630)
Net Increase in Net Position	149,665	(264,968)	(21,134)	220,741	4,787	529	27,869	(86,171)	19,604	50,922	1,264,811
Net Position - July 1	339,673	264,968	393,225	468,770		390,073		1,169,141	6,828	3,032,678	1,767,867
Net Position - June 30	\$ 489,338	\$	\$ 372,091	\$ 689,511	\$ 4,787	\$ 390,602	\$ 27,869	\$ 1,082,970	\$ 26,432	\$ 3,083,600	\$ 3,032,678

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2016 AND 2015

	Child Study Team	Alternative Middle & High School Fund	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
										2016	2015
Cash Flows from Operating Activities:											
Receipts from Customers	\$ 1,445,555	\$ 157,330	\$ 723,764	\$ 1,597,889	\$ 55,521	\$ 824,087	\$ 812,285	\$ 1,764,454	\$ 9,701	\$ 7,390,586	\$ 7,798,795
Payments to Employees	(915,207)		(566,591)	(785,563)	(21,456)	(541,526)	(193,757)	(1,422,691)		(4,446,791)	(4,161,640)
Payments for Employee Benefits	(262,748)		(164,017)	(575,515)	(878)	(212,539)	(60,830)	(470,092)		(1,746,619)	(1,036,882)
Payments to Suppliers	(36,836)	(11,264)	(25,903)		(419)	(34,730)	(529,829)	(329,501)	(87,528)	(1,056,010)	(1,551,139)
Net Cash Provided by (Used for) Operating Activities	230,764	146,066	(32,747)	236,811	32,768	35,292	27,869	(457,830)	(77,827)	141,166	1,049,134
Cash from (Used for) Operating Activities-											
Transfers to the General Fund		(264,968)								(264,968)	
Total Cash Provided by (Used for) Operating Activities	230,764	(118,902)	(32,747)	236,811	32,768	35,292	27,869	(457,830)	(77,827)	(123,802)	
Cash Flows from Noncapital Financing Activities											
State Sources									1,115	1,115	859
Federal Sources									100,537	100,537	62,945
Operating Subsidies and Transfers to Other Funds											
Net Cash Provided by (Used for) Noncapital Financing Activities									101,652	101,652	63,804
Cash Flows from Capital and Related Financing Activities											
Purchases of Capital Assets								(81,459)		(81,459)	
Net Cash Provided by (Used For) Capital and Related Financing Activities								(81,459)		(81,459)	
Cash Flows from Investing Activities											
Net Cash Provided by (Used for) Investing Activities											
Net Increase (Decrease) in Cash and Cash Equivalents	230,764	(118,902)	(32,747)	236,811	32,768	35,292	27,869	(539,289)	23,825	(103,609)	1,112,938
Balances - Beginning of Year	175,888	118,902	301,014	264,744	(27,981)	346,363		1,174,183		2,353,113	1,240,175
Balances - End of Year	\$ 406,652	\$	\$ 268,267	\$ 501,555	\$ 4,787	\$ 381,655	\$ 27,869	\$ 634,894	\$ 23,825	\$ 2,249,504	\$ 2,353,113
Operating income (loss)											
Operating income (loss)	\$ 149,665	\$	\$ (21,134)	\$ 220,741	\$ 4,787	\$ 529	\$ 27,869	\$ (86,171)	\$ (82,048)	\$ 214,238	\$ 1,384,760
Adjustments to reconcile operating income (loss) to cash used by operating activities:											
Depreciation								7,637		7,637	
Change in assets and liabilities:											
(Increase)/decrease in Accounts Receivable	92,207	157,330	(9,784)	16,070	27,981	34,763		(374,717)	7,247	(48,903)	282,918
Increase/(decrease) in Accounts Payable	(11,108)	(11,264)	(1,829)					(4,579)	(3,026)	(31,806)	(1,274)
Increase/(decrease) in Interfund Payable											(617,270)
Total Adjustments	81,099	146,066	(11,613)	16,070	27,981	34,763		(371,659)	4,221	(73,072)	(335,626)
Net Cash Provided by (Used for) Operating Activities	230,764	146,066	(32,747)	236,811	32,768	35,292	27,869	(457,830)	(77,827)	141,166	1,049,134

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 POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	Agency			
	Expendable Trust Funds	Student Activity	Payroll	Total 2016
				Total 2015
ASSETS:				
Cash and Cash Equivalents	\$ 1,096	\$ 13,910	\$ 668	\$ 15,674
Interfund Receivable			2,275	2,275
Total Assets	\$ 1,096	\$ 13,910	\$ 2,943	\$ 17,949
LIABILITIES:				
Payroll Deductions and Withholdings	\$	\$	\$ 2,943	\$ 3,024
Interfund Payables				2,626
Due to Student Groups		13,910		13,910
Total Liabilities	\$	\$ 13,910	\$ 2,943	\$ 20,880
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,096	\$	\$	\$ 1,094

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
MEMORIAL EXPENDABLE TRUST FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Local Sources		
Interest on Investments	\$ 2	\$ 2
OPERATING EXPENSES		
Withdrawals		
Operating Income (Loss)	2	2
Net Position - July 1, 2015	1,094	1,092
Net Position - June 30, 2016	<u>\$ 1,096</u>	<u>\$ 1,094</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS
STUDENT ACTIVITY AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Activity</u>	<u>Balance July 1 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable</u>	<u>Balance June 30 2016</u>
Job Coach	\$ 1,174	\$ 4,361	\$ 4,588	\$	\$ 947
T- Shirts	410	717	678		449
Walk	9,643	6,185	8,869		6,959
Box Tops	602	466	90		978
Cumberland	3,401	6,353	5,177		4,577
Due Students	\$ 15,230	\$ 18,082	\$ 19,402	\$	\$ 13,910

SALEM COUNTY SPECIAL SERVICES DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 5,650	\$ 10,424,726	\$ 10,429,708	\$ 668
Interfund Receivable		2,275		2,275
Total Assets	<u>\$ 5,650</u>	<u>\$ 10,427,001</u>	<u>\$ 10,429,708</u>	<u>\$ 2,943</u>
LIABILITIES:				
Payroll Deductions, Withholdings and Net Pay	\$ 3,024	\$ 10,427,001	\$ 10,427,082	\$ 2,943
Interfund Payables	2,626		2,626	
Total Liabilities	<u>\$ 5,650</u>	<u>\$ 10,427,001</u>	<u>\$ 10,429,708</u>	<u>\$ 2,943</u>

LONG-TERM DEBT SCHEDULES

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

SALEM COUNTY SPECIAL SERVICES DISTRICT

Schedule of Obligations Under Capital Leases

For the Fiscal Year Ended June 30, 2016

<u>Series</u>	<u>Date of Lease</u>	<u>Term of Lease</u>	<u>Amount of Original Issue Principal</u>	<u>Interest Rate Payable</u>	<u>Amount Outstanding June 30, 2015</u>	<u>Issued</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2016</u>
2016 Various Technology and Vehicles	2/1/15	3 yrs	425,899	1.573%	\$ -	\$ 209,173	\$ 142,157	\$ 67,016
					<u>\$ -</u>	<u>\$ 209,173</u>	<u>\$ 142,157</u>	<u>\$ 67,016</u>
					(a)			(a)
						\$ 81,345	\$ 81,345	
						127,828	60,812	
						<u>\$ 209,173</u>	<u>\$ 142,157</u>	

(a) Future Interest Payments Removed from Carrying Value of Leases.

STATISTICAL SECTION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

	Fiscal Year,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 1,047,320	\$ 1,037,489	\$ 6,580,711	\$ 6,756,746	\$ 5,748,409	\$ 5,688,910	\$ 5,409,991	\$ 5,706,980	\$ 5,472,718	\$ 5,305,690
Restricted	100,000	100,000	537,565	280,291	264,991	127,734	127,879	100,210	100,000	100,000
Unrestricted (Deficit)	172,917	359,640	384,306	352,606	282,342	201,606	190,537	691,176	(3,311,927)	(3,721,097)
Total Governmental Activities Net Position	\$ 1,320,237	\$ 1,497,129	\$ 7,502,582	\$ 7,389,643	\$ 6,295,742	\$ 6,018,250	\$ 5,728,407	\$ 6,498,366	\$ 2,260,791	\$ 1,684,593
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$	\$ 5,587	\$ 38,018	\$ 29,134	\$ 13,150	\$ 4,725	\$	\$	\$	\$ 73,822
Restricted	3,790	6,161	10,088	4,554	1,050				61,422	61,422
Unrestricted	1,314,064	2,005,361	2,128,152	1,665,766	1,089,764	604,347	1,027,902	1,767,867	2,971,256	2,948,356
Total Business-Type Activities Net Position	\$ 1,317,854	\$ 2,017,109	\$ 2,176,258	\$ 1,699,454	\$ 1,103,964	\$ 609,072	\$ 1,027,902	\$ 1,767,867	\$ 3,032,678	\$ 3,083,600
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 1,047,320	\$ 1,043,076	\$ 6,618,729	\$ 6,785,880	\$ 5,761,559	\$ 5,693,635	\$ 5,409,991	\$ 5,706,980	\$ 5,472,718	\$ 5,379,512
Restricted	103,790	106,161	547,653	284,845	266,041	127,734	127,879	100,210	161,422	161,422
Unrestricted (Deficit)	1,486,981	2,365,001	2,512,458	2,018,372	1,372,106	805,953	1,218,439	2,459,043	(340,671)	(772,741)
Total District-Wide Net Position	\$ 2,638,091	\$ 3,514,238	\$ 9,678,840	\$ 9,089,097	\$ 7,399,706	\$ 6,627,322	\$ 6,756,309	\$ 8,266,233	\$ 5,293,469	\$ 4,768,193

Source: CAFR Schedule A-1

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (UNAUDITED)
 (Accrual Basis of Accounting)

	Fiscal Year,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special Education	1,237,510	942,183	1,360,947	1,731,368	2,135,308	2,221,475	1,958,322	2,530,644	2,966,578	3,422,070
Support Services										
Student and Instruction Related Services	129,621	94,409	224,344	277,711	249,218	266,142	621,856	773,586	731,793	670,143
General Administrative Services	192,934	217,877	174,791	99,999	165,842	213,976	136,533	234,695	295,870	194,252
School Administrative Services	161,042	143,233	210,138	213,903	237,011	235,496	387,163	321,197	527,547	335,349
Central Services and Info. Technology	102,205	63,481	101,416	113,430	166,174	196,259	258,205	382,090	326,007	353,085
Plant Operations and Maintenance	297,945	246,768	431,645	613,757	406,797	422,323	450,729	518,957	630,673	445,334
Pupil Transportation	32,782	21,520	29,615	28,911	23,487	63,879	44,474	62,599	48,112	41,301
Employee Benefits	1,020,574	933,288	1,104,636	1,397,518	1,537,040	1,940,825	2,274,698	2,672,058	4,400,924	4,969,776
Interest on Long-Term Debt										
Unallocated Depreciation and Amortization	34,138	40,485	116,025	134,182	162,619	196,756	196,756	280,675	269,262	274,153
Total Governmental Activities Expenses	3,208,751	2,703,244	3,753,557	4,610,779	5,083,496	5,757,131	6,328,736	7,776,501	10,196,766	10,705,463
Business-Type Activities										
Food Service	40,182	35,613	47,649	60,405	73,682	73,800	84,634	112,827	71,996	91,749
Other Enterprise	3,373,834	5,098,138	6,149,082	6,896,272	7,198,668	6,420,093	7,172,481	5,953,561	6,030,991	7,140,749
Total Business-Type Activities Expense	3,414,016	5,133,751	6,196,731	6,956,677	7,272,350	6,493,893	7,257,115	6,066,388	6,102,987	7,232,498
Total District Expenses	\$ 6,622,767	\$ 7,836,995	\$ 9,950,288	\$ 11,567,456	\$ 12,355,846	\$ 12,251,024	\$ 13,585,851	\$ 13,842,889	\$ 13,842,889	\$ 17,937,961
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$ 480,433	\$ 491,156	\$ 569,471	\$ 611,956	\$ 693,365	\$ 916,594	\$ 1,092,617	\$ 948,873	\$ 805,777	\$ 2,713,691
Total Governmental Activities Program Revenues	480,433	491,156	569,471	611,956	693,365	916,594	1,092,617	948,873	805,777	2,713,691
Business-Type Activities										
Charges for Services										
Food Service	5,227	3,036	3,958	7,214	6,903	7,843	5,416	6,332	6,143	9,701
Other Enterprise	3,576,437	5,871,287	6,370,164	6,577,159	6,805,153	5,912,621	7,606,699	6,715,440	7,481,604	7,437,035
Operating Grants and Contributions	20,846	23,077	30,187	42,865	56,597	61,030	59,374	55,709	72,681	101,652
Total Business-Type Activities Program Revenues	3,602,510	5,897,400	6,404,309	6,627,238	6,868,653	5,981,494	7,671,489	6,777,481	7,560,428	7,548,388
Total District Program Revenues	\$ 4,082,943	\$ 6,388,556	\$ 6,973,780	\$ 7,239,194	\$ 7,562,018	\$ 6,898,088	\$ 8,764,106	\$ 7,726,354	\$ 8,366,205	\$ 10,262,079
Net (Expense)/Revenue										
Governmental Activities	\$ (2,728,318)	\$ (2,212,088)	\$ (3,184,086)	\$ (3,998,823)	\$ (4,390,131)	\$ (4,840,537)	\$ (5,236,119)	\$ (6,827,628)	\$ (9,390,989)	\$ (7,991,772)
Business-Type Activities	188,494	763,649	207,578	(329,439)	(403,697)	(512,399)	414,374	711,093	1,457,441	315,890
Total District-Wide Net Expense	\$ (2,539,824)	\$ (1,448,439)	\$ (2,976,508)	\$ (4,328,262)	\$ (4,793,828)	\$ (5,352,936)	\$ (4,821,745)	\$ (6,116,535)	\$ (7,933,548)	\$ (7,675,882)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, net	\$ 303,117	\$ 315,242	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000
Unrestricted Grants and Contributions	5,353									
Tuition Received	2,395,832	2,088,533	2,853,686	3,421,523	3,668,047	4,240,117	4,531,572	6,884,244	7,379,312	6,673,808
Investment Earnings	1,644	7,234	16,208	7,004	3,860	2,744	1,513	2,098	3,531	4,132
Shared Services Revenue							127,847			
Miscellaneous Income	2,389	2,313	8,415	14,856	17,915	25,052	14,800	30,475	1,506,866	19,666
Fixed Assets Adjustment		1,251	6,005,507		(879,352)			467,767		
Transfers	(10,925)	(13,468)	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968
Total Governmental Activities	2,697,410	2,401,105	9,189,539	3,885,884	3,296,230	4,563,045	4,946,276	7,597,587	9,242,709	7,415,574
Business-Type Activities										
Prior Year Revenue Adjustment	(89,500)	(77,862)	(57,948)	(9,864)	(11,033)	7,639				
Transfer	10,925	13,468	9,519	(137,501)	(180,760)	9,868	4,456	28,872	(192,630)	(264,968)
Total Business-Type Activities	(78,575)	(64,394)	(48,429)	(147,365)	(191,793)	17,507	4,456	28,872	(192,630)	(264,968)
Total District-Wide	\$ 2,618,835	\$ 2,336,711	\$ 9,141,110	\$ 3,738,519	\$ 3,104,437	\$ 4,580,552	\$ 4,950,732	\$ 7,626,459	\$ 9,050,079	\$ 7,150,606
Change in Net Position										
Governmental Activities	\$ (30,908)	\$ 189,017	\$ 6,005,453	\$ (112,939)	\$ (1,093,901)	\$ (277,492)	\$ (289,843)	\$ 769,959	\$ (148,280)	\$ (576,198)
Business-Type Activities	109,919	699,255	159,149	(476,804)	(595,490)	(494,892)	418,830	739,965	1,264,811	50,922
Total District-Wide	\$ 79,011	\$ 888,272	\$ 6,164,602	\$ (589,743)	\$ (1,689,391)	\$ (772,384)	\$ 128,987	\$ 1,509,924	\$ 1,116,531	\$ (525,276)

Source: CAFR Schedule A-2

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

	Fiscal Year,									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Restricted	\$ 100,000	\$ 222,729	\$ 210,626	\$ 157,811	\$ 100,000	\$ 100,000	\$	\$	\$	\$
Maintenance Reserve							100,000	100,000	100,000	100,000
Assigned:										
Year-end Encumbrances							145	210	6,232	531
Subsequent Year's Expenditures										
Unrestricted - Unassigned	<u>277,280</u>	<u>283,586</u>	<u>322,185</u>	<u>339,065</u>	<u>356,967</u>	<u>310,441</u>	<u>190,537</u>	<u>786,539</u>	<u>1,017,753</u>	<u>1,038,466</u>
Total General Fund	<u>\$ 377,280</u>	<u>\$ 506,315</u>	<u>\$ 532,811</u>	<u>\$ 496,876</u>	<u>\$ 456,967</u>	<u>\$ 410,441</u>	<u>\$ 290,682</u>	<u>\$ 886,749</u>	<u>\$ 1,123,985</u>	<u>\$ 1,138,997</u>
All Other Governmental Funds										
Restricted	\$	\$	\$	\$ 114,762	\$ 114,762	\$	\$	\$	\$	\$
Unrestricted, Reported in:										
Special Revenue Fund										
Capital Projects Fund			<u>437,565</u>	<u>65,529</u>	<u>50,229</u>	<u>27,734</u>	<u>27,734</u>			
Total All Other Governmental Funds	<u>\$</u>	<u>\$</u>	<u>\$ 437,565</u>	<u>\$ 180,291</u>	<u>\$ 164,991</u>	<u>\$ 27,734</u>	<u>\$ 27,734</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: CAFR Schedule B-1

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
County Tax Levy	\$ 291,459	\$ 303,117	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000
Tuition Charges	2,395,832	2,088,533	2,853,686	3,421,523	3,668,047	4,240,117	4,531,572	6,884,244	7,379,312	6,673,808
Interest Earnings	1,644	7,234	16,208	7,004	3,860	2,744	1,513	2,098	3,531	4,132
Shared Services Revenue							127,847			
Miscellaneous	2,389	2,313	8,415	19,380	21,845	25,072	19,451	32,431	6,154	33,154
Other Sources										
State Sources	431,513	491,156	524,485	594,233	673,773	872,592	1,087,966	906,807	1,041,058	1,125,049
Federal Sources	54,273		44,986	13,199	15,662	43,982		40,110	30,048	1,291
Total Revenues	3,177,110	2,892,353	3,763,022	4,360,339	4,688,187	5,489,507	6,043,349	8,107,565	8,813,103	8,290,434
Expenditures										
Instruction										
Regular										
Special Education Instruction	1,237,510	942,183	1,360,947	1,731,368	2,135,308	2,221,475	1,958,322	2,530,644	2,966,578	3,422,070
Support Services										
Student and Instruction Related Services	129,621	94,409	224,344	277,711	249,218	266,142	621,856	773,586	731,793	670,143
General Administrative Services	192,934	217,877	174,791	99,999	165,842	213,976	136,533	234,695	295,870	194,252
School Administrative Services	161,042	143,233	210,138	213,903	237,011	235,496	387,163	321,197	527,547	335,349
Central Services	101,745	61,493	96,999	100,148	120,192	159,464	207,230	303,466	265,254	256,149
Administrative Information Tech, Serv	460	1,988	4,417	13,282	45,982	36,795	50,975	78,624	60,753	96,936
Plant Operations and Maintenance	297,945	246,768	431,645	613,757	406,797	422,323	450,729	518,957	630,673	444,725
Pupil Transportation	32,782	21,520	29,615	28,911	23,487	63,879	44,474	62,599	48,112	41,301
Unallocated Employee Benefits	977,915	990,976	1,102,806	1,401,753	1,506,685	1,906,615	2,301,370	2,658,858	3,014,287	2,972,340
Capital Outlay	3,520	25,194	5,653,740	310,217	33,634	137,257		27,734	35,000	234,953
Total Expenditures	3,135,474	2,745,641	9,289,442	4,791,049	4,924,156	5,663,422	6,158,652	7,510,360	8,575,867	8,668,218
Excess (Deficiency) of Revenues Over (Under) Expenditures	41,636	146,712	(5,526,420)	(430,710)	(235,969)	(173,915)	(115,303)	597,205	237,236	(377,784)
Other Financing Sources (Uses)										
Bond & Capital Lease Proceeds			6,000,000							127,828
Cancellation of Prior Year Receivables		(4,209)								
Transfers	(10,925)	(13,468)	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968
Total Other Financing Sources (Uses)	(10,925)	(17,677)	5,990,481	137,501	180,760	(9,868)	(4,456)	(28,872)		392,796
Net Change in Fund Balances	\$ 30,711	\$ 129,035	\$ 464,061	\$ (293,209)	\$ (55,209)	\$ (183,783)	\$ (119,759)	\$ 568,333	\$ 237,236	\$ 15,012
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)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Rent</u>	<u>Refund of</u> <u>Prior Year</u> <u>Expenditure</u>	<u>Shared</u> <u>Service</u> <u>Revenue</u>	<u>Misc.</u>	<u>Total</u>
2016	\$ 4,132	\$ 6,673,808	\$	\$	\$	\$ 19,666	\$ 6,697,606
2015	3,531	7,379,312				3,039	7,385,882
2014	2,098	6,884,244				30,475	6,916,817
2013	1,513	4,531,572			127,847	14,800	4,675,732
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

Source: District Records

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

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income (thousands of dollars)</u> ^b	<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
2016	** 63,538	\$ 2,728,059,816	\$ 42,936	7.0%
2015	64,180	2,752,863,113	42,893	7.1%
2014	64,670	2,771,109,500	42,850	8.2%
2013	65,062	2,684,588,244	41,262	8.8%
2012	65,656	2,679,880,952	40,817	11.0%
2011	66,031	2,695,253,358	40,818	10.8%
2010	65,998	2,604,281,080	39,460	7.4%
2009	66,342	2,575,064,730	38,815	10.7%
2008	66,194	2,574,417,048	38,892	6.3%
2007	65,981	2,415,564,410	36,610	4.9%

Source:

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

^b Personal income

^c Per Capita Source: Regional Economic Information System

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

** Estimates

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular		1	1	1	2	3	3	3	3	3
Special education	14	15	16	16	20	21	21	21	25	25
Other special education	17	20	27	27	27	26	26	26	30	30
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services *	17	18	18	20	20	20	20	20	22	22
General administrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	2	2	2	2	2	2	2	2	3	3
Business administrative services			1.25	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Plant operations and maintenance						2	2	2	1	1
Pupil transportation										
Food Service										
Total	51	57	66.25	69.5	74.5	77.5	77.5	77.5	87.5	87.5

* Increase in Child Study Team Staff

Source: District Personnel Records

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

Certified Staff report as of 10/15 each year.

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Behavioral Disability	Emotionally Disturbed	Cognitive - Severe	Autistic	Multi-Handicapped				
2016	262	\$ 8,433,265	\$ 32,188	11.18%	29	5.0:1	4.0:1	3.0:1	6.0:1	5.0:1	256.5	228.4	8.96%	89.05%
2015	295	8,540,867	28,952	10.25%	29	5.0:1	4.0:1	3.0:1	6.0:1	5.0:1	241.9	216.0	56.47%	89.29%
2014	286	7,482,626	26,260	-46.15%	26	5.0:1	4.0:1	3.0:1	6.0:1	5.0:1	235.4	204.9	52.26%	87.04%
2013	154	6,158,652	39,991	23.02%	26	5.0:1	4.0:1	3.0:1	6.0:1	5.0:1	154.6	142.7	-4.09%	92.30%
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%

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-4
- 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
(UNAUDITED)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
<u>Elementary, Middle & High</u>										
Daretown										
Square Feet	22,464	22,464	22,464	22,464	22,646	22,646	22,646	22,646	22,646	22,646
Capacity (students)	80	80	80	80	80	80	80	80	80	80
Enrollment	38	48	48	49	47	44	48	45	43	45
Cumberland										
Square Feet			32,619	32,619	32,619	32,619	32,619	32,619	32,619	32,619
Capacity (students)			80	80	80	80	80	80	80	80
Enrollment			24	60	43	55	54	75	93	100

Other

Administration Building
 Square Feet
 Transportation
 Square Feet
 Maintenance Offices
 Square Feet

Number of Schools at June 30, 2016
 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

School Facilities	Project #	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Daretown		\$ 58,547	\$ 51,829	\$ 41,823	\$ 35,477	\$ 42,555	\$ 44,986	\$ 82,373	\$ 141,364	\$ 32,642	\$ 23,470
Cumberland Campus		70,247	113,440	58,237	45,447	52,776	27,656	44,854	18,559		
Mannington Twp. Reg. Day		57,432	28,960								
Total School Facilities		186,226	194,229	100,060	80,924	95,331	72,642	127,227	159,923	32,642	23,470
Other Facilities		1,161	2,442	4,052	1,551						
Grand Total		\$ 187,387	\$ 196,671	\$ 104,112	\$ 82,475	\$ 95,331	\$ 72,642	\$ 127,227	\$ 159,923	\$ 32,642	\$ 23,470

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	School Package Policy		
	Blanket Building & Personal Property	\$ 13,250,953	\$ 1,000
	Comprehensive General Liability		
	Products and Completed Operations Limit	11,000,000	
	Personal Advertising Injury Limit	11,000,000	
	Bodily Injury and Property Damage	11,000,000	
	Commercial Inland Marine		
	Blanket Hardware and Software	350,000	1,000
	Boiler & Machinery - Property & Extra Expense		
	Combined Single Limit per Accident and Property Damage	100,000,000	1,000
	Commercial Crime Section		
	Employee Dishonesty Coverage	100,000	1,000
	Comprehensive Automobile Liability		
	Combined Single Limit	11,000,000	
	School District Legal Liability		
	Limit of Liability	11,000,000	
	Insured Retained Limit	5,000	
Workman's Compensation Policy			
Bodily Injury by Accident	2,000,000		
Bodily Injury by Disease	2,000,000		
Bodily Injury by Disease	2,000,000		
Excess Liability			
Fireman's Fund Indemnity Corp. Limits of Insurance (Occurrence)	50,000,000		
Aggregate Limit	50,000,000		
Student Accident Policy			
Berkley Ins. Co./McClosky Full Excess Maximum Benefit Amount	1,000,000		
Catastrophic Student Accident Coverage			
US Fire Ins. Co. Accident Medical Expense - Maximum per Participant	5,000,000		
Catastrophic Cash Benefit - Maximum Benefit	500,000		
Surety Bonds			
Ohio Casualty Ins Co. Business Administrator	10,000		
Treasurer	150,000		

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

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Certified Public Accountants

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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

INDEPENDENT AUDITOR'S REPORT

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, in accordance with the 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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey 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, 2016, and the related notes to the financial statements, 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 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Salem County Special Services School District 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 School District 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 School District 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. We considered the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, labeled Finding 2016-3 and 4.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and questioned costs to be significant, labeled Finding 2016-2.

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. Given these limitations, additional material weaknesses may exist that have not been identified.

Salem County Special Service Board of Education's Response to Findings

Salem County Special Service Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and the audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey and is described in the accompanying schedule of findings and questioned costs, labeled finding 2016-1.

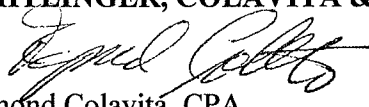
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salem County Special Services School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Salem County Special Services School District's control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Borough of Woodbine Board of Education, the New Jersey 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 those 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
November 28, 2016

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures Pass Through Funds	Budgetary Expenditures Direct	Total Budgetary Expenditures	Balance at June 30, 2016				
					From	To							(Accounts Receivable)	Uncearned Revenue	Due to Grantor		
U.S. Department of Agriculture																	
Passed-through State Department of Education:																	
Enterprise Fund:																	
School Breakfast Program	10.553	16161NJ304N1099	N/A	\$33,539	7/1/15	6/30/16	\$	\$	27,175	\$		\$	(33,539)	\$	(6,364)	\$	
School Breakfast Program	10.553	16161NJ304N1099	N/A	25,875	7/1/14	6/30/15	(8,847)		8,847				(33,539)				
Food Distribution Program	10.565	Unknown	N/A	9,044	7/1/15	6/30/16			9,044	(9,044)			(9,044)				
National School Lunch Program	10.555	16161NJ304N1099	N/A	45,867	7/1/14	6/30/15	(15,024)		15,024				(9,044)				
National School Lunch Program	10.555	16161NJ304N1099	N/A	57,954	7/1/15	6/30/16			47,564	(57,954)			(57,954)		(10,390)		
Total U.S. Department of Agriculture							(23,871)		107,654	(100,537)			(100,537)		(16,754)		
U.S. Department of Education																	
Passed-through State Department of Education:																	
Special Revenue Fund:																	
REAP - II	84.358A	S358A146158	S358A146158	22,552	7/1/14	9/30/15	(2,060)		3,351	(1,291)			(1,291)				
Total U.S. Department of Education							(2,060)		3,351	(1,291)			(1,291)				
Total Federal Financial Awards							\$ (25,931)	\$	\$ 111,005	\$ (101,828)	\$	\$	\$ (101,828)	\$	\$ (16,754)	\$	\$

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 Uniform Guidance since the total of all federal grant expenditures was less than \$750,000.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period From To</u>	<u>Balance at June 30, 2015</u>			<u>Adjustment</u>	<u>Balance at June 30, 2016</u>			<u>Cumulative Total Expenditures</u>	
				<u>Unearned Revenue (Accounts Receivable)</u>	<u>Due to Grantor</u>	<u>Cash Received</u>		<u>Budgetary Expenditures</u>	<u>(Accounts Receivable)</u>	<u>Unearned Revenue/ Interfund Payable</u>		<u>Due to Grantor</u>
State Department of Education:												
General Fund												
Reimbursed TPAF Social Security Contrib.	16-495-034-5094-003	\$ 375,048	7/1/15-6/30/16			\$ 356,765		\$ (375,048)	\$ (18,283)			* \$ 375,048
Reimbursed TPAF Social Security Contrib.	15-495-034-5094-003	346,459	7/1/14- 6/30/15	\$ (33,916)		33,916						
				(33,916)		390,681		(375,048)	(18,283)			375,048
Special Revenue Fund												
State Department of Education:												
Food Service Enterprise Fund												
State Department of Agriculture:												
National School Lunch Program (State Share)	16-100-010-3350-023	1,115	7/1/15-6/30/16			917		(1,115)	(198)			* 1,115
National School Lunch Program (State Share)	15-100-010-3350-023	942	7/1/14- 6/30/15	(328)		328						
				(328)		1,245		(1,115)	(198)			1,115
Total State Financial Assistance Subject to OMB 15-08				\$ (34,244)		\$ 391,926		\$ (376,163)	\$ (18,481)			\$ 376,163
State Financial Assistance Not Subject to OMB 15-08												
On Behalf TPAF Pension Contribution	16-495-034-5095-006	342,353	7/1/15-6/30/16			\$ 342,353		\$ (342,353)				
On Behalf TPAF Post Retirement Med'l. Contril	16-495-034-5095-001	407,648	7/1/15-6/30/16			407,648		(407,648)				
Total State Financial Assistance						\$ 1,141,927		\$ (1,126,164)				

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016

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 2 CFR 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB 15-08. 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 AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 1,125,049	\$ 1,125,049
Special Revenue Fund	1,291		1,291
Food Service Fund	<u>100,537</u>	<u>1,115</u>	<u>101,652</u>
Total Awards & Financial Assistance	\$ <u>101,828</u>	\$ <u>1,126,164</u>	\$ <u>1,227,992</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, 2016.

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, 2016. 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, 2016.

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, if applicable, 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, 2016
(continued)**

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

State Awards - N/A

Dollar threshold used to distinguish between type A and type B programs: N/A

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

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to
be reported in accordance with NJOMB
Circular Letter 04-04 and/or 15-08 _____ yes _____ no

Identification of major programs:

GMIS Number(s)

Name of State Program

No Major State Programs

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Circular 15-08 audit.

Finding: 2016-1 (AMR Finding 2016-1)

Criteria or specific requirement:

N.J.S.A. 18A:17-32 states that when a Board of Education determines the amount of surety bond coverage for a Treasurer, the amount shall be guided by a schedule of minimum limits to be promulgated by the State board. The minimum requirements for the surety bond shall be such percentage of the current year's budget as is required in the schedule set forth in N.J.A.C. 6A:23A-16.4.

Condition:

The Treasurer's surety bond coverage, for the 2015-16 School Year, did not meet the minimum amount required by N.J.A.C. 6A:23A-16.4.

Context:

The Treasurer's surety bond coverage of \$150,000 did not meet the required minimum coverage amount of \$160,000 for the 2015-16 School Year.

Effect:

The internal control benefit of insurance was limited, as surety bond coverage of the Treasurer was not maintained in accordance with the prescribed schedule.

Cause:

Inadvertent oversight

Recommendation:

The District should increase the Treasurer's surety bond to a minimum of \$160,000.

Management's response:

Management is aware of the finding and agrees with the recommendation.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

Section II - Financial Statement Findings (continued)

Finding: 2016-2 (AMR Finding 2016-2)

Criteria or specific requirement:

In accordance with Generally Accepted Accounting Principles, expenditures are recorded when the related fund liability is incurred.

Condition:

During the test of expenditures, an unrecorded liability of \$28,774 was noted for Other Purchased Services.

Context:

The District General Ledger did not reflect one accounts payable, in the amount of \$28,774.

Effect:

The District's unadjusted Fund Balance was over-reported by \$28,774.

Cause:

Inadvertent oversight

Recommendation:

Procedures to record expenditures should be reviewed and revised, in order to assure that all expenditures, per fund, are recorded prior to closing out the year-end reports.

Management's response:

Management is aware of the finding and agrees with the recommendation.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings (continued)

Finding: 2016-3 (AMR Finding 2016-5)

Criteria or specific requirement:

GAAP accounting and the New Jersey Department of Education Accounting Manual as they relate to capital expenditures along with capital lease accounting requires certain specific account coding and budget treatment.

Condition:

One approved capital lease was made jointly for two related Districts, without any clear cut distribution of expenditures, as well as the receipt or redemption of lease principle.

Context:

There was one joint capital lease for two related School Districts without any defined allocation of lease proceeds, redemption or specific assets purchased. In addition, it was not clear what assets were intended to be acquired under the capital lease.

Effect:

As a result of the above condition, adjusting journal entries were identified and submitted to the Board Office, as of June 30, 2016 to allocate proceeds from the capital lease, the budgeted lease principle payment and the specific budget account codes utilized.

Cause:

Per inquiry, it was determined that the lease company stipulated that a joint capital lease be utilized and certain budget ramifications were not entertained.

Recommendation:

In the future, receipt and or redemption of any related capital lease amounts should be clearly and separately allocated between the Districts.

Management's response:

Management is aware of the finding and agrees with the recommendation.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings (continued)

Finding: 2016-4 (AMR Finding 2016-3)

Criteria or specific requirement:

N.J.A.C. 6A:23A-16.10 states that a District Board shall only approve an expenditure that, when added to the total of existing expenditures, does not exceed the amount appropriated by the District Board of Education.

Condition:

During the course of our audit, it was determined that the District budget did contain adequate provisions for the various purchases made through a capital lease. As a result, the Capital Outlay section of the budget was overexpended.

Context:

The District Budget did not provide for sufficient funds to avoid an overexpenditure in the Capital Outlay section.

Effect:

The Capital Outlay section of the District Budget reflects an overexpenditure of \$60,810, as of June 30, 2016.

Cause:

Per inquiry, it was determined that the lease company stipulated that a joint capital lease be utilized and certain budget ramifications were not entertained.

Recommendation:

The Board Office should monitor the issuance and payment of purchase orders that would cause an overexpenditure in any line item account charged, prior to the Board approving a requested transfer of appropriations to cover such orders.

Management's response:

Management is aware of the finding and agrees with the recommendation.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (CONT'D)

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

FEDERAL AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Effect:

Cause:

Recommendation:

Management's response:

STATE AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a) (b) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

Finding 2015-1

Condition: The number of free, reduced and paid meals submitted for federal and state reimbursement in many cases appeared to exceed the numbers supported by available documentation and approved applications. As a result, the Board Office reduced the numbers of meals submitted for reimbursement to the eligible student count.

Status: Resolved

Finding 2015-2

Condition: Accounts receivable for various tuition and other revenue billings in the Enterprise Funds did not appear to be properly reviewed for collection or other proper disposition.

Status: Resolved