

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, 2017

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Prepared by

John Bolil

School Business Administrator/Board Secretary

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TABLE OF CONTENTS**

INTRODUCTORY SECTION

<u>Exhibit</u>	<u>Page</u>
Letter of Transmittal	1 - 4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditor's Report	8 – 10
Required Supplementary Information – Part I Management’s Discussion and Analysis (Unaudited)	11 - 19

Basic Financial Statements

A. District-wide Financial Statements:

A-1	Statement of Net Position	20
A-2	Statement of Activities	21

B. Fund Financial Statements:

Governmental Funds:

B-1	Balance Sheet	22
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	23
B-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24

Proprietary Funds:

B-4	Statement of Net Position	25
B-5	Statement of Revenues, Expenses, and Changes in Fund Net Position	26
B-6	Statement of Cash Flows	27

Fiduciary Funds:

B-7	Statement of Fiduciary Net Position	28
B-8	Statement of Changes in Fiduciary Net Position	29

Notes to the Financial Statements	30-61
--	-------

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules (Unaudited):

C-1	Budgetary Comparison Schedule – General Fund	62a-63
C-1a	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (if applicable)	N/A
C-2	Budgetary Comparison Schedule – Special Revenue Fund	64

Notes to the Required Supplementary Information – Part II

C-3	Budget-to-GAAP Reconciliation	65
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information – Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited)	
L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – PERS	66
L-2 Schedule of District Contributions – PERS	67
L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF	68
L-4 Schedule of District Contributions – TPAF	69
Notes to the Required Supplementary Information – Part III	70
Other Supplementary Information	
D. School Based Budget Schedules (if applicable):	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	71
E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis Budgetary Basis	N/A N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	N/A
F-2(a) Schedules(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis	N/A
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Position	72
G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	73-74
G-3 Combining Schedule of Cash Flows	75

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TABLE OF CONTENTS**

Other Supplementary Information (Continued)

<u>Exhibit</u>	<u>Page</u>
Internal Service Fund:	
G-4 Combining Schedule of Net Position	N/A
G-5 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Combining Schedule of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	76
H-2 Combining Statement of Changes in Fiduciary Net Position	77
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	78
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	79
I. Long-Term Debt:	
I-1 Statement of Serial Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	80
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

Financial Trends Information/Schedules

J-1 Net Position by Component	81
J-2 Changes in Net Position	82
J-3 Fund Balances - Governmental Funds	83
J-4 Changes in Fund Balances, Governmental Funds	84
J-5 General Fund Other Local Revenue By Source	85

Revenue Capacity Information

J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers	N/A
J-9 Property Tax Levies and Collections	N/A

Debt Capacity Information

J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding	N/A
J-12 Direct and Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A

Demographic and Economic Information

J-14 Demographic and Economic Statistics	86
J-15 Principal Employers	N/A

Operating Information

J-16 Full-time Equivalent District Employees by Function/Program	87
J-17 Operating Statistics	88
J-18 School Building Information	89
J-19 Schedule of Allowable Maintenance Expenditures by School Facility	90
J-20 Insurance Schedule	91

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
TABLE OF CONTENTS**

Other Supplementary Information (Continued)

<u>Exhibit</u>		<u>Page</u>
K-1	Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	92-93
K-2	Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures Required by the Uniform Administration Requirements, Cost Principles and Audit Requirements For Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08	94-95
K-3	Schedule of Expenditures of Federal Awards, Schedule A	96
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	97
K-5	Notes to the Schedules of Awards and Financial Assistance	98-99
K-6	Schedule of Findings and Questioned Costs- Summary of Auditor's Results	100-101
K-7	Schedule of Findings and Questioned Costs - Financial Statement Federal Awards and State Financial Assistance	102-104
K-8	Summary Schedule of Prior Year Audit Findings	105

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 7, 2017

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, 2017, 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 2016-2017 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 an increase of one students in the 2016-17 school year.

Average Daily Enrollment		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-17	263.0	0.38%
2015-16	262.0	-11.19%
2014-15	295.0	3.15%
2013-14	286.0	84.99%
2012-13	154.6	-4.09%

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 is 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 on-going 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 their 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 agreement our child study teams, related services, business administrator/board secretary, and the superintendent. Finally, the Salem County special services school district continuously monitors the emergent needs of districts in and around Salem and Cumberland County and provides leadership and strategies to address those needs in a manner consistent with the goals and objectives of the entire regional educational community.

2016-2017 continue to see instruction and resources be the primary focus of the district. The district continues to enhance instruction through the training of staff regarding the Unique Learning System, Creative Curriculum, Letter People, and PEC's. These resources have allowed our teachers to complement content standards and achieve the objectives and goals that are set forth for our students. The district continues to upgrade the technology infrastructure to aid in the ability of our staff to instruct, interact, and reinforce the appropriate instruction based on the learners needs. The district continues to upgrade and hands its technological capabilities that has included now assistive devices.

2016-2017 the district completed the final transitioning for the programs within the district. The Cumberland Campus now houses all medically fragile, medically disabled, low functioning ASD, and cognitive severe students. The Regional Day School/Salem Campus now host the higher functioning ASD students that participate in the transitional career program.

Child study team and related services continue to explore different business models to remain competitive and provide quality service to the district they serve. It is hope that this new approach continues to allow for growth in the future. The district has explored and is now implementing transportation options for the 2017-2018 in order to reduce the cost to the district. The Alternative School continues to thrive as we continue to have strong relationships in Cumberland and Salem County which allows our district to continue to grow and plan for the future as the program continues to be hosted at the Salem Community College.

In closing, Salem County special services appears to be stable. The district will be continuing to monitor and evaluate programs in the future to ensure viability and financial responsibility.

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 2017 is reflected in the financial section.

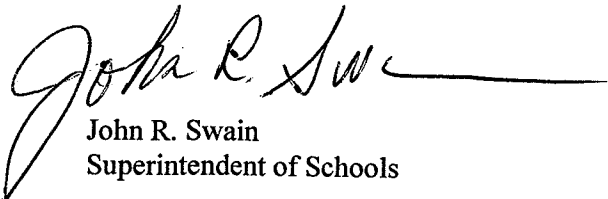
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2017.

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

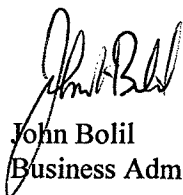
(GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to Financial Statements", Note 2.

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,



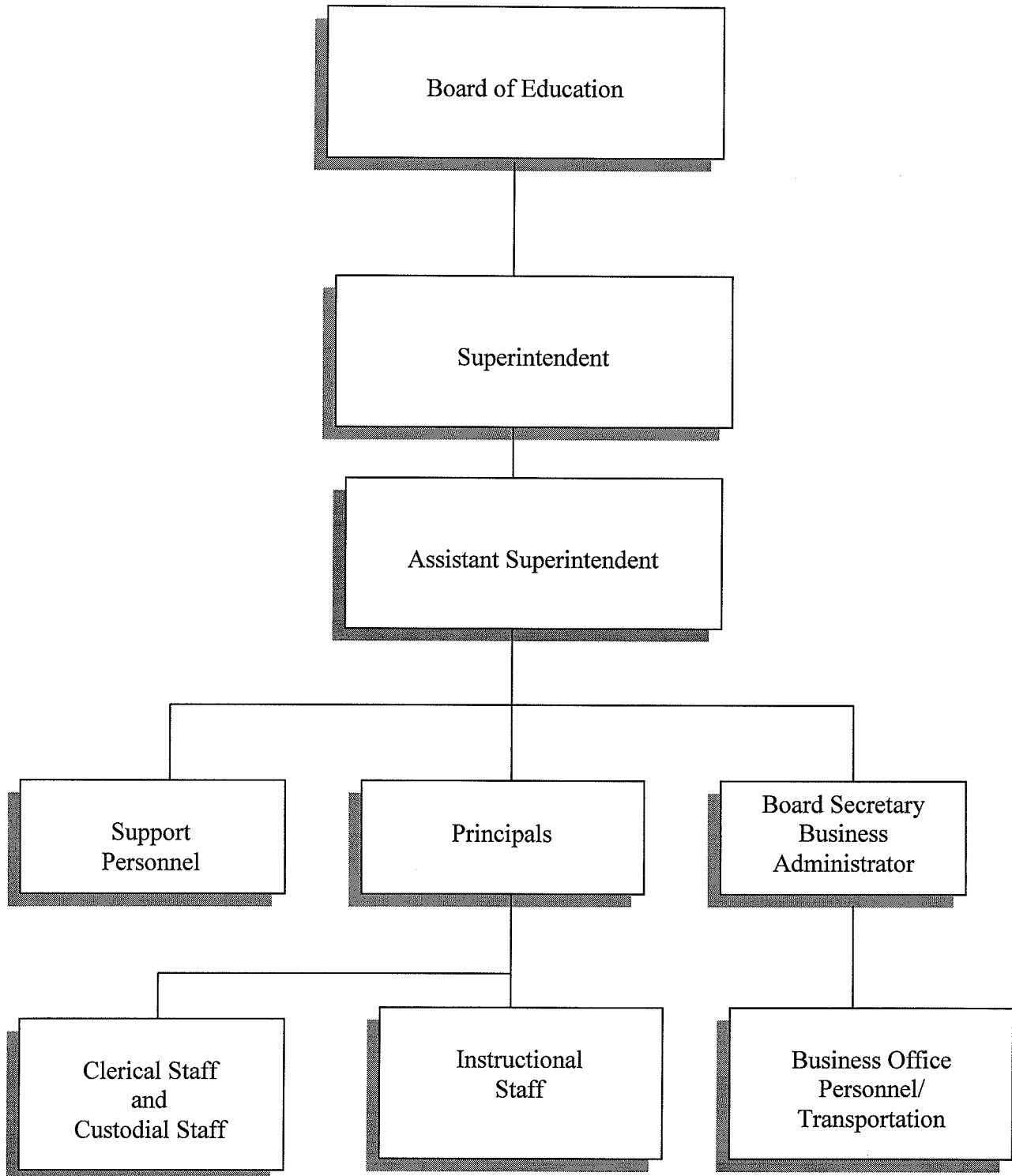
John R. Swain
Superintendent of Schools



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, 2017

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
David Moffett, President	2018
Earl Ransome, Vice President	2018
James Davis	2020
Daryl Halter, Ex Officio	2020
Linwood Donelson III	2019
Julie Smith	2019
Margaret Nicolosi - 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
14000F Commerce Parkway
Mount Laurel, New Jersey 08054

AUDIT FIRM

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Nightlinger, Colavita and Volpa, P.A.
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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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Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 7, 2017

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, 2017, 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 Division 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, 2017, 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, budgetary comparison information and schedules related to accounting and reporting for pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted 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 Salem County Special Services School 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 accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to 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 and the schedule of expenditures of federal awards and state financial assistance are 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 7, 2017 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 Standards* in considering Salem County Special Services School District's internal control over financial reporting and compliance.

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, 2017

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, 2017. 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 2017 are as follows:

- ❖ General revenues accounted for \$7,858,796 in revenue or 41.7% 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 \$11,026,482 or 58.3% percent to total revenues of \$18,885,278.
- ❖ Net position of governmental activities decreased by \$1,042,155, comprised primarily of increases in pension expenses.
- ❖ The School District had \$19,351,381 in expenses. Of these expenses, \$11,026,482 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 \$9,096,022 in revenues, \$9,288,469 in expenditures and \$472,748 in other financing sources. The General Fund balance increased by \$280,301 over 2016, which included a transfer in of net position resulting from the closeout of the Summer Program Enterprise Fund. 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 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 2017?" 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 2017 and 2016.

Table 1
Net Position

	<u>2017</u>	<u>2016</u>
Assets		
Cash and Cash Equivalents	\$ 3,682,786	\$ 3,511,857
Receivables, Net	1,576,877	987,706
Capital Assets, Net	5,168,223	5,446,528
	<hr/>	<hr/>
Total Assets	10,427,886	9,946,091
	<hr/>	<hr/>
Deferred Outflows of Resources	4,897,667	2,536,984
	<hr/>	<hr/>
Liabilities		
Other Liabilities	10,813,278	270,635
Long-term Liabilities	210,185	7,331,574
	<hr/>	<hr/>
Total Liabilities	11,023,463	7,602,209
	<hr/>	<hr/>
Deferred Outflows of Resources		112,673
	<hr/>	<hr/>
Net Position		
Invested in capital assets, net of debt	5,168,223	5,379,512
Restricted	100,000	161,422
Unrestricted (Deficit)	(966,133)	(772,741)
	<hr/>	<hr/>
Total Net Position	\$ 4,302,090	\$ 4,768,193
	<hr/> <hr/>	<hr/> <hr/>

Table 2 shows the changes in Net Position from fiscal years 2017 and 2016.

Table 2 - Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Programs revenues		
Charges for services	\$ 7,606,256	\$ 7,446,736
Operating grants and contributions	3,420,226	2,815,343
General Revenues		
County taxes	300,000	453,000
Tuition	7,468,348	6,673,808
Other	90,448	23,798
Total Revenues	<u>18,885,278</u>	<u>17,412,685</u>
Program Expenses		
Instruction	3,861,190	3,422,070
Support Services		
Pupils and instructional staff	669,862	670,143
General administration, school administration, business	725,203	882,686
Operations and Maintenance of Facilities	464,383	445,334
Pupil Transportation	38,597	41,301
Employee Benefits	6,593,930	4,969,776
Enterprise Funds		
Food Service	97,527	91,749
Other Shared Service Funds	6,627,908	7,140,749
Other	272,781	274,153
Total Expenses	<u>19,351,381</u>	<u>17,937,961</u>
Increase (Decrease) in Net Position	<u>\$ (466,103)</u>	<u>\$ (525,276)</u>

Governmental Activities

As a special services school district, the budget is approved by the Salem County Freeholders. Of the \$18,885,278 in total revenues, \$11,026,482 was from program revenues and \$7,858,796 was from general revenues. County taxes made up 1.6% of revenues for governmental activities for fiscal year 2017, while tuition charges accounted 39.6% of total governmental activity revenue and miscellaneous revenue accounted for another 0.5%. Program revenues comprised 58.4% of governmental activity revenue.

The total cost of all program and services was \$19,351,381, of which Governmental Activities, net of \$11,026,482 in program revenue, accounted for \$9,291,553. Instruction costs of \$3,849,025 comprised 41.4% of District Governmental Activity expenses. Student support costs were \$669,862 or 7.2%, administration costs were \$725,203 or 7.8%, plant operation costs were \$464,383 or 5.0%, transportation costs were \$38,597 or .4%, Employee benefits of \$3,271,702 or 35.2% and depreciation of \$272,781 represents 3.0%.

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 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 3,861,190	\$ 3,849,025	\$ 3,422,070	\$ 3,407,291
Support services				
Pupils and instructional staff	669,862	669,862	670,143	670,143
General administration, school administration, business	725,203	725,203	882,686	882,686
Operation and maintenance of facilities	464,383	464,383	445,334	445,334
Pupil Transportation	38,597	38,597	41,301	41,301
Employee Benefit Costs	6,593,930	3,271,702	4,969,776	2,270,864
Other	272,781	272,781	274,153	274,153
Total Expenses	<u>\$ 12,625,946</u>	<u>\$ 9,291,553</u>	<u>\$ 10,705,463</u>	<u>\$ 7,991,772</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 expenses exceeded revenues by \$4,735, while combined other enterprise fund revenues exceeded expenses by \$971,389.
- ❖ Federal and state reimbursements for free and reduced meals were \$85,833.
- ❖ Charges for food services were \$6,959 or 7.0% of total food service revenue. This represents amount paid by patrons for daily food services.
- ❖ Revenue for other enterprises was \$7,599,297 consisting of \$819,610 in N.J. Dept. of Human Services fees, \$3,183,234 in tuition and \$3,596,453 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 \$9,108,187 and expenditures of \$9,300,634. The net positive/negative change in General fund balance for the year was an increase of \$280,301. 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 for the fiscal year ended June 30, 2017, 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 2016</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 7,788,815	85.5%	\$ 624,721	9%
Federal Sources			(1,291)	-100%
State Sources	1,319,372	14.5%	194,323	17%
Total	\$ 9,108,187	100.0%	\$ 817,753	10%

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

The following schedule presents a summary of general fund and special revenue fund for the fiscal year ended June 30, 2017.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease 2016</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 3,861,190	41.5%	\$ 439,120	13%
Undistributed expenditures	5,396,308	58.0%	385,113	8%
Capital Outlay	43,136	0.5%	(191,817)	-82%
Total	<u>\$ 9,300,634</u>	<u>100%</u>	<u>\$ 632,416</u>	<u>7%</u>

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

The increase in undistributed expenditures is attributed to decreases in student and instruction related services of \$44,723, transportation costs of \$8,421 and general school administrative expenditures of \$113,041, offset by an increase to employee benefits of \$531,031 and plant operations and maintenance of \$20,267.

The decrease of \$191,817 in capital outlay is attributed to less capital expenditures in building improvements and equipment for the 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 2017, 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 \$280,301.

For the General Fund, the original revenue amount budgeted on Exhibit C-1 was \$8,803,422, made up of \$300,000 in county tax, \$8,501,422 in tuition from LEA's and \$2,000 in miscellaneous revenue. There were no adjustments.

Actual revenue was \$7,776,650, excluding \$1,319,372 in On-behalf TPAF Social Security Aid and TPAF On-behalf Contributions state aid. Therefore, revenues were \$1,026,772 less than expected, mostly in tuition from LEA's.

The final budget basis expenditure appropriation estimate was \$8,803,953 compared to the original estimate of \$8,803,422.

There was a positive variance in most line-item expenditures totaling \$834,856, excluding reimbursed TPAF Social Security Aid and TPAF On-behalf Contributions of \$1,319,372.

Capital Assets

At the end of the fiscal year 2017, the School District had \$5,168,223 invested in land, buildings, machinery and equipment. Table 4 shows fiscal 2017 balances compared to 2016.

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

	<u>2017</u>	<u>2016</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	52,009	55,844
Building and Improvements	4,849,630	5,095,289
Machinery and Equipment	216,584	245,395
Totals	<u>\$ 5,168,223</u>	<u>\$ 5,446,528</u>

Overall capital assets decreased \$278,305 from fiscal year 2016. The decrease represents depreciation expense of \$282,963 netted with an addition to Fixed Assets of \$4,658 in the governmental activities.

Debt Administration

At June 30, 2017, the School District had \$210,185 in outstanding debt, which was comprised entirely of compensated absences.

For the Future

Salem County Special Services School District continues to be in good financial condition in regard to its budget. Cash flow has improved due to new procedures and protocols put in place within the business office. The addition of a Human Resource/Special Project position to aid the business office has increased efficiency, accuracy, and the ability to address issues on a timely basis.

The district continues to dedicate its concept of shared services, entering into collaborative arrangements that maximize both efficiency and effectiveness for school districts in the surrounding area. The district continues to provide shared services in the areas of child study team, related services, business administrator/board secretary, assistant superintendent, and superintendent.

This past year was the final transition of site-specific programming, whereas the Cumberland Campus has now been dedicated completely to all types of disabilities. All higher functioning students have now been moved to the Regional Day School/Salem Campus in order to participate in both pre-vocational and vocational education. This campus has also allowed for students to participate in community-based instruction as well as both job shadowing and internships through the transitional career program and the job coaches associated with the program. The future will include looking for additional educational space to house additional students/programs, as both the Cumberland and RDS/Salem Campus are nearing capacity.

The Alternative Middle/High School and Daretown behavioral schools continue to operate and service behavioral students from across two counties. The district will look at ways to increase enrollment, as the behavioral disability students enrollment is down. The alternative middle/high school continues to accept many students from Cumberland County into its program and the relocation of the program to the college is still allowing the students to be in an educationally conducive environment that has shown proven results for continuing education and better academic performance.

The district as a whole has increased its technology capabilities through incremental technology upgrades and purchases. The district has leased two school buses in order to decrease its cost in providing both educational and social outings for the students. In a collaborative approach the district is relocating its preschool disabled class to another district in order to save districts within the county additional transportation costs which will allow them to work within their budgets. The district will continue to explore options to increase efficiency, cost savings, and accuracy.

In closing, 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 to best meet the 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, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,234,602	\$ 2,348,184	\$ 3,582,786
Receivables, Net	326,409	1,250,468	1,576,877
Restricted Assets:			
Cash and Cash Equivalents	100,000		100,000
Capital Assets, Net (Note 5)	5,104,583	63,640	5,168,223
Total Assets	<u>6,765,594</u>	<u>3,662,292</u>	<u>10,427,886</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	4,897,667		4,897,667
LIABILITIES			
Accounts Payable	6,740	2,640	9,380
Due to SCVTS	44,538		44,538
Unearned Revenue	37,669		37,669
Net Pension Liability	10,568,925		10,568,925
Accrued Employee Benefits	152,766		152,766
Non-current Liabilities (Note 6):			
Due Within One Year			
Due Beyond One Year	210,185		210,185
Total Liabilities	<u>11,020,823</u>	<u>2,640</u>	<u>11,023,463</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows			
Net Position			
Invested in Capital Assets, Net of Related Debt	5,104,583	63,640	5,168,223
Restricted for:			
Maintenance Reserve	100,000		100,000
Unrestricted (Deficit)	(4,562,145)	3,596,012	(966,133)
Total Net Position	<u>\$ 642,438</u>	<u>\$ 3,659,652</u>	<u>\$ 4,302,090</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, 2017

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	\$ 3,861,190	\$	\$ 12,165	\$ (3,849,025)		\$ (3,849,025)
Support Services:						
Student & Instruction Related Services	669,862			(669,862)		(669,862)
General and Business Admin Services	125,722			(125,722)		(125,722)
School Administrative Services	342,288			(342,288)		(342,288)
Central Services	211,707			(211,707)		(211,707)
Administrative Info Tech. Services	45,486			(45,486)		(45,486)
Plant Operations and Maintenance	464,383			(464,383)		(464,383)
Pupil Transportation	38,597			(38,597)		(38,597)
Employee Benefits	6,593,930		3,322,228	(3,271,702)		(3,271,702)
Unallocated Depreciation	272,781			(272,781)		(272,781)
Total Governmental Activities	12,625,946		3,334,393	(9,291,553)		(9,291,553)
Business-type Activities:						
Food Service	97,527	6,959	85,833		(4,735)	(4,735)
Other Enterprise	6,627,908	7,599,297			971,389	971,389
Total Business-type Activities	6,725,435	7,606,256	85,833		966,654	966,654
Total Primary Government	\$ 19,351,381	\$ 7,606,256	\$ 3,420,226	(9,291,553)	966,654	(8,324,899)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				300,000		300,000
Tuition Received				7,468,348		7,468,348
Investment Earnings				4,358		4,358
Transfers				390,602	(390,602)	
Miscellaneous Income				86,090		86,090
Total General Revenues, Special Items, Extraordinary Items and Transfers				8,249,398	(390,602)	7,858,796
Change in Net Position				(1,042,155)	576,052	(466,103)
Net Position—Beginning				1,684,593	3,083,600	4,768,193
Net Position—Ending				\$ 642,438	\$ 3,659,652	\$ 4,302,090

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 SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,068,657	\$ 13,177	\$ 1,081,834
Cash with Fiscal Agent	152,766		152,766
Interfunds Receivable	69,755		69,755
Intergovernmental Accounts Receivable	247,549		247,549
State Aid Receivable	16,999		16,999
Accounts Receivable - Other		4,173	4,173
Restricted Cash and Cash Equivalents	100,000		100,000
Total Assets	1,655,726	17,350	1,673,076
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	6,740		6,740
Due to SCVTS	44,538		44,538
Interfunds Payable	2,329	9,736	12,065
Unearned Revenue	30,055	7,614	37,669
Accrued Employee Benefits	152,766		152,766
Total Liabilities	236,428	17,350	253,778
Fund Balances:			
Restricted For:			
Maintenance Reserve	100,000		100,000
Assigned to Year-end Encumbrances	1,400		1,400
Unassigned - General Fund	1,317,898		1,317,898
Total Fund Balances	1,419,298		1,419,298
Total Liabilities and Fund Balances	\$ 1,655,726	\$ 17,350	

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 \$10,149,449 and the accumulated depreciation is \$5,044,866 (Note 5).

5,104,583

Deferred Outflow of Resources - Deferred Pension Contribution.

4,897,667

Deferred Inflows of Resources - Pension Actuarial Gains.

Long Term Net Pension Liability

(10,568,925)

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).

(210,185)

Net Position of Governmental Activities

\$ 642,438

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

BALANCE SHEET
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
County Tax Levy	\$ 300,000	\$	\$ 300,000
Tuition Charges	7,468,348		7,468,348
Interest on Investments	4,358		4,358
Miscellaneous	3,944	12,165	16,109
Total - Local Sources	<u>7,776,650</u>	<u>12,165</u>	<u>7,788,815</u>
Other Sources:			
Federal Sources			
State Sources	1,319,372		1,319,372
Total Revenues	<u>9,096,022</u>	<u>12,165</u>	<u>9,108,187</u>
EXPENDITURES			
Current:			
Special Education Instruction	3,849,025	12,165	3,861,190
Support Services:			
Student & Instruction Related Services	669,862		669,862
General Administrative Expenses	125,722		125,722
School Administrative Expenses	342,288		342,288
Central Services	211,707		211,707
Administrative Information Tech Serv.	45,486		45,486
Plant Operations and Maintenance	464,992		464,992
Pupil Transportation	32,880		32,880
Employee Benefits	3,503,371		3,503,371
Capital Outlay	43,136		43,136
Total Expenditures	<u>9,288,469</u>	<u>12,165</u>	<u>9,300,634</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(192,447)</u>		<u>(192,447)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from Enterprise Fund	390,602		390,602
Prior Year Adjustment - Accounts Receivable	82,146		82,146
Total Other Financing Sources and Uses	<u>472,748</u>		<u>472,748</u>
Net Change in Fund Balances	280,301		280,301
Fund Balance—July 1	1,138,997		1,138,997
Fund Balance—June 30	<u>\$ 1,419,298</u>	<u>\$</u>	<u>\$ 1,419,298</u>

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 280,301
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.	
	(5,717)
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.	
	(1,087,703)
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	38,478
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	4,658
Depreciation expense	(272,781)
Change in Net Position of Governmental Activities (A-2)	\$ (1,042,155)

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, 2017

	Business-type Activities -		
	Enterprise Funds		
	Food	Other	
	Service	Enterprise	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 23,763	\$ 2,324,423	\$ 2,348,186
Accounts Receivable	5,438	1,245,030	1,250,468
Interfund Receivable		16,549	16,549
	<hr/>	<hr/>	<hr/>
Total Current Assets	29,201	3,586,002	3,615,203
	<hr/>	<hr/>	<hr/>
Fixed Assets			
Equipment	17,373	128,982	146,355
Less: Depreciation	(17,373)	(65,342)	(82,715)
	<hr/>	<hr/>	<hr/>
Total Fixed Assets		63,640	63,640
	<hr/>	<hr/>	<hr/>
Total Assets	29,201	3,649,642	3,678,843
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Current Liabilities:			
Accounts Payable		2,640	2,640
Interfund Payable	7,504	9,047	16,551
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	7,504	11,687	19,191
	<hr/>	<hr/>	<hr/>
Net Position			
Restricted			
Invested in Fixed Assets		63,640	63,640
Unreserved	21,697	3,574,315	3,596,012
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 21,697	\$ 3,637,955	\$ 3,659,652
	<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, 2017

	Business-type Activities -		
	Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 6,959	\$	\$ 6,959
N.J. Dept. of Human Services - Fees		819,610	819,610
Tuition		3,183,234	3,183,234
Services Provided Other LEA's		3,596,453	3,596,453
Total Operating Revenue:	6,959	7,599,297	7,606,256
Operating Expenses:			
Salaries		4,033,429	4,033,429
Employee Benefits		1,638,625	1,638,625
Purchased Professional and Technical Services	92,459	1,178	93,637
Purchased Professional /Educ services		498,249	498,249
Purchased Professional Services		24,216	24,216
Purchased Property services		111,618	111,618
Other Purchased Services		30,324	30,324
Communications Telephone		3,368	3,368
Supplies and Materials		12,720	12,720
General Supplies	5,068	39,829	44,897
Travel		6,120	6,120
Transportation		37,330	37,330
Other Objects		10,808	10,808
Cleaning /Repair /Maintenance		102,780	102,780
Insurance		10,000	10,000
Depreciation		10,182	10,182
Utilities		57,132	57,132
Total Operating Expenses	97,527	6,627,908	6,725,435
Operating Income (Loss)	(90,568)	971,389	880,821
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,024		1,024
Federal Sources:			
National School Breakfast Program	28,933		28,933
National School Lunch Program	55,876		55,876
Total Non-operating Revenues (Expenses)	85,833		85,833
Income (Loss) Before Contributions & Transfers	(4,735)	971,389	966,654
Transfers		(390,602)	(390,602)
Change in Net Position	(4,735)	580,787	576,052
Total Net Position—Beginning	26,432	3,057,168	3,083,600
Total Net Position—Ending	\$ 21,697	\$ 3,637,955	\$ 3,659,652

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, 2017

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 18,473	\$ 7,095,848	\$ 7,114,321
Payments to Employees		(4,024,382)	(4,024,382)
Payments for Employee Benefits		(1,638,625)	(1,638,625)
Payments to Suppliers	(104,368)	(943,495)	(1,047,863)
Net Cash Provided by (Used for) Operating Activities	(85,895)	489,346	403,451
Cash from (Used for) Operating Activities- Transfers to the General Fund		(390,602)	(390,602)
Total Cash Provided by (Used for) Operating Activities	(85,895)	98,744	12,849
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	1,024		1,024
Federal Sources	84,809		84,809
Net Cash Provided by (Used for) Non-capital Financing Activities	85,833		85,833
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets			
Net Cash Provided by (Used for) Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends			
Net Cash Provided by (Used for) Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(62)	98,744	98,682
Balances—Beginning of Year	23,825	2,225,679	2,249,504
Balances—End of Year	\$ 23,763	\$ 2,324,423	\$ 2,348,186
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ (90,568)	\$ 971,389	\$ 880,821
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation		10,182	10,182
(Increase) Decrease in Accounts Receivable	11,514	(486,900)	(475,386)
(Increase) Decrease in Interfund Receivable		(16,549)	(16,549)
Increase (Decrease) in Accounts Payable		2,177	2,177
Increase (Decrease) in Interfund Payable	(6,841)	9,047	2,206
Total Adjustments	4,673	(482,043)	(477,370)
Net Cash Provided by (Used for) Operating Activities	\$ (85,895)	\$ 489,346	\$ 403,451

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, 2017

	<u>Memorial Expendable Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,097	\$ 91,455
Total Assets	<u>1,097</u>	<u>91,455</u>
LIABILITIES		
Payable to Student Groups		20,895
Payroll Deductions and Withholdings		12,872
Interfund Payable		57,688
Total Liabilities		<u>\$ 91,455</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 1,097</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, 2017

	<u>Memorial Expendable Trust</u>
ADDITIONS	
Contributions:	
Plan member	
Interest Income	\$ 1
	<hr/>
Total additions	1
DEDUCTIONS	
Withdrawals from Investments	
	<hr/>
Total Deductions	
	<hr/>
Change in Net Position	1
Net Position—Beginning of the Year	1,096
	<hr/>
Net Position—End of the Year	\$ 1,097
	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 was 263 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. 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. The adoption of GASB 74, did not impact the financial statements of the School District.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. New Accounting Standards (Continued):

The School District has adopted the following GASB statements:

- **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. The adoption of GASB 81, 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. The adoption of GASB 82, will impact the financial statements of the School District.

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

- **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. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. New Accounting Standards (Continued):

- GASB No. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 83 on the School District's financial statements.
- GASB No. 84 - *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 84 on the School District's financial statements.
- GASB No. 85 - *Omnibus 2017*: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 85 on the School District's financial statements.
- GASB No. 86 - *Certain Debt Extinguishment Issues*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 86 on the School District's financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. New Accounting Standards (Continued):

- GASB No. 87 - *Leases*: The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of Statement will be effective for reporting periods beginning after periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

A. Basis of Presentation (Continued):

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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. Fund Accounting (Cont'd):

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

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

Debt Service Fund – 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, Child Study, One on One Aides, Non-public Services, Early Intervention 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. Fund Accounting (Cont'd):

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

Food Service Fund Equipment	12 Years
-----------------------------	----------

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

The district does not maintain an internal service fund.

FIDUCIARY FUND TYPE

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

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

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The district maintains one Expendable Trust Fund named the Memorial Expendable Trust Fund.

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

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

C. Basis of Accounting and Measurement Focus:

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

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of 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.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Schedule C-3 presents a reconciliation of the special revenue funds from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

E. Encumbrances:

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

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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 2014-15 and 2015-16 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 2015-16 and 2016-17 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Inventories and Prepaid Expenses:

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

On district-wide financial statements and in the Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

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, 2017.

The Food Service Fund had no inventory on hand at June 30, 2017.

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 2016-2017 school year.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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, 2017 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Assets in the general fixed assets account group are not depreciated.

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

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

K. Compensated Absences:

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

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 \$210,185 at June 30, 2017.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

R. Comparative Data/Reclassifications:

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

S. Management Estimates:

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

T. Accrued Liabilities and Long-term Obligations:

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

U. Net 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

W. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

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

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

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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 et 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, 2017, the School District's bank balance of \$4,448,969 was exposed to custodial credit risk as follows:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Insured	\$	250,000
Uninsured and collateralized with securities held by pledging financial institutions		4,198,969
	\$	<u>4,448,969</u>

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, 2017, the District had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 4. CAPITAL RESERVE ACCOUNT

Capital Reserve Accounts may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the Capital Reserve Account are restricted to capital projects in the Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the NJ Department of Education, a district may increase the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. The District did not have a capital reserve account as of June 30, 2017.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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	412,915	4,658		417,573
Totals at Historical Cost	<u>10,094,791</u>	<u>4,658</u>		<u>10,099,449</u>
Less Accumulated Depreciation for :				
Land Improvements	(91,010)	(3,835)		(94,845)
Building and Improvements	(4,439,733)	(245,659)		(4,685,392)
Equipment	(241,342)	(23,287)		(264,629)
Total Accumulated Depreciation	<u>(4,772,085)</u>	<u>(272,781)</u>		<u>(5,044,866)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	<u>5,322,706</u>	<u>(272,781)</u>		<u>5,054,583</u>
Government activities capital assets, net	<u>\$ 5,372,706</u>	<u>\$ (268,123)</u>	<u>\$</u>	<u>\$ 5,104,583</u>
				To A-1
Depreciation expense was charged to governmental functions as follows:				
		Unallocated		<u>\$ 272,781</u>
Business-Type Activities - Equipment				
Business-Type Activities - Equipment	\$ 146,355	\$	\$	\$ 146,355
Less Accumulated Depreciation for :	(72,533)	(10,182)		(82,715)
Business-Type Activities Capital Assets - Net	<u>\$ 73,822</u>	<u>\$ (10,182)</u>	<u>\$</u>	<u>\$ 63,640</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2017, 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:	\$ 67,016	\$	\$ (67,016)	\$ -		\$ -
Other Liabilities:						
Compensated absences payable	175,930	34,255		210,185		210,185
Total other liabilities	<u>\$ 242,946</u>	<u>\$ 34,255</u>	<u>\$ (67,016)</u>	<u>\$ 210,185</u>	<u>\$</u>	<u>\$ 210,185</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, 2016, the County of Salem issued Special Services School Refunding Bonds, Series 2016, in the amount of \$3,885,000, of which \$270,000 was redeemed during 2016-17. 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
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>\$ 4,385,000</u>	<u>\$ 936,561</u>	<u>\$ 5,321,561</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 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 District made its final principle and interest payment on this lease during the 2016-17 School Year.

NOTE 7. OPERATING LEASES

Three classrooms and related facilities are currently rented at the Upper Pittsgrove School for the period of July 1, 2017 to June 30, 2018, 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, 2017 through June 30, 2018, at a cost of \$102,000.

The District also has outstanding lease agreements for eight copiers. Future minimum lease payments are as follows:

Year Ending June 30	Amount
2017-18	\$ 13,430
2018-19	6,723
Total	\$ 20,153

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, 2017

NOTE 9. PENSION PLANS

Description of Plans - All required employees of the School District are covered by either the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) 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.

The following represents the membership tiers for PERS and TPAF:

Tier	Definition
1	Members who are enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

Public Employees' Retirement System

The PERS is a cost sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members.

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.

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the 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. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Contributions - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 12.46% of covered payroll. The District's contributions to PERS for the years ended June 30, 2017, and 2016, were \$322,451 and \$268,393 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the year ended June 30, 2017 was \$8,843,986. Payroll covered by PERS was \$2,541,161 for fiscal year 2017.

Information regarding contributions made by the State of New Jersey on behalf of the District is not available. Contributions to the system for the year ended June 30, 2017 is as follows:

	<u>PERS</u>
Employees	\$ 182,964
District	<u>322,451</u>
Total	<u>\$ 505,415</u>

The District is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2017, as follows:

Public Employees Retirement System					
<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by District</u>
<u>2017</u>	<u>\$ 49,589</u>	<u>\$ 252,363</u>	<u>\$ 322,451</u>	<u>\$ N/A</u>	<u>\$ 322,451</u>

Components of Net Pension Liability - At June 30, 2017, the District's proportionate share of the PERS net pension liability was \$10,568,925. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2016. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The District's proportion measured as of June 30, 2016 was 0.035685% which was an increase of 0.00447% from its proportion measured as of June 30, 2015.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2017 PERS pension expense, with respect to GASB 68, was \$1,458,766. The District's 2017 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 196,550	\$
Changes of assumptions	2,189,317	
Net difference between projected and actual earnings on pension plan investments	403,003	
Changes in proportion	1,786,346	
Contributions subsequent to the measurement date	322,451	
Total	\$ 4,897,667	\$

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>		<u>PERS</u>
2018	\$	1,069,408
2019		1,069,408
2020		1,138,939
2021		949,034
2022		348,427
Thereafter		
Total	\$	4,575,216

Additional Information - Collective Balances at June 30, 2017 and 2016 are as follows:

<u>Year</u>		<u>6/30/2017</u>		<u>6/30/2016</u>
Collective deferred outflows of resources	\$	4,897,667	\$	2,536,984
Collective deferred inflows of resources	\$		\$	112,673
Collective Net Pension Liability	\$	10,568,925	\$	7,007,866
District's Proportion		0.035685%		0.031218%

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Actuarial Assumptions - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Measurement Date	June 30, 2016
Actuarial Valuation Date	July 1, 2015
Investment Rate of Return	7.65%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	3.08%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Long-Term Expected Rate of Return - 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 Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

	PERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100.00%	

Discount Rate - The discount rate as of June 30, 2016 used to measure the total pension liability was 3.98% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. 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 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1%</u> Decrease <u>(2.98%)</u>	<u>Current</u> Discount <u>(3.98%)</u>	<u>1%</u> Increase <u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ <u>12,950,984</u>	\$ <u>10,568,925</u>	\$ <u>8,602,329</u>

Teachers' Pension and Annuity Fund

The TPAF 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 defined benefit pension plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Vesting and Benefit Provisions - 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.

Contributions - The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual covered salary. Effective July 1, 2011, however, in accordance with Chapter 78, P.L. 2011, plan members are required to contribute 6.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (Continued)

Contributions (Continued) - 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 7.34% in State fiscal year 2017. 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 District and all other related non-contributing employers. No normal or accrued liability contribution by the 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.

The District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100% special funding situation with the State of New Jersey.

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/17	\$ 524,546	100 %	\$ N/A
6/30/16	750,001	100	N/A
6/30/15	694,599	100	N/A

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$524,546 to the TPAF for pension contributions, \$437,066 for post-retirement benefits on behalf of the School and \$2,640 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$355,120 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Components of Net Pension Liability - At June 30, 2017, the 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 District.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (Continued)

Pension Expense - For the year ended June 30, 2017, the District recognized pension expense of \$2,527,402 and revenue of \$2,527,402 for support provided by the State.

Actuarial Assumptions - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	TPAF
Measurement Date	June 30, 2016
Actuarial Valuation Date	July 1, 2015
Investment Rate of Return	7.65%
Salary Scale (Based on Age):	
Through 2026	Varies based
Thereafter	on experience
Inflation	2.50%

Long-Term Expected Rate of Return - Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

	TPAF	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Bonds	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds – MultiStrategy	5.00%	3.70%
Hedge Funds – Equity Hedge	3.75%	4.72%
Hedge Funds – Distressed	3.75%	3.49%
Total	100.00%	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – As indicated above, TPAF has a special funding situation where the State pays 100% of the District's annual required contribution.

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.

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, 2016, there were 110,512 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, a liability existed for compensated absences in the General Fund of \$210,185 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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13. RISK MANAGEMENT (CONTINUED)

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>
2016-2017	\$ 38,692	\$ 25,757	\$ 64,449	\$ -0-
2015-2016	43,646	23,849	67,495	-0-
2014-2015	31,886	33,026	64,912	-0-

NOTE 14. LITIGATION

There was one pending claim involving a terminated employee and three threatened claims stemming from a vehicular accident submitted against the Board, as of November 7, 2017. However, all four matters have been forwarded to the District's insurance carrier.

Legal counsel is not aware of any other unasserted claims and assessments against the Board

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 69,755	\$ 2,329
Special Revenue		9,736
Enterprise Funds	16,549	16,551
Trust and Agency Fund		57,688
Total	\$ 86,304	\$ 86,304

NOTE 16. FUND BALANCE APPROPRIATED

Of the \$1,419,298 General Fund balance at June 30, 2017, \$1,400 is assigned for encumbrances; nothing has been appropriated and also included as anticipated revenue for the year ending June 30, 2018; \$100,000 is restricted for Maintenance Reserve and \$1,317,898 is unrestricted and unassigned.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17. DEFICIT IN UNRESTRICTED NET POSITION

The governmental activities had a deficit in unrestricted Net Position of \$4,562,145, shown on Exhibit A-1, as of June 30, 2017. The primary cause of the deficit is attributable to the application of GASB 68 as described in Note 9 and the allocation of compensated absences balances payable to unrestricted Net Position and the result from a delay in the June payments of state aid until the following fiscal year.

NOTE 18. 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 19. 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 20. ACCOUNTS RECEIVABLES

Accounts Receivables at June 30, 2017 consisted of fees, tuition and grants are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
Receivables:			
State	\$ 16,999	\$	64
Federal			5,374
Intergovernmental	247,549		1,245,030
Other		4,173	
Total	<u>\$ 264,548</u>	<u>\$ 4,173</u>	<u>\$ 1,250,468</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 21. TAX ABATEMENT

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because NJSA 54:4-75 and NJSA 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at NJSA 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

NOTE 22. SUBSEQUENT EVENTS

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

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, 2017

	<u>Original Actual</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues:					
Local Sources:					
County Tax Levy	\$ 300,000	\$	\$ 300,000	\$ 300,000	\$
Tuition from LEA's	8,501,422		8,501,422	7,468,348	(1,033,074)
Interest on Investments	2,000		2,000	4,358	2,358
Unrestricted Miscellaneous Revenues				3,944	3,944
Total - Local Sources	8,803,422		8,803,422	7,776,650	(1,026,772)
State Sources:					
On-behalf TPAF Pension Contribution				524,546	524,546
On-behalf TPAF Post-Retirement Medical Contributions				437,066	437,066
On-behalf TPAF Long-Term Disability				2,640	2,640
Reimbursement TPAF Social Security				355,120	355,120
Total - State Sources				1,319,372	1,319,372
TOTAL REVENUES	8,803,422		8,803,422	9,096,022	292,600
EXPENDITURES:					
CURRENT EXPENSES:					
Special Education:					
Behavioral Disabilities:					
Salaries of Teachers	641,397	50,940	692,337	692,334	3
Other Salaries for Instruction	236,210	(45,592)	190,618	186,577	4,041
Purchased Professional - Educational Services	5,200	(2,900)	2,300	2,086	214
Purchased Technical Services	4,468	(2,290)	2,178		2,178
Other Purchased Services	10,488		10,488	4,288	6,200
General Supplies	5,200	13,200	18,400	18,212	188
Textbooks	4,000	(2,491)	1,509		1,509
Other Objects	5,000	(500)	4,500	2,403	2,097
Total Behavioral Disabilities	911,963	10,367	922,330	905,900	16,430
Multiple Disabilities:					
Salaries of Teachers	494,722	38,146	532,868	532,232	636
Other Salaries for Instruction	276,232	(54,505)	221,727	221,726	1
Purchased Professional - Educational Services	2,500	1,271	3,771	3,770	1
Other Purchased Services	6,500	(3,291)	3,209	3,208	1
General Supplies	10,000	3,177	13,177	10,510	2,667
Textbooks	3,125	(3,125)			
Other Objects		4,500	4,500	869	3,631
Total Multiple Disabilities	793,079	(13,827)	779,252	772,315	6,937
Autism:					
Salaries of Teachers	366,501	62,437	428,938	403,478	25,460
Other Salaries for Instruction	207,935	6,000	213,935	160,825	53,110
Purchased Professional - Educational Services	5,000	(2,006)	2,994	2,993	1
Purchased Technical Services	350	(350)			
Other Purchased Services	800	1,229	2,029	2,005	24
General Supplies	19,500	441	19,941	15,672	4,269
Textbooks	3,125	(3,125)			
Other Objects	3,500	2,628	6,128	4,030	2,098
Total Autism	606,711	67,254	673,965	589,003	84,962
Preschool Disabilities - Full Time					
Salaries of Teachers	65,885	27,795	93,680	87,870	5,810
Other Salaries for Instruction	36,558	4,589	41,147	41,147	
Purchased Professional-Educational Services	5,000	(4,622)	378	377	1
Other Purchased Services	963	(547)	416	408	8
General Supplies	8,125	(5,302)	2,823	1,266	1,557
Other Objects		500	500	54	446
Total Preschool Disabilities - Full Time	116,531	22,413	138,944	131,122	7,822

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Extended School Year					
Salaries of Teachers	\$ 366,720	\$ (77,295)	\$ 289,425	\$ 289,425	
Salaries of Supervisors of Instruction	8,600	(7,900)	700	700	
Other Salaries for Instruction	273,600		273,600	273,125	475
Other Purchased Services	37,550	(10,737)	26,813	26,813	
General Supplies	14,325	(4,183)	10,142	10,142	
Total Extended School Year	700,795	(100,115)	600,680	600,205	475
Cognitive - Severe:					
Salaries of Teachers	186,215		186,215	175,830	10,385
Other Salaries for Instruction	17,971		17,971	2,731	15,240
Purchased Professional - Educational Services	2,500	(992)	1,508	1,508	
Other Purchased Services	3,341	(2,038)	1,303	1,301	2
General Supplies	10,000	(40)	9,960	3,235	6,725
Textbooks	3,125	(3,125)	9,960	3,235	6,725
Other Objects		1,875	1,875	276	1,599
Total Cognitive Severe	223,152	(4,320)	218,832	184,881	33,951
Total Special Education	3,352,231	(18,228)	3,334,003	3,183,426	150,577
Other Instructional Programs - Instruction					
Salaries	464,221	111,557	575,778	539,761	36,017
Purchased Services	128,700	(12,764)	115,936	115,904	32
Supplies & Materials	11,550	(1,136)	10,414	9,907	507
Other Objects	4,000	(2,173)	1,827	27	1,800
Total Other Instruction Programs - Instruction	608,471	95,484	703,955	665,599	38,356
Total Instruction	3,960,702	77,256	4,037,958	3,849,025	188,933
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	49,588		49,588	44,169	5,419
Total Attendance and Social Work Services	49,588		49,588	44,169	5,419
Health Services:					
Salaries	137,943	14,360	152,303	133,622	18,681
Purchased Professional and Technical Services	800	(800)			
Other Purchased Services	2,000	5,200	7,200	3,020	4,180
Supplies and Materials	10,000	974	10,974	7,910	3,064
Total Health Services	150,743	19,734	170,477	144,552	25,925
Speech, OT, PT & Related Services					
Salaries	671,759	6,385	678,144	446,579	231,565
Purchased Professional Educational Services	2,500	(20)	2,480		2,480
Total Speech, OT, PT & Related Services	674,259	6,365	680,624	446,579	234,045
Improvement of Instruction Services/Other Support Services- Instructional Staff					
Salaries of Secretarial and Clerical Assistants					
Purchased Professional Educational Services	20,000		20,000	19,985	15
Total Improvement of Instruction	20,000		20,000	19,985	15
Educational Media Services: School Library					
Purchased Professional and Technical Services	3,500		3,500	3,485	15
Total Educational Media Services	3,500		3,500	3,485	15

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 5,000	\$ 1,530	\$ 6,530	\$ 4,527	\$ 2,003
Other Purchased Services	14,000	(6,576)	7,424	6,565	859
Supplies and Materials	1,000		1,000		1,000
Total Instructional Staff Training Services	20,000	(5,046)	14,954	11,092	3,862
Support Services - General Administration:					
Salaries	91,102	15,100	106,202	55,368	50,834
Legal Services	27,000	(10,112)	16,888	10,058	6,830
Audit Fees	20,000		20,000	13,500	6,500
Other Purchased Professional Services	20,000	194	20,194	20,194	
Communication/Telephone	4,500	(4,500)			
Misc. Purchased Services	9,500	(2,666)	6,834	6,716	118
General Supplies	4,500	115	4,615	4,472	143
BOE In-House Training/Meeting Supplies	500	(445)	55		55
Miscellaneous Expenditures	4,500	6,239	10,739	10,314	425
BOE Membership Dues and Fees	6,000	(700)	5,300	5,100	200
Total Support Services - General Administration	187,602	3,225	190,827	125,722	65,105
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	226,746	16,849	243,595	233,545	10,050
Salaries of Secretarial and Clerical Assistants	91,009	9,043	100,052	92,980	7,072
Purchased Professional and Technical Services	1,000	(1,000)			
Other Purchased Services	11,699	290	11,989	11,300	689
Supplies and Materials	6,000	(3,001)	2,999	2,654	345
Other Objects	9,300	(7,491)	1,809	1,809	
Total Support Services - School Administration	345,754	14,690	360,444	342,288	18,156
Central Services					
Salaries	258,667		258,667	195,235	63,432
Purchased Technical Services	34,000	2,012	36,012	9,737	26,275
Miscellaneous Purchased Services	1,500	633	2,133	2,133	
Supplies and Materials	4,500	70	4,570	4,311	259
Miscellaneous Expenditures	750	(100)	650	291	359
Total Central Services	299,417	2,615	302,032	211,707	90,325
Admin. Info. Technology					
Salaries	44,660	3,000	47,660	32,304	15,356
Purchased Technical Services	20,000	(3,333)	16,667	4,350	12,317
Other Purchased Services	1,500	778	2,278	2,278	
Supplies and Materials	5,000	1,555	6,555	6,554	1
Total Admin. Info. Technology	71,160	2,000	73,160	45,486	27,674
Total Central Services & Admin. Info. Technology	370,577	4,615	375,192	257,193	117,999
Required Maintenance for School Facilities					
Salaries	55,532	1,750	57,282	55,852	1,430
Cleaning, Repair, and Maintenance Services	69,000	4,154	73,154	64,806	8,348
General Supplies	10,000	3,107	13,107	12,603	504
Total Required Maintenance for School Facilities	134,532	9,011	143,543	133,261	10,282

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Operation And Maintenance Of Plant Services:					
Purchased Professional and Technical Services	\$ 7,000	\$ 456	\$ 7,456	\$ 7,275	\$ 181
Cleaning, Repair and Maintenance Services	167,140	(12,394)	154,746	142,577	12,169
Rental - Other than Lease Purchase Agreements	58,040	(5,408)	52,632	52,632	
Other Purchased Property Services	200	(152)	48		48
Insurance	34,685		34,685	34,685	
General Supplies	9,000	(3,848)	5,152		5,152
Energy (Natural Gas)	16,500	(1,584)	14,916	8,328	6,588
Energy (Electricity)	73,179	(19,603)	53,576	50,971	2,605
Energy (Oil)	26,000	(2,970)	23,030	14,129	8,901
Total Operation of Plant Services	391,744	(45,503)	346,241	310,597	35,644
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	9,000	12,135	21,135	21,134	1
Total Operation And Maintenance of Plant Services	535,276	(24,357)	510,919	464,992	45,927
Student Transportation Services					
Cont Services-Other Than between Home and School-Vendors	18,050	16,918	34,968	32,880	2,088
Total Student Transportation Services	18,050	16,918	34,968	32,880	2,088
Allocated Benefits:					
Social Security Contributions	35,512	(15,966)	19,546		19,546
Other Retirement Contributions - PERS	6,797	(1,200)	5,597		5,597
Unemployment Compensation	3,249		3,249		3,249
Workers' Compensation	5,802	(5,802)			
Health Benefits	168,064	(147,247)	20,817	20,637	180
Total Allocated Benefits	219,424	(170,215)	49,209	20,637	28,572
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	191,848	48,278	240,126	240,125	1
Other Retirement Contributions - PERS	106,673		106,673	106,673	
Unemployment Compensation	16,751	21,942	38,693	38,692	1
Workers' Compensation	122,674	9,519	132,193	131,057	1,136
Health Benefits	1,725,001	(45,107)	1,679,894	1,621,745	58,149
Tuition Reimbursements	35,000	(15,456)	19,544	18,826	718
Other Employee Benefits	10,000	(1,530)	8,470	6,244	2,226
Total Unallocated Benefits - Employee Benefits	2,207,947	17,646	2,225,593	2,163,362	62,231
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				524,546	(524,546)
On-behalf TPAF Postretirement Contributions (Non-budgeted)				437,066	(437,066)
On-behalf TPAF Long-Term Disability (Non-budgeted)				2,640	(2,640)
Reimbursed TPAF Social Security Contributions Not-budgeted)				355,120	(355,120)
TOTAL ON-BEHALF CONTRIBUTIONS				1,319,372	(1,319,372)
TOTAL UNALLOCATED BENEFITS	2,207,947	17,646	2,225,593	3,482,734	(1,257,141)
TOTAL UNDISTRIBUTED EXPENDITURES	4,802,720	(116,425)	4,686,295	5,396,308	(710,013)
TOTAL GENERAL CURRENT EXPENSE	8,763,422	(39,169)	8,724,253	9,245,333	(521,080)
CAPITAL OUTLAY					
Equipment					
Special Education Instruction:					
Multiple Disabilities	20,000	(15,342)	4,658	4,658	
Autism	15,000	(15,000)			
Cognitive - Severe	5,000	(5,000)			
Total Equipment	40,000	(35,342)	4,658	4,658	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2017

	<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)					
Facilities Acquisition and Construction Services:					
Construction Services					
Land and Improvements	\$	\$ 5,042	\$ 5,042	\$	\$ 5,042
Lease Purchase Agreement - Principal		70,000	70,000	38,478	31,522
Total Facilities Acquisition and Construction Services		<u>75,042</u>	<u>75,042</u>	<u>38,478</u>	<u>36,564</u>
Assets Acquired Under Capital Leases (Non-budget)					
TOTAL CAPITAL OUTLAY	40,000	39,700	79,700	43,136	36,564
TOTAL EXPENDITURES	<u>8,803,422</u>	<u>531</u>	<u>8,803,953</u>	<u>9,288,469</u>	<u>(484,516)</u>
Excess (Deficiency) of Revenues and Other Over/(Under) Expenditures		<u>(531)</u>	<u>(531)</u>	<u>(192,447)</u>	<u>(191,916)</u>
Other Financing Sources (uses):					
Operating Transfers In(Out):					
Extended School Year Closeout				390,602	390,602
Prior Year Adjustment - Accounts Receivable				82,146	82,146
Total Other Financing Sources (Uses)				<u>472,748</u>	<u>472,748</u>
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses		<u>(531)</u>	<u>(531)</u>	<u>280,301</u>	<u>280,832</u>
Fund Balances, July 1	<u>1,138,997</u>		<u>1,138,997</u>	<u>1,138,997</u>	
Fund Balances, June 30	<u>\$ 1,138,997</u>	<u>\$ (531)</u>	<u>\$ 1,138,466</u>	<u>\$ 1,419,298</u>	<u>\$ 280,832</u>
RECAPITULATION					
Restricted Fund Balance:					
Maintenance Reserve				\$ 100,000	
Assigned to:					
Year-End Encumbrances				1,400	
Unassigned Fund Balance				<u>1,317,898</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,419,298</u>	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$	\$ 11,500	\$ 11,500	\$ 12,165	\$ 665
State Sources					
Federal Sources					
Total Revenues		<u>11,500</u>	<u>11,500</u>	<u>12,165</u>	<u>665</u>
EXPENDITURES:					
Instruction					
General Supplies		7,377	7,377	6,553	824
Purchased Professional ED. Services	11,500		11,500	5,612	5,888
Total Instruction	<u>11,500</u>	<u>7,377</u>	<u>18,877</u>	<u>12,165</u>	<u>6,712</u>
Support Services					
Total Support Services					
Facilities Acquisition and Construction Services:					
Total Facilities Acquisition and Construction Services					
Total Expenditures	<u>11,500</u>	<u>7,377</u>	<u>18,877</u>	<u>12,165</u>	<u>6,712</u>
Other Financing Sources (Uses)					
Total Outflows	<u>11,500</u>	<u>7,377</u>	<u>18,877</u>	<u>12,165</u>	<u>6,712</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, 2017

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] \$ 9,096,022	[C-2] \$ 12,165
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
 	<hr/>	<hr/>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	[B-2] \$ <u>9,096,022</u>	[B-2] \$ <u>12,165</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 9,288,469	[C-2] \$ 12,165
Differences - budget to GAAP Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
 	<hr/>	<hr/>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] \$ <u>9,288,469</u>	[B-2] \$ <u>12,165</u>

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability(Asset)	0.035685%	0.031218%	0.024927%	0.022275%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 10,568,925	\$ 7,007,866	\$ 4,666,980	\$ 4,257,130
District's Covered-Employee Payroll	\$ 2,541,161	\$ 2,470,397	\$ 2,207,070	\$ 1,960,265
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	415.91%	283.67%	211.46%	217.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 322,451	\$ 268,393	\$ 205,493	\$ 167,835
Contributions in Relation to the Contractually Required Contribution	<u>(322,451)</u>	<u>(268,393)</u>	<u>(205,493)</u>	<u>(167,835)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's Covered-Employee Payroll	\$ 2,541,161	\$ 2,470,397	\$ 2,207,070	\$ 1,960,265
Contributions as a Percentage of Covered-Employee Payroll	12.69%	10.86%	9.31%	8.56%

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability(Asset)	0.042760%	0.049653%	0.052290%	0.051708%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 33,637,659	\$ 31,383,016	\$ 27,947,304	\$ 26,132,864
District's Covered-Employee Payroll	\$ 3,479,591	\$ 4,980,916	\$ 4,543,261	\$ 3,975,269
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	966.71%	630.07%	615.14%	657.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

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

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 four 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, 2017

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, 2017

	<u>NJSIG</u> <u>Safety</u> <u>Grant</u>	<u>Know</u> <u>to Grow</u> <u>Grant</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
REVENUES:				
Federal sources	\$	\$	\$	\$ 1,291
State sources				
Other sources	6,553	5,612	12,165	13,488
Total Revenues	6,553	5,612	12,165	14,779
EXPENDITURES:				
Instruction:				
Purchased Professional ED. Services		5,612	5,612	5,245
General Supplies	6,553		6,553	9,534
Total Instruction	6,553	5,612	12,165	14,779
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	\$ 6,553	\$ 5,612	\$ 12,165	\$ 14,779

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, 2017 AND 2016

	<u>Child Study Team</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>	
									2017	2016
ASSETS:										
Current Assets:										
Cash and Cash Equivalents	\$ 249,135	\$ 106,514	\$ 653,218	\$	\$	\$ 116,496	\$ 1,199,060	\$ 23,763	\$ 2,348,186	\$ 2,249,504
Accounts Receivable:										
State								64	64	198
Federal								5,374	5,374	16,754
Intergovernmental	147,989	187,093	351,743	24,016			534,189		1,245,030	749,183
Other										8,947
Interfund Receivable		7,502	9,047						16,549	
Total Current Assets	397,124	301,109	1,014,008	24,016		116,496	1,733,249	29,201	3,615,203	3,024,586
Fixed Assets										
Equipment	9,738			33,209			86,035	17,373	146,355	146,355
Less: Depreciation	(9,738)			(33,209)			(22,395)	(17,373)	(82,715)	(72,533)
							63,640		63,640	73,822
Total Assets	397,124	301,109	1,014,008	24,016		116,496	1,796,889	29,201	3,678,843	3,098,408
LIABILITIES:										
Current Liabilities:										
Accounts Payable	359						2,281		2,640	463
Interfund Payable				9,047				7,504	16,551	14,345
Total Current Liabilities	359			9,047			2,281	7,504	19,191	14,808
Net Position:										
Unrestricted	396,765	301,109	1,014,008	14,969		116,496	1,730,968	21,697	3,596,012	2,948,356
Invested in Fixed Assets							63,640		63,640	73,822
Restricted for Other Purposes										61,422
Total Net Position	\$ 396,765	\$ 301,109	\$ 1,014,008	\$ 14,969		\$ 116,496	\$ 1,794,608	\$ 21,697	\$ 3,659,652	\$ 3,083,600

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2017 AND 2016**

	Child Study Team	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
									2017	2016
OPERATING REVENUES:										
Local Sources:										
Daily sales - reimbursable programs:										
School lunch and breakfast program	\$	\$	\$	\$	\$	\$	\$	\$ 6,959	\$ 6,959	\$ 9,701
Total daily sales - reimbursable programs								6,959	6,959	9,701
N.J. Dept of Human Services - Fees						819,610			819,610	812,285
Tuition							3,183,234		3,183,234	2,810,095
Non-Public School Program Salem Campus Services provided other LEAs	721,909	803,199	2,022,257	24,016			25,072		3,596,453	3,814,655
Total Operating Revenue	721,909	803,199	2,022,257	24,016		819,610	3,208,306	6,959	7,606,256	7,446,736
OPERATING EXPENSES:										
Salaries	592,780	625,491	967,296	12,924		170,815	1,664,123		4,033,429	4,446,791
Employee Benefits	177,876	169,958	730,464			55,019	505,308		1,638,625	1,746,619
Purchased Professional and Technical Services								92,459	93,637	11,681
Purchased Professional /Educ services	149	6,414				489,919	1,767		498,249	563,258
Purchased Professional Services	10,709	1,943					11,564		24,216	21,288
Purchased Property Services	25,000	50,000				10,084	26,534		111,618	9,000
Rental of Buildings										
Other Purchased Services	2,750	2,750		99			24,725		30,324	21,604
Communications Telephone							3,368		3,368	2,527
Custodial Services:										
Cleaning /Repair /Maintenance							76,867		76,867	
Supplies and materials							12,720		12,720	3,725
General Supplies	2,999	12,173		720		1,778	22,159	5,068	44,897	58,714
Travel	1,497	4,532		91					6,120	8,239
Transportation							37,330		37,330	36,474
Cost of sales										91,649
Other objects	722	920					9,166		10,808	10,137
Required Maintenance:										
Cleaning /Repair /Maintenance							25,913		25,913	126,742
Insurance							10,000		10,000	3,747
Equipment										4,108
Depreciation							10,182		10,182	7,637
Utilities							57,132		57,132	58,558
Total Operating Expenses	\$ 814,482	\$ 874,181	\$ 1,697,760	\$ 13,834	\$	\$ 730,983	\$ 2,496,668	\$ 97,527	\$ 6,725,435	\$ 7,232,498

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2017 AND 2016

	Child Study Team	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
									2017	2016
Operating Income (Loss)	\$ (92,573)	\$ (70,982)	\$ 324,497	\$ 10,182	\$	\$ 88,627	\$ 711,638	\$ (90,568)	\$ 880,821	\$ 214,238
Non-Operating Revenues:										
Local Sources - Board Subsidy										
State Sources:										
State School Lunch Program								1,024	1,024	1,115
Federal Sources:										
School Breakfast Program								28,933	28,933	33,539
Food Distribution Program										9,044
National School Lunch Program								55,876	55,876	57,954
Total Non-Operating Revenues								85,833	85,833	101,652
Transfer to General Fund					(390,602)				(390,602)	(264,968)
Net Increase (Decrease) in Net Position	(92,573)	(70,982)	324,497	10,182	(390,602)	88,627	711,638	(4,735)	576,052	50,922
Net Position - July 1	489,338	372,091	689,511	4,787	390,602	27,869	1,082,970	26,432	3,083,600	3,032,678
Net Position - June 30	\$ 396,765	\$ 301,109	\$ 1,014,008	\$ 14,969	\$	\$ 116,496	\$ 1,794,608	\$ 21,697	\$ 3,659,652	\$ 3,083,600

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2017 AND 2016**

	Child Study Team	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Summer Programs	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
									2017	2016
Cash Flows from Operating Activities:										
Receipts from Customers	\$ 656,606	\$ 712,428	\$ 1,849,423	\$	\$ 8,947	\$ 819,610	\$ 3,048,834	\$ 18,473	\$ 7,114,321	\$ 7,390,586
Payments to Employees	(592,780)	(625,491)	(967,296)	(3,877)		(170,815)	(1,664,123)		(4,024,382)	(4,446,791)
Payments for Employee Benefits	(177,876)	(169,958)	(730,464)			(55,019)	(505,308)		(1,638,625)	(1,746,619)
Payments to Suppliers	(43,467)	(78,732)		(910)		(505,149)	(315,237)	(104,368)	(1,047,863)	(1,056,010)
Net Cash Provided by (Used for) Operating Activities	(157,517)	(161,753)	151,663	(4,787)	8,947	88,627	564,166	(85,895)	403,451	141,166
Cash from (Used for) Operating Activities- Transfers to the General Fund										
					(390,602)				(390,602)	(264,968)
Total Cash Provided by (Used for) Operating Activities	(157,517)	(161,753)	151,663	(4,787)	(381,655)	88,627	564,166	(85,895)	12,849	(123,802)
Cash Flows from Noncapital Financing Activities										
State Sources								1,024	1,024	1,115
Federal Sources								84,809	84,809	100,537
Net Cash Provided by (Used for) Noncapital Financing Activities								85,833	85,833	101,652
Cash Flows from Capital and Related Financing Activities										
Purchases of Capital Assets										(81,459)
Net Cash Provided by (Used For) Capital and Related Financing Activities										(81,459)
Cash Flows from Investing Activities										
Net Cash Provided by (Used for) Investing Activities										
Net Increase (Decrease) in Cash and Cash Equivalents	(157,517)	(161,753)	151,663	(4,787)	(381,655)	88,627	564,166	(62)	98,682	(103,609)
Balances - Beginning of Year	406,652	268,267	501,555	4,787	381,655	27,869	634,894	23,825	2,249,504	2,353,113
Balances - End of Year	\$ 249,135	\$ 106,514	\$ 653,218	\$	\$	\$ 116,496	\$ 1,199,060	\$ 23,763	\$ 2,348,186	\$ 2,249,504
Operating income (loss)										
Operating income (loss)	\$ (92,573)	\$ (70,982)	\$ 324,497	\$ 10,182	\$	\$ 88,627	\$ 711,638	\$ (90,568)	\$ 880,821	\$ 214,238
Adjustments to reconcile operating income (loss) to cash used by operating activities:										
Depreciation							10,182		10,182	7,637
Change in assets and liabilities:										
(Increase)/decrease in Accounts Receivable	(65,303)	(83,269)	(163,787)	(24,016)	8,947		(159,472)	11,514	(475,386)	(48,903)
(Increase)/decrease in Interfund Receivable		(7,502)	(9,047)						(16,549)	
Increase/(decrease) in Accounts Payable	359						1,818		2,177	(31,806)
Increase/(decrease) in Interfund Payable				9,047				(6,841)	2,206	
Total Adjustments	(64,944)	(90,771)	(172,834)	(14,969)	8,947		(147,472)	4,673	(477,370)	(73,072)
Net Cash Provided by (Used for) Operating Activities	\$ (157,517)	\$ (161,753)	\$ 151,663	\$ (4,787)	\$ 8,947	\$ 88,627	\$ 564,166	\$ (85,895)	\$ 403,451	\$ 141,166

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, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	Agency			
	Expendable Trust Funds	Student Activity	Payroll	Total 2017
				Total 2016
ASSETS:				
Cash and Cash Equivalents	\$ 1,097	\$ 20,895	\$ 70,560	\$ 92,552
Interfund Receivable				15,674
				2,275
Total Assets	\$ 1,097	\$ 20,895	\$ 70,560	\$ 92,552
				\$ 17,949
LIABILITIES:				
Payroll Deductions and Withholdings	\$	\$	\$ 12,872	\$ 12,872
Interfund Payable			57,688	57,688
Due to Student Groups		20,895		20,895
				13,910
Total Liabilities		20,895	70,560	91,455
				16,853
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,097	\$	\$	\$ 1,097
				\$ 1,096

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
MEMORIAL EXPENDABLE TRUST FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Local Sources		
Interest on Investments	\$ 1	\$ 2
OPERATING EXPENSES		
Withdrawals		
Operating Income (Loss)	1	2
Net Position - July 1, 2016	1,096	1,094
Net Position - June 30, 2017	\$ 1,097	\$ 1,096

EXHIBIT H-3

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS
STUDENT ACTIVITY AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Activity</u>	<u>Balance July 1 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable</u>	<u>Balance June 30 2017</u>
Job Coach	\$ 947	\$	\$ 411	\$	\$ 536
T- Shirts	449				449
Walk	6,959	9,369	2,265		14,063
Box Tops	978	282	133		1,127
Flex	3,505	1,112	1,176		3,441
Prom	495	4,948	4,576		867
Holiday/Car Show	577	333	498		412
Due Students	\$ 13,910	\$ 16,044	\$ 9,059	\$	\$ 20,895

SALEM COUNTY SPECIAL SERVICES DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 668	\$ 10,173,839	\$ 10,103,947	\$ 70,560
Interfund Receivable	2,275		2,275	
Total Assets	<u>\$ 2,943</u>	<u>\$ 10,173,839</u>	<u>\$ 10,106,222</u>	<u>\$ 70,560</u>
LIABILITIES:				
Payroll Deductions, Withholdings and Net Pay	\$ 2,943	\$ 10,116,151	\$ 10,106,222	\$ 12,872
Interfund Payable		57,688		57,688
Total Liabilities	<u>\$ 2,943</u>	<u>\$ 10,173,839</u>	<u>\$ 10,106,222</u>	<u>\$ 70,560</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, 2017

<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, 2016</u>	<u>Issued</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2017</u>
2016 Various Technology and Vehicles					\$ 67,016		\$ 67,016	
					\$ 67,016		\$ 67,016	
					(a)			(a)
		Paid from RDS					\$ 28,538	
		Paid from General Fund					38,478	
							\$ 67,016	

(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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 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	\$ 5,104,583
Restricted	100,000	537,565	280,291	264,991	127,734	127,879	100,210	100,000	100,000	100,000
Unrestricted (Deficit)	359,640	384,306	352,606	282,342	201,606	190,537	691,176	(3,311,927)	(3,721,097)	(4,562,145)
Total Governmental Activities Net Position	\$ 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	\$ 642,438
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 5,587	\$ 38,018	\$ 29,134	\$ 13,150	\$ 4,725	\$	\$	\$	\$ 73,822	\$ 63,640
Restricted	6,161	10,088	4,554	1,050				61,422	61,422	
Unrestricted	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	3,596,012
Total Business-Type Activities Net Position	\$ 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	\$ 3,659,652
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 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	\$ 5,168,223
Restricted	106,161	547,653	284,845	266,041	127,734	127,879	100,210	161,422	161,422	100,000
Unrestricted (Deficit)	2,365,001	2,512,458	2,018,372	1,372,106	805,953	1,218,439	2,459,043	(340,671)	(772,741)	(966,133)
Total District-Wide Net Position	\$ 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	\$ 4,302,090

Source: CAFR Schedule A-1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special Education	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	3,861,190
Support Services										
Student and Instruction Related Services	94,409	224,344	277,711	249,218	266,142	621,856	773,586	731,793	670,143	669,862
General Administrative Services	217,877	174,791	99,999	165,842	213,976	136,533	234,695	295,870	194,252	125,722
School Administrative Services	143,233	210,138	213,903	237,011	235,496	387,163	321,197	527,547	335,349	342,288
Central Services and Info. Technology	63,481	101,416	113,430	166,174	196,259	258,205	382,090	326,007	353,085	257,193
Plant Operations and Maintenance	246,768	431,645	613,757	406,797	422,323	450,729	518,957	630,673	445,334	464,383
Pupil Transportation	21,520	29,615	28,911	23,487	63,879	44,474	62,599	48,112	41,301	38,597
Employee Benefits	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	6,593,930
Interest on Long-Term Debt										
Unallocated Depreciation and Amortization	40,485	116,025	134,182	162,619	196,756	196,756	280,675	269,262	274,153	272,781
Total Governmental Activities Expenses	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	12,625,946
Business-Type Activities										
Food Service	35,613	47,649	60,405	73,682	73,800	84,634	112,827	71,996	91,749	97,527
Other Enterprise	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	6,627,908
Total Business-Type Activities Expense	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	6,725,435
Total District Expenses	\$ 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	\$ 19,351,381
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$ 491,156	\$ 569,471	\$ 611,956	\$ 693,365	\$ 916,594	\$ 1,092,617	\$ 948,873	\$ 805,777	\$ 2,713,691	\$ 3,334,393
Total Governmental Activities Program Revenues	491,156	569,471	611,956	693,365	916,594	1,092,617	948,873	805,777	2,713,691	3,334,393
Business-Type Activities										
Charges for Services										
Food Service	3,036	3,958	7,214	6,903	7,843	5,416	6,332	6,143	9,701	6,959
Other Enterprise	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	7,599,297
Operating Grants and Contributions	23,077	30,187	42,865	56,597	61,030	59,374	55,709	72,681	101,652	85,833
Total Business-Type Activities Program Revenues	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	7,692,089
Total District Program Revenues	\$ 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	\$ 11,026,482
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (9,291,553)
Business-Type Activities	763,649	207,578	(329,439)	(403,697)	(512,399)	414,374	711,093	1,457,441	315,890	966,654
Total District-Wide Net Expense	\$ (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)	\$ (8,324,899)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, Net	\$ 315,242	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000	\$ 300,000
Unrestricted Grants and Contributions										
Tuition Received	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	7,468,348
Investment Earnings	7,234	16,208	7,004	3,860	2,744	1,513	2,098	3,531	4,132	4,358
Shared Services Revenue										
Miscellaneous Income	2,313	8,415	14,856	17,915	25,052	14,800	30,475	1,506,866	19,666	86,090
Fixed Assets Adjustment	1,251	6,005,507		(879,352)			467,767			
Transfers	(13,468)	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968	390,602
Total Governmental Activities	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	8,249,398
Business-Type Activities										
Prior Year Revenue Adjustment	(77,862)	(57,948)	(9,864)	(11,033)	7,639					
Transfer	13,468	9,519	(137,501)	(180,760)	9,868	4,456	28,872	(192,630)	(192,630)	(390,602)
Total Business-Type Activities	(64,394)	(48,429)	(147,365)	(191,793)	17,507	4,456	28,872	(192,630)	(192,630)	(390,602)
Total District-Wide	\$ 2,336,711	\$ 9,141,110	\$ 3,738,519	\$ 3,104,437	\$ 4,580,552	\$ 4,950,732	\$ 7,626,459	\$ 9,050,079	\$ 7,222,944	\$ 7,858,796
Change in Net Position										
Governmental Activities	\$ 189,017	\$ 6,005,453	\$ (112,939)	\$ (1,093,901)	\$ (277,492)	\$ (289,843)	\$ 769,959	\$ (148,280)	\$ (576,198)	\$ (1,042,155)
Business-Type Activities	699,255	159,149	(476,804)	(595,490)	(494,892)	418,830	739,965	1,264,811	123,260	576,052
Total District-Wide	\$ 888,272	\$ 6,164,602	\$ (589,743)	\$ (1,689,391)	\$ (772,384)	\$ 128,987	\$ 1,509,924	\$ 1,116,531	\$ (452,938)	\$ (466,103)

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)

	<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>2017</u>
General Fund										
Restricted	\$ 222,729	\$ 210,626	\$ 157,811	\$ 100,000	\$ 100,000					
Maintenance Reserve						100,000	100,000	100,000	100,000	100,000
Assigned:										
Year-end Encumbrances						145	210	6,232	531	1,400
Subsequent Year's Expenditures										
Unrestricted - Unassigned	283,586	322,185	339,065	356,967	310,441	190,537	786,539	1,017,753	1,038,466	1,317,898
Total General Fund	<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>	<u>\$ 1,419,298</u>
All Other Governmental Funds										
Restricted	\$	\$	\$ 114,762	\$ 114,762	\$	\$	\$	\$	\$	\$
Unrestricted, Reported in:										
Special Revenue Fund										
Capital Projects Fund		437,565	65,529	50,229	27,734	27,734				
Total All Other Governmental Funds	<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>	<u>\$</u>

Source: CAFR Schedule B-1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
County Tax Levy	\$ 303,117	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000	\$ 300,000
Tuition Charges	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	7,468,348
Interest Earnings	7,234	16,208	7,004	3,860	2,744	1,513	2,098	3,531	4,132	4,358
Shared Services Revenue						127,847				
Miscellaneous	2,313	8,415	19,380	21,845	25,072	19,451	32,431	6,154	33,154	16,109
Other Sources										
State Sources	491,156	524,485	594,233	673,773	872,592	1,087,966	906,807	1,041,058	1,125,049	1,319,372
Federal Sources		44,986	13,199	15,662	43,982		40,110	30,048	1,291	
Total Revenues	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	9,108,187
Expenditures										
Instruction										
Regular										
Special Education Instruction	942,183	1,360,947	1,731,368	2,135,308	2,221,475	1,958,322	2,530,644	2,966,578	3,442,070	3,861,190
Support Services										
Student and Instruction Related Services	94,409	224,344	277,711	249,218	266,142	621,856	773,586	731,793	670,143	669,862
General Administrative Services	217,877	174,791	99,999	165,842	213,976	136,533	234,695	295,870	194,252	125,722
School Administrative Services	143,233	210,138	213,903	237,011	235,496	387,163	321,197	527,547	333,349	342,288
Central Services	61,493	96,999	100,148	120,192	159,464	207,230	303,466	265,254	256,149	211,707
Administrative Information Tech, Serv	1,988	4,417	13,282	45,982	36,795	50,975	78,624	60,753	96,936	45,486
Plant Operations and Maintenance	246,768	431,645	613,757	406,797	422,323	450,729	518,957	630,673	444,725	464,992
Pupil Transportation	21,520	29,615	28,911	23,487	63,879	44,474	62,599	48,112	41,301	32,880
Unallocated Employee Benefits	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	3,503,371
Capital Outlay	25,194	5,653,740	310,217	33,634	137,257		27,734	35,000	234,953	43,136
Total Expenditures	2,745,641	9,289,442	4,791,049	4,924,156	5,663,422	6,158,652	7,510,360	8,575,867	8,686,218	9,300,634
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	146,712	(5,526,420)	(430,710)	(235,969)	(173,915)	(115,303)	597,205	237,236	(377,784)	(192,447)
Other Financing Sources (Uses)										
Bond & Capital Lease Proceeds		6,000,000							127,828	
Cancellation of Prior Year Receivables	(4,209)									82,146
Transfers	(13,468)	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968	390,602
Total Other Financing Sources (Uses)	(17,677)	5,990,481	137,501	180,760	(9,868)	(4,456)	(28,872)		392,796	472,748
Net Change in Fund Balances	\$ 129,035	\$ 464,061	\$ (293,209)	\$ (55,209)	\$ (183,783)	\$ (119,759)	\$ 568,333	\$ 237,236	\$ 15,012	\$ 280,301
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

EXHIBIT J-5

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rent	Refund of Prior Year Expenditure	Shared Service Revenue	Misc.	Total
2017	\$ 4,358	\$ 7,468,348	\$	\$	\$	\$ 3,944	\$ 7,476,650
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

Source: District Records

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

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2017	** 62,903	\$ 2,700,770,717	\$ 42,936	7.0%
2016	63,538	2,728,051,229	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%

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>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>2017</u>
Instruction										
Regular	1	1	1	2	3	3	3	3	3	3
Special education	15	16	16	20	21	21	21	25	25	25
Other special education	20	27	27	27	26	26	26	30	30	30
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services *	18	18	20	20	20	20	20	22	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	3	3	3
Business administrative services		1.25	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Plant operations and maintenance					2	2	2	1	1	1
Pupil transportation										
Food Service										
Total	<u>57</u>	<u>66.25</u>	<u>69.5</u>	<u>74.5</u>	<u>77.5</u>	<u>77.5</u>	<u>77.5</u>	<u>87.5</u>	<u>87.5</u>	<u>87.5</u>

* 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				
2017	263	\$ 9,257,498	\$ 35,200	9.36%	40	4.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	6.0 : 1	259.4	224.0	1.13%	86.35%
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	6.04%	89.05%
2015	295	8,540,867	28,952	10.66%	29	5.0 : 1	4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	241.9	216.0	2.76%	89.29%
2014	286	7,482,626	26,163	-34.58%	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%

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>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>2017</u>
District Building										
<u>Elementary, Middle & High</u>										
Daretown										
Square Feet	22,464	22,464	22,464	22,646	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	48	48	49	47	44	48	45	43	45	39
Cumberland										
Square Feet		32,619	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	80
Enrollment		24	60	43	55	54	75	93	100	88

Other

Administration Building
 Square Feet
 Transportation
 Square Feet
 Maintenance Offices
 Square Feet

Number of Schools at June 30, 2017

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

Source: District records, ASSA

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 #	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Daretown		\$ 62,465	\$ 58,547	\$ 51,829	\$ 41,823	\$ 35,477	\$ 42,555	\$ 44,986	\$ 82,373	\$ 141,364	\$ 32,642
Cumberland Campus		70,796	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		133,261	186,226	194,229	100,060	80,924	95,331	72,642	127,227	159,923	32,642
Other Facilities			1,161	2,442	4,052	1,551					
Grand Total		\$ 133,261	\$ 187,387	\$ 196,671	\$ 104,112	\$ 82,475	\$ 95,331	\$ 72,642	\$ 127,227	\$ 159,923	\$ 32,642

**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	\$ 13,705,933	\$ 1,000
	Comprehensive General Liability		
	Products and Completed Operations Limit	11,000,000	
	Sexual Abuse Single Limit	11,000,000	
	Sexual Abuse Combined Limit	17,000,000	
	Personal Advertising Injury Limit	11,000,000	
	Bodily Injury and Property Damage	11,000,000	
	Employee Benefits Liability	11,000,000	1,000
	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	1,000
	Environmental Liability		
	Each Pollution Event Limit	1,000,000	25,000
	Combined Limit	11,000,000	
	School Leaders Errors & Omissions 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

FEDERAL AND STATE GRANTS

NIGHTLINGER, COLAVITA & VOLPA

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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, 2017, 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 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Salem County Special Services School District Board of Education's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salem County Special Services School District Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Salem County Special Services School District Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and questioned costs to be significant, labeled Finding 2017-2.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 2017-1.

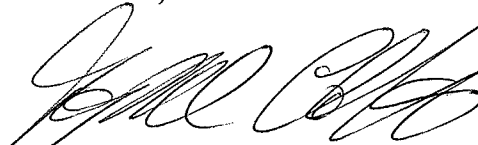
Purpose of this Report

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 7, 2017

NIGHTLINGER, COLAVITA & VOLPA

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Salem County Special Services School District's major federal and state programs for the fiscal year ended June 30, 2017. The Salem County Special Services Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of statutes, regulations, and the terms and conditions of its grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Salem County Special Services Board of Education's major federal and state compliance based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and as prescribed by the Office of School Finance, *Department of Education, State of New Jersey, Uniform Guidance* and New Jersey OMB 15-08. Those standards, the Uniform Guidance and New Jersey OMB 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Salem County Special Services Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Salem County Special Services Board of Education's compliance with those requirements.

Opinion on Each Major Program

In our opinion, the Board of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Salem County Special Services School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Salem County Special Services Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Salem County Special Services School District Board of Education's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

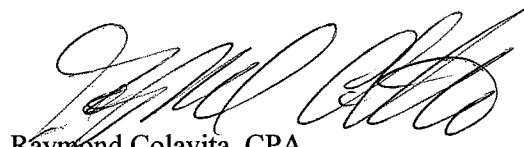
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and New Jersey OMB 15-08.

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant

No. 915
November 7, 2017

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2016	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures Pass Through Funds	Budgetary Expenditures Direct	Total Budgetary Expenditures (A)	Balance at June 30, 2017				
					From	To							(Accounts Receivable)	Unearned Revenue	Due to Grantor		
U.S. Department of Agriculture																	
Passed-through State Department of Education:																	
Enterprise Fund:																	
Child Nutrition Cluster:																	
Cash Assistance:																	
School Breakfast Program	10.553	171NJ304N1099	N/A	\$ 28,933	7/1/16	6/30/17	\$	\$	\$ 27,040	\$ (28,933)	\$	\$ (28,933)	\$ (1,893)	\$	\$		
School Breakfast Program	10.553	16161NJ304N1099	N/A	33,539	7/1/15	6/30/16	(6,364)		6,364								
National School Lunch Program	10.555	171NJ304N1099	N/A	55,876	7/1/16	6/30/17			52,395	(55,876)		(55,876)	(3,481)				
National School Lunch Program	10.555	16161NJ304N1099	N/A	57,954	7/1/15	6/30/16	(10,390)		10,390								
Total U.S. Department of Agriculture							(16,754)		96,189	(84,809)		(84,809)	(5,374)				
U.S. Department of Education																	
Passed-through State Department of Education:																	
Special Revenue Fund:																	
Total U.S. Department of Education																	
Total Federal Financial Awards							\$ (16,754)	\$	\$ 96,189	\$ (84,809)	\$	\$ (84,809)	\$ (5,374)	\$	\$	\$	

(A) There were no awards passed through to subrecipients.

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, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2016			Balance at June 30, 2017			Cumulative Total Expenditures
				Unearned Revenue (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue/ Interfund Payable	
State Department of Education:										
General Fund										
Reimbursed TPAF Social Security Contrib.	17-495-034-5094-003	\$ 355,120	7/1/16-6/30/17	\$	\$	\$ 338,121	\$ (355,120)	\$ (16,999)	\$	\$ 355,126
Reimbursed TPAF Social Security Contrib.	16-495-034-5094-003	375,048	7/1/15-6/30/16	(18,283)		18,283				375,048
				(18,283)		356,404	(355,120)	(16,999)		730,174
Special Revenue Fund										
State Department of Education:										
Food Service Enterprise Fund										
State Department of Agriculture:										
National School Lunch Program (State Share)	17-100-010-3350-023	1,024	7/1/16-6/30/17			960	(1,024)	(64)		1,024
National School Lunch Program (State Share)	16-100-010-3350-023	1,115	7/1/15-6/30/16	(198)		198				1,115
				(198)		1,158	(1,024)	(64)		2,139
Total State Financial Assistance Subject to OMB 15-08				\$ (18,481)	\$	\$ 357,562	\$ (356,144)	\$ (17,063)	\$	\$ 732,313
State Financial Assistance Not Subject to OMB 15-08										
On Behalf TPAF Pension Contribution	17-495-034-5095-002	524,546	7/1/16-6/30/17			\$ 524,546	\$ (524,546)			
On Behalf TPAF Post Retirement Med'l. Contril	17-495-034-5095-001	437,066	7/1/16-6/30/17			437,066	(437,066)			
On-behalf TPAF Long-Term Disability	17-495-034-5095-004	2,640	7/1/16-6/30/17			2,640	(2,640)			
Total State Financial Assistance						\$ 1,321,814	\$ (1,320,396)			

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, 2017

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

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, 2017

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 1,319,372	\$ 1,319,372
Special Revenue Fund			
Food Service Fund	84,809	1,024	85,833
Total Awards & Financial Assistance	<u>\$ 84,809</u>	<u>\$ 1,320,396</u>	<u>\$ 1,405,205</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, 2017.

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, 2017. 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, 2017.

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, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? X yes _____ none reported

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

Federal Awards N/A

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes _____ no
- 2) Significant deficiencies identified? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? _____ yes _____ no

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

N/A

Dollar threshold used to distinguish between type A and type B programs (section 518): N/A

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

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

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to
be reported in accordance with NJOMB
Circular Letter 15-08 as applicable? yes X no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

17-495-034-5094-003

Reimbursed TPAF Social Security Contrib.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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: 2017-1 (AMR Finding 2017-1)

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 2016-17 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 2016-17 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, 2017
(continued)

Section II - Financial Statement Findings (continued)

Finding: 2017-2 (AMR Finding 2017-2)

Criteria or specific requirement:

N.J.S.A. 18A: 17-19 states that the chief school administrator or board designee other than the secretary shall prepare the monthly reconciliation of bank account statements and in conjunction with the secretary take any steps necessary to bring the cash record balance and reconciled bank balance into agreement prior to completion of the secretary's monthly report.

Condition:

Bank transfers between the Regular Account and Payroll Agency, were frequently not in agreement with amounts reflected in the District's accounting software program.

Context:

Numerous non-reconciling items were reflected on the Treasurer's bank reconciliations, resulting from discrepancies between actual bank transfers and amounts reflected in the Client's accounting software program.

Effect:

Reconciliation discrepancies resulted between the Board Secretary's Report and Treasurer's Report.

Cause:

Insufficient monitoring of bank transfer duties, resulting in general ledger posting errors.

Recommendation:

Procedures to record bank transfers between the General Account and Payroll Agency should be reviewed and revised, in order to ensure that actual bank transfers agree to amounts recorded in the District's accounting software program.

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, 2017 (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, 2017

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 2016-1

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.

Status: Unresolved

Finding 2016-2

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

Status: Resolved

Finding 2016-3

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.

Status: Resolved

Finding 2016-4

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.

Status: Resolved