

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, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Prepared by

John Bolil

School Business Administrator/Board Secretary

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OF THE SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
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INTRODUCTORY SECTION

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT

John R. Swain

Superintendent

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

John Bolil

Business Administrator

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

January 22, 2019

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, 2018, 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 2017-2018 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 student in the 2017-18 school year.

Average Daily Enrollment		
<u>Fiscal</u> <u>Year</u>	<u>Student</u> <u>Enrollment</u>	<u>Percent</u> <u>Change</u>
2017-18	252.0	-4.18%
2016-17	263.0	0.38%
2015-16	262.0	-11.19%
2014-15	295.0	3.15%
2013-14	286.0	84.99%

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.

2017-2018 saw the District continue to work towards financial responsibility by continuing to work at saving financial resources through continued internal auditing of programs and the resources (such as aid support) to reduce District cost and yet maintain programmatic stability within the District. The District also reduced cost by lease purchasing school buses to reduce the cost of transporting students for trips, community based instruction, and structured learning experiences that are provided to students. Each of the buildings were assessed for energy efficiencies to look for potential savings that could be incorporated into existing structures.

2017-2018 the District's transition was completed and each site was specifically set to specific programs based on disability. The Cumberland Campus now houses the most severely disabled students which would include medically fragile, severely low functioning autistic, multiple disabled, and severely cognitively impaired students. Academics and life skills are stressed at the Cumberland Campus with upgrades to the in-house living quarters. The Daretown site continues to provide strong programming for behavioral elementary/middle/high school students. The RDS/Salem Campus now fully houses all higher functioning autistic students from middle school through high school as well as post-secondary (18-21). Much of the instruction is focused on academics but also provides social outings; community based instruction, and structured learning experiences.

The 17-18 school year saw the addition of another full time job coach and additional transportation for students to participate in out of building experiences. The Alternative School continues to maintain a consistent enrollment 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. The District went into planning stages to provide its own food service to the Cumberland and Daretown Campuses for the 2018-2019 school year. The District will look to provide its own food service for the 2019-2020 school year.

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 2018 is reflected in the financial section.

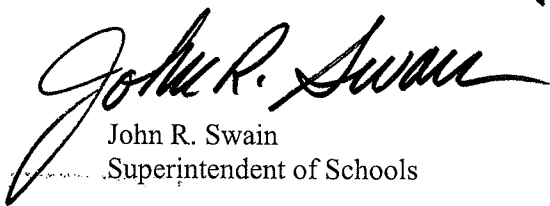
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018.

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,



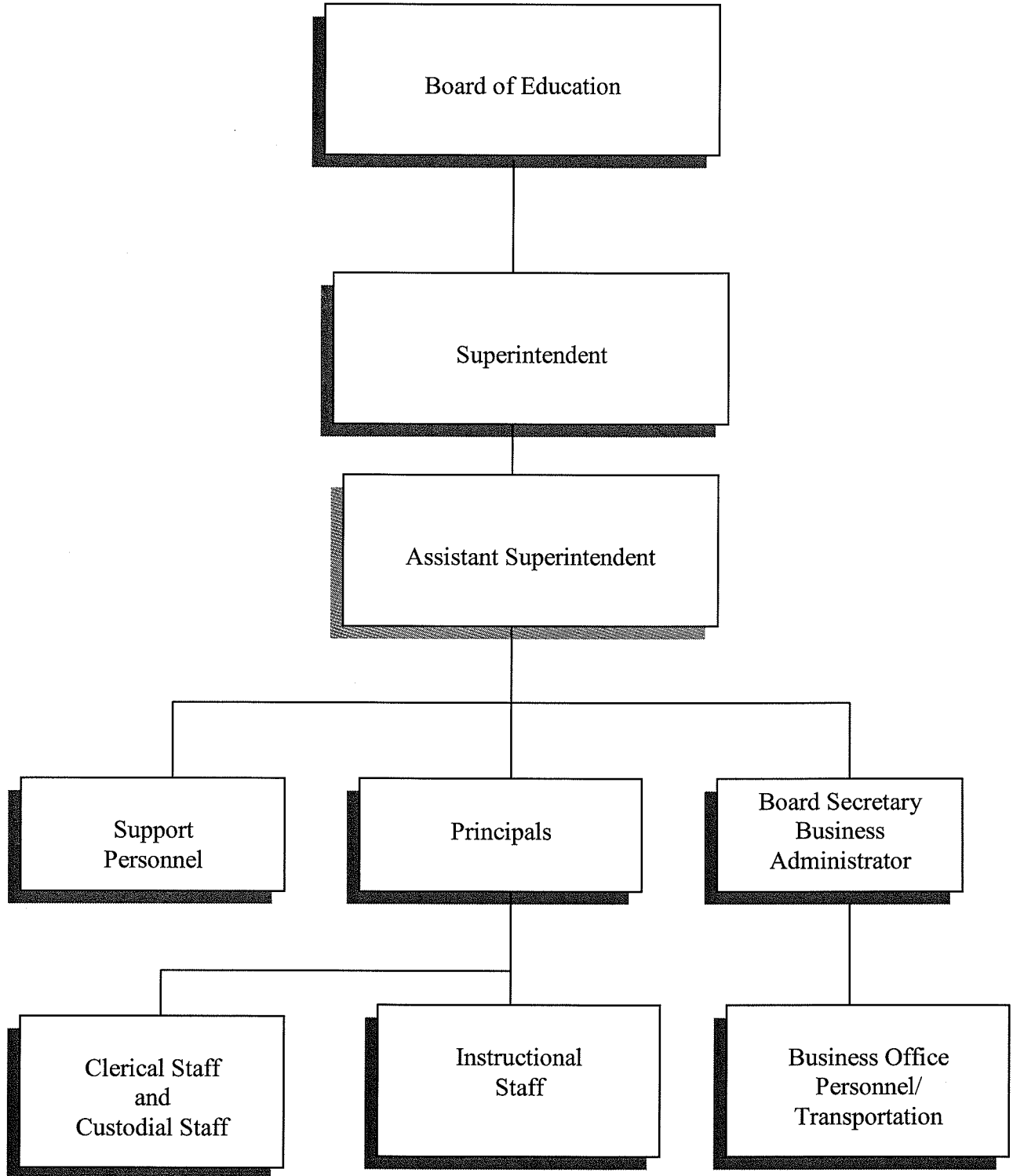
John R. Swain
Superintendent of Schools



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, 2018

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
David Moffett, President	2018
Earl Ransome, Vice President	2019
James Davis	2020
Daryl Halter, Ex Officio	2020
Linwood Donelson III	2019
Julie Smith	2021
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	175,000

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

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

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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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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, 2018, 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, 2018, 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 January 22, 2019 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 effectiveness of the Salem County Special Services Board of Education's 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

January 22, 2019

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, 2018

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, 2018. 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 2018 are as follows:

- ❖ General revenues accounted for \$8,874,351 in revenue or 41.0% 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 \$12,795,321 or 59.0% percent to total revenues of \$21,669,672.
- ❖ Net position of governmental activities decreased by \$1,186,163, comprised primarily of increases in pension expenses.
- ❖ The School District had \$21,807,212 in expenses. Of these expenses, \$12,795,321 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 \$10,481,895 in revenues, \$9,735,357 in expenditures and \$40,074 in other financing USES. The General Fund balance increased by \$706,464 over 2017, 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 2018?" 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 2018 and 2017.

Table 1
Net Position

	<u>2018</u>	<u>2017</u>
Assets		
Cash and Cash Equivalents	\$ 4,453,969	\$ 3,682,786
Receivables, Net	1,405,901	1,576,877
Capital Assets, Net	5,191,099	5,168,223
	<hr/>	<hr/>
Total Assets	11,050,969	10,427,886
	<hr/>	<hr/>
Deferred Outflows of Resources	3,851,771	4,897,667
	<hr/>	<hr/>
Liabilities		
Other Liabilities	8,842,165	10,813,278
Long-term Liabilities	180,965	210,185
	<hr/>	<hr/>
Total Liabilities	9,023,130	11,023,463
	<hr/>	<hr/>
Deferred Outflows of Resources	1,715,060	
	<hr/>	<hr/>
Net Position		
Invested in capital assets, net of debt	5,191,099	5,168,223
Restricted	100,000	100,000
Unrestricted (Deficit)	(1,126,549)	(966,133)
	<hr/>	<hr/>
Total Net Position	\$ 4,164,550	\$ 4,302,090
	<hr/> <hr/>	<hr/> <hr/>

Table 2 shows the changes in Net Position from fiscal years 2018 and 2017.

Table 2 - Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues		
Programs revenues		
Charges for services	\$ 7,316,090	\$ 7,606,256
Operating grants and contributions	5,479,231	3,420,226
General Revenues		
County taxes	250,000	300,000
Tuition	8,585,794	7,468,348
Other	38,557	90,448
Total Revenues	<u>21,669,672</u>	<u>18,885,278</u>
Program Expenses		
Instruction	3,649,111	3,861,190
Support Services		
Pupils and instructional staff	859,799	669,862
General administration, school administration, business	900,947	725,203
Operations and Maintenance of Facilities	549,927	464,383
Pupil Transportation	25,035	38,597
Employee Benefits	8,137,722	6,593,930
Enterprise Funds		
Food Service	169,029	97,527
Other Shared Service Funds	7,239,079	6,627,908
Other	276,563	272,781
Total Expenses	<u>21,807,212</u>	<u>19,351,381</u>
Increase (Decrease) in Net Position	<u>\$ (137,540)</u>	<u>\$ (466,103)</u>

Governmental Activities

As a special services school district, the budget is approved by the Salem County Freeholders. Of the \$21,669,672 in total revenues, \$12,795,321 was from program revenues and \$8,874,351 was from general revenues. Net Governmental Revenues were \$8,834,277 and net Governmental Expenditures were \$9,020,440. County taxes made up 2.8% of revenues for governmental activities for fiscal year 2018, while tuition charges accounted 97.2% of total governmental activity revenue and miscellaneous revenue accounted for 0%.

The total cost of all Governmental activities was \$14,399,104. This amount is offset by program revenues of \$5,378,664 for a net total expense of \$9,020,440. Instruction costs of \$3,646,224 comprised 40.4% of District Governmental Activity expenses. Student support costs were \$859,799 or 9.5%, administration costs were \$900,947 or 10.0%, plant operation costs were \$549,927 or 6.1%, transportation costs were \$25,035 or .3%, Employee benefits of \$2,761,945 or 30.6% and depreciation of \$276,563 represents 3.1%.

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 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>
Instruction	\$ 3,649,111	\$ 3,646,224	\$ 3,861,190	\$ 3,849,025
Support services				
Pupils and instructional staff	859,799	859,799	669,862	669,862
General administration, school administration, business	900,947	900,947	725,203	725,203
Operation and maintenance of facilities	549,927	549,927	464,383	464,383
Pupil Transportation	25,035	25,035	38,597	38,597
Employee Benefit Costs	8,137,722	2,761,945	6,593,930	3,271,702
Other	276,563	276,563	272,781	272,781
Total Expenses	\$ 14,399,104	\$ 9,020,440	\$ 12,625,946	\$ 9,291,553

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 \$61,771, while combined other enterprise fund revenues exceeded expenses by \$70,320.
- ❖ Federal and state reimbursements for free and reduced meals were \$100,567.
- ❖ Charges for food services were \$6,691 or 6.2% of total food service revenue. This represents amount paid by patrons for daily food services.
- ❖ Revenue for other enterprises was \$7,309,399 consisting of \$694,499 in N.J. Dept. of Human Services fees, \$2,961,718 in tuition and \$3,653,182 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 \$10,484,782 and expenditures of \$9,738,244. The net positive/negative change in General fund balance for the year was an increase of \$706,464, net of a transfer to the Food Service Fund of \$40,074. 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, 2018, 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 2017</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 8,874,351	84.6%	\$ 1,085,536	14%
State Sources	1,610,431	15.4%	291,059	22%
Total	<u>\$ 10,484,782</u>	<u>100.0%</u>	<u>\$ 1,376,595</u>	<u>15%</u>

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, 2018.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease 2017</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 3,649,111	37.4%	\$ (212,079)	-5%
Undistributed expenditures	5,994,178	61.6%	597,870	11%
Capital Outlay	94,955	1.0%	51,819	120%
Total	<u>\$ 9,738,244</u>	<u>100%</u>	<u>\$ 437,610</u>	<u>5%</u>

The decrease 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 increases in student and instruction related services of \$189,937, general school administrative expenditures of \$175,744, plant operations and maintenance of \$78,086 and to employee benefits of \$161,948, offset by a decrease in transportation costs of \$7,845.

The increase of \$51,819 in capital outlay is attributed to additional 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 2018, 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 \$706,464.

For the General Fund, the original revenue amount budgeted on Exhibit C-1 was \$8,875,226, made up of \$250,000 in county tax, \$8,623,225 in tuition from LEA's and \$2,001 in miscellaneous revenue. There were no adjustments.

Actual revenue was \$8,871,464, excluding \$1,610,431 in On-behalf TPAF Social Security Aid and TPAF On-behalf Contributions state aid. Therefore, revenues were \$3,762 less than expected, mostly in tuition from LEA's.

The final budget basis expenditure appropriation estimate was \$8,829,530 and agreed with the original estimate.

There was a positive variance in most line-item expenditures totaling \$704,604, excluding reimbursed TPAF Social Security Aid and TPAF On-behalf Contributions of \$1,610,431.

Capital Assets

At the end of the fiscal year 2018, the School District had \$5,191,099 invested in land, buildings, machinery and equipment. Table 4 shows fiscal 2018 balances compared to 2017.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	132,287	52,009
Building and Improvements	4,606,410	4,849,630
Machinery and Equipment	402,402	216,584
Totals	<u>\$ 5,191,099</u>	<u>\$ 5,168,223</u>

Overall capital assets increased by \$22,876 from fiscal year 2017. The increase represents additions to Fixed Assets of \$90,993 in the governmental activities and \$241,245 in Business-type Activities, offset by depreciation expense of \$309,362.

Debt Administration

At June 30, 2018, the School District had \$180,965 in outstanding debt in Governmental Activities, which was comprised entirely of compensated absences. In addition, there was a capital lease in the Enterprise Fund in the amount of \$192,416.

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 the 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 year the district will be exploring the ability to provide some potentially new programming in regards to psychological disabilities and expand the scope of programming based on needs of surrounding districts and counties.

The district as a whole has increased its technology capabilities through incremental technology upgrades and purchases. The district has leased two school buses (with a third on order for 18-19) 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.

The district will be investing in safety and security upgrades across the district such as a internet based security system (Sielox) that has the ability to immediately notify law enforcement and security vestibules where applicable.

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,800,271	\$ 2,553,698	\$ 4,353,969
Receivables, Net	285,960	1,114,137	1,400,097
Interfund Receivable	5,804		5,804
Restricted Assets:			
Cash and Cash Equivalents	100,000		100,000
Capital Assets, Net (Note 5)	4,919,013	272,086	5,191,099
Total Assets	7,111,048	3,939,921	11,050,969
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	3,851,771		3,851,771
LIABILITIES			
Accounts Payable	34,291	37,283	71,574
Accrued Interest Payable		1,700	1,700
Unearned Revenue	7,227	247	7,474
Net Pension Liability	8,544,246		8,544,246
Accrued Employee Benefits	24,755		24,755
Non-current Liabilities (Note 6):			
Due Within One Year		46,234	46,234
Due Beyond One Year	180,965	146,182	327,147
Total Liabilities	8,791,484	231,646	9,023,130
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	1,715,060		1,715,060
Net Position			
Invested in Capital Assets, Net of Related Debt	4,919,013	272,086	5,191,099
Restricted for:			
Maintenance Reserve	100,000		100,000
Unrestricted (Deficit)	(4,562,738)	3,436,189	(1,126,549)
Total Net Position	\$ 456,275	\$ 3,708,275	\$ 4,164,550

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, 2018

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	\$ 3,649,111	\$	2,887	\$ (3,646,224)		\$ (3,646,224)
Support Services:						
Student & Instruction Related Services	859,799			(859,799)		(859,799)
General and Business Admin Services	203,869			(203,869)		(203,869)
School Administrative Services	353,925			(353,925)		(353,925)
Central Services	278,895			(278,895)		(278,895)
Administrative Info Tech. Services	64,258			(64,258)		(64,258)
Plant Operations and Maintenance	549,927			(549,927)		(549,927)
Pupil Transportation	25,035			(25,035)		(25,035)
Employee Benefits	8,137,722		5,375,777	(2,761,945)		(2,761,945)
Unallocated Depreciation	276,563			(276,563)		(276,563)
Total Governmental Activities	14,399,104		5,378,664	(9,020,440)		(9,020,440)
Business-type Activities:						
Food Service	169,029	6,691	100,567		(61,771)	(61,771)
Other Enterprise	7,239,079	7,309,399			70,320	70,320
Total Business-type Activities	7,408,108	7,316,090	100,567		8,549	8,549
Total Primary Government	\$ 21,807,212	\$ 7,316,090	\$ 5,479,231	(9,020,440)	8,549	(9,011,891)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				250,000		250,000
Tuition Received				8,585,794		8,585,794
Investment Earnings				6,194		6,194
Transfers				(40,074)	40,074	
Miscellaneous Income				32,363		32,363
Total General Revenues, Special Items, Extraordinary Items and Transfers				8,834,277	40,074	8,874,351
Change in Net Position				(186,163)	48,623	(137,540)
Net Position—Beginning				642,438	3,659,652	4,302,090
Net Position—Ending				\$ 456,275	\$ 3,708,275	\$ 4,164,550

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, 2018

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,078,848	\$ 16,963	\$ 2,095,811
Cash with Fiscal Agent	24,755		24,755
Interfunds Receivable	16,447		16,447
Intergovernmental Accounts Receivable	267,671		267,671
State Aid Receivable	18,289		18,289
Restricted Cash and Cash Equivalents	100,000		100,000
Total Assets	<u>2,506,010</u>	<u>16,963</u>	<u>2,522,973</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	34,291		34,291
Interfunds Payable	321,202	9,736	330,938
Unearned Revenue		7,227	7,227
Accrued Employee Benefits	24,755		24,755
Total Liabilities	<u>380,248</u>	<u>16,963</u>	<u>397,211</u>
Fund Balances:			
Restricted For:			
Maintenance Reserve	100,000		100,000
Assigned:			
Designated for Subsequent Years Expenditures	200,000		200,000
Year-end Encumbrances	2,550		2,550
Unassigned - General Fund	1,823,212		1,823,212
Total Fund Balances	<u>2,125,762</u>		<u>2,125,762</u>
Total Liabilities and Fund Balances	<u>\$ 2,506,010</u>	<u>\$ 16,963</u>	

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 \$10,240,442 and the accumulated depreciation is \$5,321,429 (Note 5).	4,919,013
Deferred Outflow of Resources - Deferred Pension Contribution.	3,851,771
Deferred Inflows of Resources - Pension Actuarial Gains.	(1,715,060)
Long Term Net Pension Liability	(8,544,246)
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).	(180,965)
Net Position of Governmental Activities	<u>\$ 456,275</u>

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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
County Tax Levy	\$ 250,000	\$	\$ 250,000
Tuition Charges	8,585,794		8,585,794
Interest on Investments	6,194		6,194
Miscellaneous	29,476	2,887	32,363
Total - Local Sources	<u>8,871,464</u>	<u>2,887</u>	<u>8,874,351</u>
Other Sources:			
Federal Sources			
State Sources	1,610,431		1,610,431
Total Revenues	<u>10,481,895</u>	<u>2,887</u>	<u>10,484,782</u>
EXPENDITURES			
Current:			
Special Education Instruction	3,646,224	2,887	3,649,111
Support Services:			
Student & Instruction Related Services	859,799		859,799
General Administrative Expenses	203,869		203,869
School Administrative Expenses	353,925		353,925
Central Services	278,895		278,895
Administrative Information Tech Serv.	64,258		64,258
Plant Operations and Maintenance	543,078		543,078
Pupil Transportation	25,035		25,035
Employee Benefits	3,665,319		3,665,319
Capital Outlay	94,955		94,955
Total Expenditures	<u>9,735,357</u>	<u>2,887</u>	<u>9,738,244</u>
Excess (Deficiency) of Revenues over Expenditures	<u>746,538</u>		<u>746,538</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Enterprise Fund	(40,074)		(40,074)
Total Other Financing Sources and Uses	<u>(40,074)</u>		<u>(40,074)</u>
Net Change in Fund Balances	706,464		706,464
Fund Balance—July 1	1,419,298		1,419,298
Fund Balance—June 30	<u>\$ 2,125,762</u>	<u>\$</u>	<u>\$ 2,125,762</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, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 706,464
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.	
	29,220
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.	
	(736,277)
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	90,993
Depreciation expense	(276,563)
Change in Net Position of Governmental Activities (A-2)	<u>\$ (186,163)</u>

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, 2018

	Business-type Activities -		
	Enterprise Funds		
	Food Service	Other Enterprise	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$	\$ 2,233,403	\$ 2,233,403
Accounts Receivable	3,715	1,110,422	1,114,137
Interfund Receivable		331,677	331,677
Total Current Assets	3,715	3,675,502	3,679,217
Fixed Assets			
Equipment	17,373	370,227	387,600
Less: Depreciation	(17,373)	(98,141)	(115,514)
Total Fixed Assets		272,086	272,086
Total Assets	3,715	3,947,588	3,951,303
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,561	34,722	37,283
Accrued Interest Payable		1,700	1,700
Interfund Payable	907	10,475	11,382
Unearned Revenue	247		247
Non-current Liabilities			
Due Within One Year		46,234	46,234
Due Beyond One Year		146,182	146,182
Total Current Liabilities	3,715	239,313	243,028
Net Position			
Restricted			
Invested in Fixed Assets		272,086	272,086
Unreserved		3,436,189	3,436,189
Total Net Position	\$	\$ 3,708,275	\$ 3,708,275

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, 2018

	Business-type Activities - Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 6,691	\$	\$ 6,691
N.J. Dept. of Human Services - Fees		694,499	694,499
Tuition		2,961,718	2,961,718
Services Provided Other LEA's		3,653,182	3,653,182
Total Operating Revenue:	6,691	7,309,399	7,316,090
Operating Expenses:			
Salaries	41,181	4,368,116	4,409,297
Employee Benefits		1,886,198	1,886,198
Purchased Professional and Technical Services	84,499	37,144	121,643
Purchased Professional /Educ services		340,851	340,851
Purchased Professional Services		24,828	24,828
Purchased Property services		88,522	88,522
Other Purchased Services		32,678	32,678
Communications Telephone		3,109	3,109
Supplies and Materials		6,779	6,779
General Supplies	37,404	109,655	147,059
Travel		5,488	5,488
Transportation		33,881	33,881
Other Objects		20,546	20,546
Cleaning /Repair /Maintenance	5,945	149,320	155,265
Equipment		23,560	23,560
Insurance		13,108	13,108
Depreciation		32,799	32,799
Utilities		62,497	62,497
Total Operating Expenses	169,029	7,239,079	7,408,108
Operating Income (Loss)	(162,338)	70,320	(92,018)
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,184		1,184
Federal Sources:			
National School Breakfast Program	34,220		34,220
National School Lunch Program	65,163		65,163
Total Non-operating Revenues (Expenses)	100,567		100,567
Income (Loss) Before Contributions & Transfers	(61,771)	70,320	8,549
Transfers	40,074		40,074
Change in Net Position	(21,697)	70,320	48,623
Total Net Position—Beginning	21,697	3,637,955	3,659,652
Total Net Position—Ending	\$	\$ 3,708,275	\$ 3,708,275

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, 2018

	Business-type Activities -		
	Enterprise Funds		
	Food Service	Other Enterprise	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 6,691	\$ 7,128,357	\$ 7,135,048
Payments to Employees	(41,181)	(4,366,688)	(4,407,869)
Payments for Employee Benefits		(1,882,834)	(1,882,834)
Payments to Suppliers	(89,840)	(969,855)	(1,059,695)
Net Cash Provided by (Used for) Operating Activities	(124,330)	(91,020)	(215,350)
Cash from (Used for) Operating Activities- Transfers to the General Fund			
Total Cash Provided by (Used for) Operating Activities	(124,330)	(91,020)	(215,350)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	1,184		1,184
Federal Sources	99,383		99,383
Net Cash Provided by (Used for) Non-capital Financing Activities	100,567		100,567
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	(23,763)	(91,020)	(114,783)
Balances—Beginning of Year	23,763	2,324,423	2,348,186
Balances—End of Year	\$	\$ 2,233,403	\$ 2,233,403
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ (162,338)	\$ 70,320	\$ (92,018)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation		32,799	32,799
Capital Lease Principle		(48,829)	(48,829)
(Increase) Decrease in Accounts Receivable	1,723	134,628	136,351
(Increase) Decrease in Interfund Receivable		(315,670)	(315,670)
Increase (Decrease) in Accounts Payable	2,561	27,710	30,271
Increase (Decrease) in Interfund Payable	33,477	6,322	39,799
Increase (Decrease) in Accrued Interest Payable		1,700	1,700
Increase (Decrease) in Unearned Revenue	247		247
Total Adjustments	38,008	(161,340)	(123,332)
Net Cash Provided by (Used for) Operating Activities	\$ (124,330)	\$ (91,020)	\$ (215,350)

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, 2018

	Memorial Expendable Trust	Agency Fund
	<hr/>	<hr/>
ASSETS		
Cash and Cash Equivalents	\$ 1,099	\$ 58,790
	<hr/>	<hr/>
Total Assets	1,099	58,790
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Payable to Student Groups		28,231
Payroll Deductions and Withholdings		24,755
Interfund Payable		5,804
		<hr/>
Total Liabilities		\$ 58,790
		<hr/> <hr/>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,099	
	<hr/> <hr/>	

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Memorial Expendable Trust
ADDITIONS	
Contributions:	
Plan member	
Interest Income	\$ 2
	<hr/>
Total additions	2
DEDUCTIONS	
Withdrawals from Investments	
	<hr/>
Total Deductions	
	<hr/>
Change in Net Position	2
Net Position—Beginning of the Year	1,097
	<hr/>
Net Position—End of the Year	\$ 1,099
	<hr/> <hr/>

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 was 252 students.

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standards:

The School District has adopted the following GASB statements:

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

New Accounting Standards (Cont'd):

- 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. The adoption of GASB 85 is not expected to impact the financial statements of the School District.
- 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. The adoption of GASB 86 is not expected to 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. 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

New Accounting Standards (Cont'd):

- 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.

- GASB No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*: The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 88 on the School District's financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

New Accounting Standards (Cont'd):

- GASB No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 89 on the School District's financial statements.

- GASB Statement - No. 90 - *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 90 on the School District's financial statements.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

B. Fund Accounting (Cont'd):

GOVERNMENTAL FUND TYPE

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

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

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

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

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

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

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:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

B. Fund Accounting (Cont'd):

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.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

B. Fund Accounting (Cont'd):

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

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

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

C. Basis of Accounting and Measurement Focus:

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

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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

D. Budgets/Budgetary Control:

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

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

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

E. Encumbrances:

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

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as unearned revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year.

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

F. Tuition Receivable:

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The tuition adjustments related to the 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 2016-17 and 2017-18 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, 2018.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

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 expensed when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

The Food Service Fund had no inventory on hand at June 30, 2018.

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 2017-2018 school year.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2018 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>Estimate d Useful Lives</u>
School Building	30-50
Building Improvements	20
Equipment	5-10

K. Compensated Absences:

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

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

K. Compensated Absences (Cont'd):

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

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

While it is the current policy of the Salem County Special Services School District not to compensate employees for vacation and sick leave upon termination, there are compensated absences reported in the amount of \$180,965 at June 30, 2018.

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

P. Long-term Obligations:

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

Q. Other Fund Equity:

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

R. Comparative Data/Reclassifications:

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

S. Management Estimates:

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

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

V. Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

W. Revenues – Exchange and Non-exchange Transactions:

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

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

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

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

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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, 2018, the School District's bank balance of \$5,018,440 was exposed to custodial credit risk as follows:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

Custodial Credit Risk –

Insured	\$	250,000
Uninsured and collateralized with securities held by pledging financial institutions		4,768,440
	\$	<u>5,018,440</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, 2018, 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, 2018.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance 7/1/2017	Additions	Adjustments/ Retirements	Ending Balance 6/30/2018
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	87,032		233,886
Building and Building Improvements	9,535,022			9,535,022
Machinery and Equipment	417,573	3,961		421,534
Totals at Historical Cost	<u>10,099,449</u>	<u>90,993</u>		<u>10,190,442</u>
Less Accumulated Depreciation for :				
Land Improvements	(94,845)	(6,754)		(101,599)
Building and Improvements	(4,685,392)	(243,220)		(4,928,612)
Equipment	(264,629)	(26,589)		(291,218)
Total Accumulated Depreciation	<u>(5,044,866)</u>	<u>(276,563)</u>		<u>(5,321,429)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	5,054,583	(276,563)		4,869,013
Government activities capital assets, net	<u><u>\$ 5,104,583</u></u>	<u><u>\$ (185,570)</u></u>	<u><u>\$</u></u>	<u><u>\$ 4,919,013</u></u>
				To A-1

Depreciation expense was charged to governmental functions as follows:

		Unallocated		\$ 276,563
Business-Type Activities - Equipment	\$ 146,355	\$ 241,245	\$	\$ 387,600
Less Accumulated Depreciation for :	(82,715)	(32,799)		(115,514)
Business-Type Activities Capital Assets - Net	<u><u>\$ 63,640</u></u>	<u><u>\$ 208,446</u></u>	<u><u>\$</u></u>	<u><u>\$ 272,086</u></u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2018, the following changes occurred in long-term obligations:

	Beginning Balance 7/1/2017	Additions	Reductions	Ending Balance 6/30/2018	Amounts Due within One Year	Long-term Portion
Governmental Activities:						
Capital Lease payable:						
Other Liabilities:						
Compensated absences payable	\$ 210,185		\$ (29,220)	\$ 180,965		\$ 180,965
Total other liabilities	<u>\$ 210,185</u>	<u>\$ -</u>	<u>\$ (29,220)</u>	<u>\$ 180,965</u>	<u>\$</u>	<u>\$ 180,965</u>
Business-Type Activities:						
Capital Lease payable:	<u>\$</u>	<u>\$ 241,245</u>	<u>\$ (48,829)</u>	<u>\$ 192,416</u>	<u>\$ 46,234</u>	<u>\$ 146,182</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
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>\$ 4,080,000</u>	<u>\$ 789,467</u>	<u>\$ 4,869,467</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

On October 22, 2017, the District acquired two school buses through a capital lease totaling \$241,245, with interest at 2.65%. The following is a schedule of the future minimum lease payments associated with this lease:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 46,234	\$ 5,099	\$ 51,333
2020	47,459	3,874	51,333
2021	48,716	2,616	51,332
2022	50,007	1,325	51,332
	\$ 192,416	\$ 12,914	\$ 205,330

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, 2018

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. For additional information about PERS or TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

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. The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. 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.

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

Contributions - The contribution policy is set by N.J.S.A. 43:15A 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 7.34% of employees' annual compensation through June 30, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The District's contributions to PERS for the years ended June 30, 2018, and 2017, were \$352,715 and \$322,451 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

The total payroll for the year ended June 30, 2018 was \$9,477,582. Payroll covered by PERS was \$2,699,173 for fiscal year 2018. Contributions to the system for the year ended June 30, 2018 were as follows:

	<u>PERS</u>
Employees	\$ 198,008
District	<u>352,715</u>
Total	<u>\$ 550,723</u>

The District is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2018, 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>
2018	\$ 44,755	\$ 278,700	\$ 352,715	\$ N/A	\$ 352,715

Components of Net Pension Liability - At June 30, 2018, the District's proportionate share of the PERS net pension liability was \$8,544,246. The net pension liability was measured as of June 30, 2017. 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 July 1, 2016, to the measurement date of June 30, 2017. 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, 2017. The District's proportion measured as of June 30, 2017 was 0.036705% which was an increase of 0.00102% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2018 PERS pension expense, with respect to GASB 68, was \$1,106,567. The District's 2018 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	\$ 201,188	\$
Changes of assumptions	1,721,371	1,715,060
Net difference between projected and actual earnings on pension plan investments	58,181	
Changes in proportion	1,518,316	
Contributions subsequent to the measurement date	<u>352,715</u>	
Total	<u>\$ 3,851,771</u>	<u>\$ 1,715,060</u>

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

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

Year	PERS
2018	\$ 638,365
2019	707,897
2020	517,991
2021	(82,616)
2022	2,359
Thereafter	
Total	\$ 1,783,996

Additional Information - Collective Balances at June 30, 2018 and 2017 are as follows:

Year	6/30/2018	6/30/2017
Collective deferred outflows of resources	\$ 3,851,771	\$ 4,897,667
Collective deferred inflows of resources	\$ 1,715,060	\$
Collective Net Pension Liability	\$ 8,544,246	\$ 10,568,925
District's Proportion	0.036705%	0.035685%

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	PERS
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	2.25%

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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

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, 2016 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.

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, 2017 are summarized in the following table:

Asset Class	PERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Discount Rate - The discount rate as of June 30, 2017 used to measure the total pension liability was 5.00% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 - The following presents the collective net pension liability of the participating employers as of June 30, 2017, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>1% Decrease (4.00%)</u>	<u>Current Discount (5.00%)</u>	<u>1% Increase (6.00%)</u>
District's proportionate share of the net pension liability	\$ <u>10,599,717</u>	\$ <u>8,544,246</u>	\$ <u>6,831,784</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.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Contributions - 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 2018. 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 2017, 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, 2018 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>
6/30/18	\$ 759,775	100 %	\$ N/A
6/30/17	750,001	100	N/A
6/30/16	750,001	100	N/A

During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$759,775 to the TPAF for pension contributions, \$490,722 for post-retirement benefits on behalf of the School, and \$2,316 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$ during the year ended June 30, 2018 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, 2018, 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, 2018

NOTE 9. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Pension Expense - For the year ended June 30, 2018, the District recognized pension expense of \$2,178,186 and revenue of \$2,178,186 for support provided by the State.

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	TPAF
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	Varies based
Thereafter	on experience
Inflation	2.25%

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, 2017 are summarized in the following table:

	TPAF	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Discount Rate - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 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. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

General Information about the OPEB Plan (Cont'd)

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Employees covered by benefit terms: At June 30, 2018, the following employees were covered by the benefit terms:

TPAF participant retirees

As of June 30, 2017, there were 112,966 retirees receiving post retirement medical benefits and the State contributed \$1.39 billion on their behalf.

PERS participant retirees

The state paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

Basis of Presentation

The Schedule presents the State of New Jersey's obligation under NJSA 52:14-17.32f. The Schedule does not purport to be a complete presentation of the financial position or changes in financial position of the State Health Benefit Local Education Retired Employees Plan or the State of New Jersey. The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the State of New Jersey to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Total OPEB Liability

The State of New Jersey's total OPEB liability, as of the measurement date of June 30, 2017, was \$53,639,841,858. Of this amount, the total OPEB liability attributable to the School District was \$24,200,208. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the School District of 0.04512%. The total OPEB liability for the School District measured as of June 30, 2017 is zero as a result of the Special Funding Situation with the State of New Jersey. The School District's proportionate share of the total OPEB liability measured as of June 30, 2017 is 0.00%. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

	TPAF/ABP	PERS
Inflation Rate	2.50%	2.50%
	Based on	Based on
Salary Increases:	Years of Service	Age
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

Total Nonemployer OPEB Liability (Cont'd)

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the Division. The source is 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2016 Measurement Date	\$ <u>25,336,347</u>
Changes for the year:	
Service cost	2,336,204
Interest cost	781,028
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions or other inputs	(3,713,483)
Member contributions	20,640
Gross benefit payments	<u>(560,528)</u>
Net changes	<u>(1,136,139)</u>
Balance as of June 30, 2017 Measurement Date	\$ <u>24,200,208</u>

Sensitivity of Total Nonemployer OPEB Liability to changes in the discount rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

June 30, 2017		
At 1.00% Decrease 2.58%	At Discount Rate 3.58%	At 1.00% Increase 4.58%
\$ 63,674,362,200	53,639,841,858	45,680,364,953

Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

June 30, 2017		
1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
\$ 44,113,584,560	53,639,841,858	66,290,599,457

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized OPEB expense of \$2,837,657. The School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		2,862,062
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion	596,665	
Contributions subsequent to the measurement date		
Total	\$ 596,665	\$ 2,862,062

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Measurement Period Ending June 30,		OPEB
2018	\$	300,006
2019		300,006
2020		300,006
2021		300,006
2022		300,006
Thereafter		1,062,023
Total	\$	2,562,053

Special Funding Situation

The participating local education employer allocations included in the supplemental Schedule of special funding amounts by employer are provided as each local education employer is required to record in their financial statements, as an expense and corresponding revenue, their respective amount of total OPEB expense attributable to the State of New Jersey under the special funding situation and to include their respective amount of total OPEB liability in their notes to their financial statements. The total OPEB liability and service cost for each employer was determined separately based on actual data for each employer's participants.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, a liability existed for compensated absences in the General Fund of \$180,965 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.

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>
2017-2018	\$ 30,966	\$ 28,389	\$ 59,355	\$ -0-
2016-2017	38,692	25,757	64,449	-0-
2015-2016	43,646	23,849	67,495	-0-

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 28, 2018. 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, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 16,447	\$ 321,202
Special Revenue		9,736
Enterprise Funds	331,677	11,382
Trust and Agency Fund		5,804
Total	<u>\$ 348,124</u>	<u>\$ 348,124</u>

NOTE 16. FUND BALANCE APPROPRIATED

Of the \$2,125,762 General Fund balance at June 30, 2018, \$2,550 is assigned for encumbrances; nothing has been appropriated and also included as anticipated revenue for the year ending June 30, 2019; \$100,000 is restricted for Maintenance Reserve; \$200,000 is assigned for subsequent year's expenditures and appropriated in the 2018-19 budget and \$1,823,212 is unrestricted and unassigned.

NOTE 17. DEFICIT IN UNRESTRICTED NET POSITION

The governmental activities had a deficit in unrestricted Net Position of \$4,562,738, shown on Exhibit A-1, as of June 30, 2018. 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.

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 consisted of fees, tuition and grants are as follows:

	General Fund	Special Revenue Fund	Proprietary Fund
Receivables:			
State	\$ 18,289	\$	
Intergovernmental	267,671		1,110,422
Other			3,715
Total	\$ 285,960	\$	\$ 1,114,137

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, 2018

	Original Actual	Transfers	Final Budget	Actual	(Unfavorable)
Revenues:					
Local Sources:					
County Tax Levy	\$ 250,000		\$ 250,000	\$ 250,000	
Tuition from LEA's	8,623,225		8,623,225	8,585,794	(37,431)
Interest on Investments				6,194	6,194
Interest Earned on Maintenance Reserve	1		1		(1)
Unrestricted Miscellaneous Revenues	2,000		2,000	29,476	27,476
Total - Local Sources	8,875,226		8,875,226	8,871,464	(3,762)
State Sources:					
On-behalf TPAF Pension Contribution				759,775	759,775
On-behalf TPAF Post-Retirement Medical Contributions				490,722	490,722
On-behalf TPAF Long-Term Disability				2,316	2,316
Reimbursement TPAF Social Security				357,618	357,618
Total - State Sources				1,610,431	1,610,431
TOTAL REVENUES	8,875,226		8,875,226	10,481,895	1,606,669
EXPENDITURES:					
CURRENT EXPENSES:					
Special Education:					
Behavioral Disabilities:					
Salaries of Teachers	710,606	17,397	728,003	726,574	1,429
Other Salaries for Instruction	179,713	(28,178)	151,535	94,345	57,190
Purchased Professional - Educational Services	5,000	(3,043)	1,957	1,957	
Purchased Technical Services	5,000	(5,000)			
Other Purchased Services	11,000	(7,034)	3,966	3,918	48
General Supplies	19,500	710	20,210	20,086	124
Textbooks	5,000	(5,000)			
Other Objects	5,000	(1,970)	3,030	2,488	542
Total Behavioral Disabilities	940,819	(32,118)	908,701	849,368	59,333
Multiple Disabilities:					
Salaries of Teachers	528,571	69,406	597,977	594,358	3,619
Other Salaries for Instruction	247,064	(49,505)	197,559	196,268	1,291
Purchased Professional - Educational Services	2,500	890	3,390	3,384	6
Other Purchased Services	4,400	(1,000)	3,400	2,752	648
General Supplies	29,000	(6,884)	22,116	21,951	165
Other Objects		1,950	1,950	1,842	108
Total Multiple Disabilities	811,535	14,857	826,392	820,555	5,837
Autism:					
Salaries of Teachers	432,594	(7,221)	425,373	420,032	5,341
Other Salaries for Instruction	184,967	38,995	223,962	213,696	10,266
Purchased Professional - Educational Services	5,000	(1,147)	3,853	3,397	456
Purchased Technical Services	2,920	(1,662)	1,258		1,258
Other Purchased Services	3,460		3,460	2,490	970
General Supplies	39,055	(22,142)	16,913	16,666	247
Other Objects	2,000	877	2,877	2,791	86
Total Autism	669,996	7,700	677,696	659,072	18,624
Preschool Disabilities - Full Time					
Salaries of Teachers	67,113	26,379	93,492	89,151	4,341
Other Salaries for Instruction	19,456	6,404	25,860	25,859	1
Purchased Professional-Educational Services	2,500	(2,203)	297	297	
Purchased Technical Services	2,500	(2,500)			
Other Purchased Services	800	17,000	17,800	17,126	674
General Supplies	5,000	(2,181)	2,819	2,818	1
Total Preschool Disabilities - Full Time	97,369	42,899	140,268	135,251	5,017

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Extended School Year					
Salaries of Teachers	\$ 278,000	\$ (140,551)	\$ 137,449	\$ 137,448	\$ 1
Salaries of Supervisors of Instruction	4,250	(2,100)	2,150	2,150	
Other Salaries for Instruction	200,000	(38,772)	161,228	161,227	1
Other Purchased Services	25,000	21,898	46,898	46,121	777
General Supplies	7,250	(371)	6,879	6,879	
Total Extended School Year	514,500	(159,896)	354,604	353,825	779
Cognitive - Severe:					
Salaries of Teachers	145,757	16,983	162,740	162,525	215
Other Salaries for Instruction		12,239	12,239	11,645	594
Purchased Professional - Educational Services	2,500	(1,595)	905	904	1
Other Purchased Services	2,100		2,100	843	1,257
General Supplies	12,000	(5,184)	6,816	6,164	652
Textbooks	3,125	(3,125)			
Other Objects		438	438	425	13
Total Cognitive Severe	165,482	19,756	185,238	182,506	2,732
Total Special Education	3,199,701	(106,802)	3,092,899	3,000,577	92,322
School Sponsored Co-curricular Activities- Instruction					
Salaries		8,000	8,000		8,000
Total School Sponsored Co-curricular Activities- Instruction		8,000	8,000		8,000
Other Instructional Programs - Instruction					
Salaries	551,441	(22,347)	529,094	522,746	6,348
Purchased Services	136,200	(23,133)	113,067	113,063	4
Supplies & Materials	18,650	(9,512)	9,138	9,090	48
Other Objects	4,000	(1,863)	2,137	748	1,389
Total Other Instruction Programs - Instruction	710,291	(56,855)	653,436	645,647	7,789
Total Instruction	3,909,992	(155,657)	3,754,335	3,646,224	108,111
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	32,092	25,816	57,908	57,507	401
Total Attendance and Social Work Services	32,092	25,816	57,908	57,507	401
Health Services:					
Salaries	143,121	10,384	153,505	145,248	8,257
Purchased Professional and Technical Services	900		900	900	
Other Purchased Services	3,347	1,581	4,928	4,920	8
Supplies and Materials	10,000	3,184	13,184	10,494	2,690
Total Health Services	157,368	15,149	172,517	161,562	10,955
Speech, OT, PT & Related Services					
Salaries	522,739	131,123	653,862	603,079	50,783
Purchased Professional Educational Services	2,500	(2,500)			
Total Speech, OT, PT & Related Services	525,239	128,623	653,862	603,079	50,783
Improvement of Instruction Services/Other Support Services- Instructional Staff					
Salaries of Secretarial and Clerical Assistants					
Purchased Professional Educational Services	20,000	8,495	28,495	28,468	27
Total Improvement of Instruction	20,000	8,495	28,495	28,468	27
Educational Media Services: School Library					
Purchased Professional and Technical Services	3,500	250	3,750	3,745	5
Total Educational Media Services	3,500	250	3,750	3,745	5

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 5,000	\$ 438	\$ 5,438	\$ 5,438	
Other Purchased Services	14,000	(12,171)	1,829		1,829
Supplies and Materials	1,000	(278)	722		722
Total Instructional Staff Training Services	20,000	(12,011)	7,989	5,438	2,551
Support Services - General Administration:					
Salaries	116,481		116,481	114,219	2,262
Legal Services	27,000	(7,000)	20,000	6,878	13,122
Audit Fees	25,000		25,000	12,823	12,177
Other Purchased Professional Services	22,000	(7,542)	14,458	11,708	2,750
Communication/Telephone	4,500	38,781	43,281	41,804	1,477
Misc. Purchased Services	36,500	(32,100)	4,400	4,382	18
General Supplies	4,500	(2,923)	1,577	1,577	
BOE In-House Training/Meeting Supplies	500	(115)	385	84	301
Miscellaneous Expenditures	4,500	4,109	8,609	8,555	54
BOE Membership Dues and Fees	6,000		6,000	1,839	4,161
Total Support Services - General Administration	246,981	(6,790)	240,191	203,869	36,322
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	231,258	4,575	235,833	230,912	4,921
Salaries of Secretarial and Clerical Assistants	96,196	14,558	110,754	106,945	3,809
Purchased Professional and Technical Services	1,000		1,000	252	748
Other Purchased Services	16,924	333	17,257	9,748	7,509
Supplies and Materials	10,000	(1,633)	8,367	4,190	4,177
Other Objects	9,300	(2,500)	6,800	1,878	4,922
Total Support Services - School Administration	364,678	15,333	380,011	353,925	26,086
Central Services					
Salaries	253,330	48,072	301,402	259,921	41,481
Purchased Technical Services	34,000	(20,417)	13,583	13,212	371
Miscellaneous Purchased Services	1,500	(597)	903	898	5
Supplies and Materials	4,500	(964)	3,536	3,458	78
Other Objects	750	666	1,416	1,406	10
Total Central Services	294,080	26,760	320,840	278,895	41,945
Admin. Info. Technology					
Salaries	44,983	1,200	46,183	46,182	1
Purchased Technical Services	20,000	(11,116)	8,884	8,884	
Other Purchased Services	4,000	(635)	3,365	1,653	1,712
Supplies and Materials	5,000	2,735	7,735	7,539	196
Other Objects	500	(413)	87		87
Total Admin. Info. Technology	74,483	(8,229)	66,254	64,258	1,996
Total Central Services & Admin. Info. Technology	368,563	18,531	387,094	343,153	43,941
Required Maintenance for School Facilities					
Salaries	42,845	15,421	58,266	57,125	1,141
Cleaning, Repair, and Maintenance Services	84,000	5,000	89,000	76,692	12,308
General Supplies	11,000	5,170	16,170	14,438	1,732
Total Required Maintenance for School Facilities	137,845	25,591	163,436	148,255	15,181

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2018

	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	\$ 14,000	\$	\$ 14,000	\$ 6,595	\$ 7,405
Cleaning, Repair and Maintenance Services	185,000	6,577	191,577	165,887	25,690
Rental - Other than Lease Purchase Agreements	58,040		58,040	53,685	4,355
Other Purchased Property Services	200		200		200
Insurance	38,000		38,000	38,000	
General Supplies	16,000	30,638	46,638	39,432	7,206
Energy (Natural Gas)	17,000	(151)	16,849	10,102	6,747
Energy (Electricity)	74,000	8,316	82,316	53,870	28,446
Energy (Oil)	30,000		30,000	20,840	9,160
Total Operation of Plant Services	432,240	45,380	477,620	388,411	89,209
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	9,000	(2,586)	6,414	6,412	2
Total Operation And Maintenance of Plant Services	579,085	68,385	647,470	543,078	104,392
Student Transportation Services					
Lease Purchase Payments - School Buses	59,188	(59,188)			
Salaries - Other Than between Home and School	55,000	(44,732)	10,268	8,110	2,158
Cont Services-Other Than between Home and School-Vendors			45,000	16,587	28,413
Miscellaneous Purchased Services - Transportation		1,981	1,981	338	1,643
Total Student Transportation Services	114,188	(56,939)	57,249	25,035	32,214
Allocated Benefits:					
Health Benefits		87	87	87	-
Total Allocated Benefits		87	87	87	-
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	245,000	(43,698)	201,302	147,977	53,325
Other Retirement Contributions - PERS	125,577	31,000	156,577	106,000	50,577
Unemployment Compensation	10,000	26,904	36,904	30,966	5,938
Workers' Compensation	142,000		142,000	141,687	313
Health Benefits	1,856,762	(97,543)	1,759,219	1,595,585	163,634
Tuition Reimbursements	39,200	(9,200)	30,000	19,500	10,500
Other Employee Benefits	10,000	7,542	17,542	13,086	4,456
Total Unallocated Benefits - Employee Benefits	2,428,539	(84,995)	2,343,544	2,054,801	288,743
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				759,775	(759,775)
On-behalf TPAF Postretirement Contributions (Non-budgeted)				490,722	(490,722)
On-behalf TPAF Long-Term Disability (Non-budgeted)				2,316	(2,316)
Reimbursed TPAF Social Security Contributions Not-budgeted)				357,618	(357,618)
TOTAL ON-BEHALF CONTRIBUTIONS				1,610,431	(1,610,431)
TOTAL UNALLOCATED BENEFITS	2,428,539	(84,995)	2,343,544	3,665,232	(1,321,688)
TOTAL UNDISTRIBUTED EXPENDITURES	4,860,233	119,934	4,980,167	5,994,178	(1,014,011)
Interest Earned on Maintenance	1		1		1
TOTAL GENERAL CURRENT EXPENSE	8,770,226	(35,723)	8,734,503	9,640,402	(905,899)
CAPITAL OUTLAY					
Equipment					
Special Education Instruction:					
Special Schools - (All Programs)		7,994	7,994	7,922	72
Total Equipment		7,994	7,994	7,922	72

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Budgetary Comparison Schedule-General Fund
For the Fiscal Year Ended June 30, 2018

	<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:					
Architectural/Engineering Services	\$	\$ 1,500	\$ 1,500	\$ 1,500	\$
Construction Services	105,000	(19,467)	85,533	85,533	
Total Facilities Acquisition and Construction Services	105,000	(17,967)	87,033	87,033	
Assets Acquired Under Capital Leases (Non-budget)					
TOTAL CAPITAL OUTLAY	105,000	(9,973)	95,027	94,955	72
TOTAL EXPENDITURES	8,875,226	(45,696)	8,829,530	9,735,357	(905,827)
Excess (Deficiency) of Revenues and Other Over/(Under) Expenditures					
		45,696	45,696	746,538	700,842
Other Financing Sources (uses):					
Operating Transfers In(Out):					
Transfer to Food Service		(47,096)	(47,096)	(40,074)	7,022
Total Other Financing Sources (Uses)		(47,096)	(47,096)	(40,074)	7,022
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses					
		(1,400)	(1,400)	706,464	707,864
Fund Balances, July 1	1,419,298		1,419,298	1,419,298	
Fund Balances, June 30	\$ 1,419,298	\$ (1,400)	\$ 1,417,898	\$ 2,125,762	\$ 707,864
RECAPITULATION					
Restricted Fund Balance:					
Maintenance Reserve				\$ 100,000	
Assigned to:					
Designated for Subsequent Years Expenditures				200,000	
Year-End Encumbrances				2,550	
Unassigned Fund Balance				1,823,212	
Fund Balance per Governmental Funds (GAAP)				\$ 2,125,762	

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$		\$ 8,387	\$ 2,887	\$ (5,500)
State Sources					
Federal Sources					
Total Revenues		8,387	8,387	2,887	(5,500)
EXPENDITURES:					
Instruction					
General Supplies		2,500	2,500	500	2,000
Purchased Professional ED. Services		5,887	5,887	2,387	3,500
Total Instruction		8,387	8,387	2,887	5,500
Support Services					
Total Support Services					
Facilities Acquisition and Construction Services:					
Total Facilities Acquisition and Construction Services					
Total Expenditures		8,387	8,387	2,887	5,500
Other Financing Sources (Uses)					
Total Outflows		8,387	8,387	2,887	5,500
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$	\$	\$	\$	\$

**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, 2018

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] \$ 10,481,895	[C-2] \$ 2,887
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] \$ 10,481,895	[B-2] \$ 2,887
	<hr/> <hr/>	<hr/> <hr/>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 9,735,357	[C-2] \$ 2,887
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] \$ 9,735,357	[B-2] \$ 2,887
	<hr/> <hr/>	<hr/> <hr/>

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability(Asset)	0.036705%	0.035685%	0.031218%	0.024927%	0.022275%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,544,246	\$ 10,568,925	\$ 7,007,866	\$ 4,666,980	\$ 4,257,130
District's Covered-Employee Payroll	\$ 2,699,173	\$ 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	316.55%	415.91%	283.67%	211.46%	217.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 352,715	\$ 322,451	\$ 268,393	\$ 205,493	\$ 167,835
Contributions in Relation to the Contractually Required Contribution	<u>(352,715)</u>	<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>	<u>\$</u>
District's Covered-Employee Payroll	\$ 2,699,173	\$ 2,541,161	\$ 2,470,397	\$ 2,207,070	\$ 1,960,265
Contributions as a Percentage of Covered-Employee Payroll	13.07%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability(Asset)	0.046634%	0.042760%	0.049653%	0.052290%	0.051708%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 31,442,626	\$ 33,637,659	\$ 31,383,016	\$ 27,947,304	\$ 26,132,864
District's Covered-Employee Payroll	\$ 5,163,893	\$ 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	608.89%	966.71%	630.07%	615.14%	657.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	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 five 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.

EXHIBIT M-1

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Required Supplementary Information - Part III
Schedule of Changes in the Total OPEB Liability and Related Ratios
State Health Benefit Local Education Retired Employees Plan
Last Ten Fiscal Years

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 2,336,204
Interest	781,028
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions or other inputs	(3,713,483)
Member contributions	20,640
Benefit payments	(560,528)
Net change in total OPEB liability	<u>(1,136,139)</u>
Total OPEB liability - beginning	<u>25,336,347</u>
Total OPEB liability - ending	<u>\$ 24,200,208</u>
Covered-employee payroll	<u>\$ 7,863,066</u>
Total OPEB liability as a percentage of covered-employee payroll	307.77%

Notes to Schedule:

Changes of benefit terms: None

Changes of assumptions: The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

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, 2018

	SCVTS Foundation Grant	Know to Grow Grant	Totals	
			2018	2017
REVENUES:				
Federal sources	\$	\$	\$	\$
State sources				
Other sources	500	2,387	2,887	12,165
Total Revenues	500	2,387	2,887	12,165
EXPENDITURES:				
Instruction:				
Purchased Professional ED. Services		2,387	2,387	5,612
General Supplies	500		500	6,553
Total Instruction	500	2,387	2,887	12,165
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	\$ 500	\$ 2,387	\$ 2,887	\$ 12,165

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, 2018 AND 2017

	<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>	
									<u>2018</u>	<u>2017</u>
ASSETS:										
Current Assets:										
Cash and Cash Equivalents	\$ 249,693	\$ 136,998	\$ 804,709	\$	\$	\$ 71,796	\$ 970,207	\$	\$ 2,233,403	\$ 2,348,186
Accounts Receivable:										
State										64
Federal										5,374
Intergovernmental	120,591	154,398	414,054	10,475			410,904		1,110,422	1,245,030
Other								3,715	3,715	
Interfund Receivable		7,502	10,475				313,700		331,677	16,549
Total Current Assets	370,284	298,898	1,229,238	10,475		71,796	1,694,811	3,715	3,679,217	3,615,203
Fixed Assets:										
Equipment	9,738			33,209			327,280	17,373	387,600	146,355
Less: Depreciation	(9,738)			(33,209)			(55,194)	(17,373)	(115,514)	(82,715)
							272,086		272,086	63,640
Total Assets	370,284	298,898	1,229,238	10,475		71,796	1,966,897	3,715	3,951,303	3,678,843
LIABILITIES:										
Current Liabilities:										
Accounts Payable			27,547				7,175	2,561	37,283	2,640
Accrued Interest Payable							1,700		1,700	
Interfund Payable				10,475				907	11,382	16,551
Unearned Revenue								247	247	
Non-current Liabilities										
Due Within One Year							46,234		46,234	
Due Beyond One Year							146,182		146,182	
Total Current Liabilities			27,547	10,475			201,291	3,715	243,028	19,191
Net Position:										
Unrestricted	370,284	298,898	1,201,691	-		71,796	1,493,520	-	3,436,189	3,596,012
Invested in Fixed Assets							272,086		272,086	63,640
Restricted for Other Purposes										
Total Net Position	\$ 370,284	\$ 298,898	\$ 1,201,691	\$ -	\$	\$ 71,796	\$ 1,765,606	\$ -	\$ 3,708,275	\$ 3,659,652

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2018 AND 2017**

	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	
									2018	2017
OPERATING REVENUES:										
Local Sources:										
Daily sales - reimbursable programs:										
School lunch and breakfast program	\$	\$	\$	\$	\$	\$	\$	\$ 6,691	\$ 6,691	\$ 6,959
Total daily sales - reimbursable programs								6,691	6,691	6,959
N.J. Dept of Human Services - Fees						694,499			694,499	819,610
Tuition							2,961,718		2,961,718	3,183,234
Services provided other LEAs	740,060	799,703	2,086,219	26,926			274		3,653,182	3,596,453
Total Operating Revenue	740,060	799,703	2,086,219	26,926		694,499	2,961,992	6,691	7,316,090	7,606,256
OPERATING EXPENSES:										
Salaries	541,220	526,256	1,041,382	38,970		372,766	1,847,522	41,181	4,409,297	4,033,429
Employee Benefits	180,449	182,415	820,760	1,682		63,455	637,437		1,886,198	1,638,625
Purchased Professional and Technical Services			36,394				750	84,499	121,643	93,637
Purchased Professional /Educ services	1,564	5,669				286,653	46,965		340,851	498,249
Purchased Professional Services	4,360	2,096					18,372		24,828	24,216
Purchased Property Services	25,000	50,000				11,018	2,504		88,522	111,618
Other Purchased Services	2,473	2,473		144			27,588		32,678	30,324
Communications Telephone						3,109			3,109	3,368
Custodial Services:										
Cleaning /Repair /Maintenance							110,281	5,945	116,226	76,867
Supplies and materials							6,779		6,779	12,720
General Supplies	9,800	28,760		711		2,198	68,186	37,404	147,059	44,897
Travel	1,675	3,425		388					5,488	6,120
Transportation							33,881		33,881	37,330
Other objects		820					19,726		20,546	10,808
Required Maintenance:										
Cleaning /Repair /Maintenance							39,039		39,039	25,913
Insurance							13,108		13,108	10,000
Equipment							23,560		23,560	
Depreciation							32,799		32,799	10,182
Utilities							62,497		62,497	57,132
Total Operating Expenses	\$ 766,541	\$ 801,914	\$ 1,898,536	\$ 41,895	\$	\$ 739,199	\$ 2,990,994	\$ 169,029	\$ 7,408,108	\$ 6,725,435

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
AS OF JUNE 30, 2018 AND 2017**

	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	
									2018	2017
Operating Income (Loss)	\$ (26,481)	\$ (2,211)	\$ 187,683	\$ (14,969)	\$	\$ (44,700)	\$ (29,002)	\$ (162,338)	\$ (92,018)	\$ 880,821
Non-Operating Revenues:										
Local Sources - Board Subsidy										
State Sources:										
State School Lunch Program								1,184	1,184	1,024
Federal Sources:										
School Breakfast Program								34,220	34,220	28,933
Food Distribution Program										
National School Lunch Program								65,163	65,163	55,876
Total Non-Operating Revenues								100,567	100,567	85,833
Transfer from (to) General Fund								40,074	40,074	(390,602)
Net Increase (Decrease) in Net Position	(26,481)	(2,211)	187,683	(14,969)		(44,700)	(29,002)	(21,697)	48,623	576,052
Net Position - July 1	396,765	301,109	1,014,008	14,969		116,496	1,794,608	21,697	3,659,652	3,083,600
Net Position - June 30	\$ 370,284	\$ 298,898	\$ 1,201,691	\$ -	\$	\$ 71,796	\$ 1,765,606	\$ -	\$ 3,708,275	\$ 3,659,652

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2018 AND 2017

	Child Study Team	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
								2018	2017
Cash Flows from Operating Activities:									
Receipts from Customers	\$ 767,478	\$ 832,398	\$ 2,021,938	\$ 40,467	\$ 694,499	\$ 2,771,577	\$ 6,691	\$ 7,135,048	\$ 7,114,321
Payments to Employees	(541,220)	(526,256)	(1,041,382)	(37,542)	(372,766)	(1,847,522)	(41,181)	(4,407,869)	(4,024,382)
Payments for Employee Benefits	(180,449)	(182,415)	(820,760)	1,682	(63,455)	(637,437)		(1,882,834)	(1,638,625)
Payments to Suppliers	(45,251)	(93,243)	(8,305)	(4,607)	(302,978)	(515,471)	(89,840)	(1,059,695)	(1,047,863)
Net Cash Provided by (Used for) Operating Activities	558	30,484	151,491		(44,700)	(228,853)	(124,330)	(215,350)	403,451
Cash from (Used for) Operating Activities- Transfers to the General Fund									(390,602)
Total Cash Provided by (Used for) Operating Activities	558	30,484	151,491		(44,700)	(228,853)	(124,330)	(215,350)	12,849
Cash Flows from Noncapital Financing Activities									
State Sources							1,184	1,184	1,024
Federal Sources							99,383	99,383	84,809
Net Cash Provided by (Used for) Noncapital Financing Activities							100,567	100,567	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									
Net Cash Provided by (Used for) Investing Activities									
Net Increase (Decrease) in Cash and Cash Equivalents	558	30,484	151,491		(44,700)	(228,853)	(23,763)	(114,783)	98,682
Balances - Beginning of Year	249,135	106,514	653,218		116,496	1,199,060	23,763	2,348,186	2,249,504
Balances - End of Year	\$ 249,693	\$ 136,998	\$ 804,709	\$ -	\$ 71,796	\$ 970,207	\$ -	\$ 2,233,403	\$ 2,348,186
Operating income (loss)	\$ (26,481)	\$ (2,211)	\$ 187,683	\$ (14,969)	\$ (44,700)	\$ (29,002)	\$ (162,338)	\$ (92,018)	\$ 880,821
Adjustments to reconcile operating income (loss) to cash used by operating activities:									
Depreciation						32,799		32,799	10,182
Capital Lease Principle						(48,829)		(48,829)	
Change in assets and liabilities:									
(Increase)/decrease in Accounts Receivable	27,418	32,695	(62,311)	13,541		123,285	1,723	136,351	(475,386)
(Increase)/decrease in Interfund Receivable			(1,970)			(313,700)		(315,670)	(16,549)
Increase/(decrease) in Accounts Payable	(379)		28,089				2,561	30,271	2,177
Increase/(decrease) in Interfund Payable				1,428		4,894	33,477	39,799	2,206
Increase/(decrease) in Accrued Interest Payable						1,700		1,700	
Increase/(decrease) in Unearned Revenue							247	247	
Total Adjustments	27,039	32,695	(36,192)	14,969		(199,851)	38,008	(123,332)	(477,370)
Net Cash Provided by (Used for) Operating Activities	\$ 558	\$ 30,484	\$ 151,491	\$ -	\$ (44,700)	\$ (228,853)	\$ (124,330)	\$ (215,350)	\$ 403,451

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, 2018

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	Expendable Trust Funds	Agency		Total 2018	Total 2017
		Student Activity	Payroll		
ASSETS:					
Cash and Cash Equivalents	\$ 1,099	\$ 28,231	\$ 30,559	\$ 59,889	\$ 92,552
Total Assets	\$ 1,099	\$ 28,231	\$ 30,559	\$ 59,889	\$ 92,552
LIABILITIES:					
Payroll Deductions and Withholdings	\$	\$	\$ 24,755	\$ 24,755	\$ 12,872
Interfund Payable			5,804	5,804	57,688
Due to Student Groups		28,231		28,231	20,895
Total Liabilities		28,231	30,559	58,790	91,455
NET POSITION:					
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,099	\$	\$	\$ 1,099	\$ 1,097

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
MEMORIAL EXPENDABLE TRUST FUND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Local Sources		
Interest on Investments	\$ 2	\$ 1
OPERATING EXPENSES		
Withdrawals		
Operating Income (Loss)	2	1
Net Position - July 1, 2017	1,097	1,096
Net Position - June 30, 2018	\$ 1,099	\$ 1,097

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS
STUDENT ACTIVITY AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Activity</u>	<u>Balance July 1 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable</u>	<u>Balance June 30 2018</u>
Due Students	\$ 20,895	\$ 23,893	\$ 16,557	\$	\$ 28,231

SALEM COUNTY SPECIAL SERVICES DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 70,560	\$ 9,872,698	\$ 9,912,699	\$ 30,559
Total Assets	<u>\$ 70,560</u>	<u>\$ 9,872,698</u>	<u>\$ 9,912,699</u>	<u>\$ 30,559</u>
LIABILITIES:				
Payroll Deductions, Withholdings and Net Pay	\$ 12,872	\$ 9,872,698	\$ 9,860,815	\$ 24,755
Interfund Payable	57,688		51,884	5,804
Total Liabilities	<u>\$ 70,560</u>	<u>\$ 9,872,698</u>	<u>\$ 9,912,699</u>	<u>\$ 30,559</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, 2018

<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, 2017</u>	<u>Issued</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2018</u>
2017-18 School Buses	10/22/17	5 yrs	\$ 241,245	2.65%	\$	\$ 241,245	\$ 48,829	\$ 192,416
					\$	\$ 241,245	\$ 48,829	\$ 192,416

(a)

(a)

STATISTICAL SECTION

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 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	\$ 4,919,013
Restricted	537,565	280,291	264,991	127,734	127,879	100,210	100,000	100,000	100,000	100,000
Unrestricted (Deficit)	384,306	352,606	282,342	201,606	190,537	691,176	(3,311,927)	(3,721,097)	(4,562,145)	(4,562,738)
Total Governmental Activities Net Position	\$ 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	\$ 456,275
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 38,018	\$ 29,134	\$ 13,150	\$ 4,725	\$	\$	\$	\$ 73,822	63,640	\$ 272,086
Restricted	10,088	4,554	1,050				61,422	61,422		
Unrestricted	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	3,436,189
Total Business-Type Activities Net Position	\$ 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	\$ 3,708,275
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 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	\$ 5,191,099
Restricted	547,653	284,845	266,041	127,734	127,879	100,210	161,422	161,422	100,000	100,000
Unrestricted (Deficit)	2,512,458	2,018,372	1,372,106	805,953	1,218,439	2,459,043	(340,671)	(772,741)	(966,133)	(1,126,549)
Total District-Wide Net Position	\$ 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	\$ 4,164,550

Source: CAFR Schedule A-1

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special Education	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	3,649,111
Support Services										
Student and Instruction Related Services	224,344	277,711	249,218	266,142	621,856	773,586	731,793	670,143	669,862	859,799
General Administrative Services	174,791	99,999	165,842	213,976	136,533	234,695	295,870	194,252	125,722	203,869
School Administrative Services	210,138	213,903	237,011	235,496	387,163	321,197	527,547	335,349	342,288	353,925
Central Services and Info. Technology	101,416	113,430	166,174	196,259	258,205	382,090	326,007	353,085	257,193	343,153
Plant Operations and Maintenance	431,645	613,757	406,797	422,323	450,729	518,957	630,673	445,334	464,383	549,927
Pupil Transportation	29,615	28,911	23,487	63,879	44,474	62,599	48,112	41,301	38,597	25,035
Employee Benefits	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	8,137,722
Interest on Long-Term Debt										
Unallocated Depreciation and Amortization	116,025	134,182	162,619	196,756	196,756	280,675	269,262	274,153	272,781	276,563
Total Governmental Activities Expenses	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	14,399,104
Business-Type Activities										
Food Service	47,649	60,405	73,682	73,800	84,634	112,827	71,996	91,749	97,527	169,029
Other Enterprise	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	7,239,079
Total Business-Type Activities Expense	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	7,408,108
Total District Expenses	\$ 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	\$ 21,807,212
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$ 569,471	\$ 611,956	\$ 693,365	\$ 916,594	\$ 1,092,617	\$ 948,873	\$ 805,777	\$ 2,713,691	\$ 3,334,393	\$ 5,378,664
Total Governmental Activities Program Revenues	569,471	611,956	693,365	916,594	1,092,617	948,873	805,777	2,713,691	3,334,393	5,378,664
Business-Type Activities										
Charges for Services										
Food Service	3,958	7,214	6,903	7,843	5,416	6,332	6,143	9,701	6,959	6,691
Other Enterprise	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	7,309,399
Operating Grants and Contributions	30,187	42,865	56,597	61,030	59,374	55,709	72,681	101,652	85,833	100,567
Total Business-Type Activities Program Revenues	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	7,416,657
Total District Program Revenues	\$ 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	\$ 12,795,321
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (9,020,440)
Business-Type Activities	207,578	(329,439)	(403,697)	(512,399)	414,374	711,093	1,457,441	315,890	966,654	8,549
Total District-Wide Net Expense	\$ (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)	\$ (9,011,891)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, Net Unrestricted Grants and Contributions	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000	\$ 300,000	\$ 250,000
Tuition Received	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	8,585,794
Investment Earnings	16,208	7,004	3,860	2,744	1,513	2,098	3,531	4,132	4,358	6,194
Shared Services Revenue					127,847					
Miscellaneous Income	8,415	14,856	17,915	25,052	14,800	30,475	1,506,866	19,666	86,090	32,363
Fixed Assets Adjustment	6,005,507		(879,352)			467,767				
Transfers	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968	390,602	(40,074)
Total Governmental Activities	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	8,834,277
Business-Type Activities										
Prior Year Revenue Adjustment	(57,948)	(9,864)	(11,033)	7,639						
Transfer	9,519	(137,501)	(180,760)	9,868	4,456	28,872	(192,630)	(192,630)	(390,602)	40,074
Total Business-Type Activities	(48,429)	(147,365)	(191,793)	17,507	4,456	28,872	(192,630)	(192,630)	(390,602)	40,074
Total District-Wide	\$ 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	\$ 8,874,351
Change in Net Position										
Governmental Activities	\$ 6,005,453	\$ (112,939)	\$ (1,093,901)	\$ (277,492)	\$ (289,843)	\$ 769,959	\$ (148,280)	\$ (576,198)	\$ (1,042,155)	\$ (186,163)
Business-Type Activities	159,149	(476,804)	(595,490)	(494,892)	418,830	739,965	1,264,811	123,260	576,052	48,623
Total District-Wide	\$ 6,164,602	\$ (589,743)	\$ (1,689,391)	\$ (772,384)	\$ 128,987	\$ 1,509,924	\$ 1,116,531	\$ (452,938)	\$ (466,103)	\$ (137,540)

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>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>	<u>2018</u>
General Fund										
Restricted	\$ 210,626	\$ 157,811	\$ 100,000	\$ 100,000	\$	\$	\$	\$	\$	\$
Maintenance Reserve					100,000	100,000	100,000	100,000	100,000	100,000
Assigned:										
Year-end Encumbrances					145	210	6,232	531	1,400	2,550
Subsequent Year's Expenditures										200,000
Unrestricted - Unassigned	322,185	339,065	356,967	310,441	190,537	786,539	1,017,753	1,038,466	1,317,898	1,823,212
Total General Fund	\$ 532,811	\$ 496,876	\$ 456,967	\$ 410,441	\$ 290,682	\$ 886,749	\$ 1,123,985	\$ 1,138,997	\$ 1,419,298	\$ 2,125,762
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	\$ 437,565	\$ 180,291	\$ 164,991	\$ 27,734	\$ 27,734	\$	\$	\$	\$	\$

Source: CAFR Schedule B-1

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

	<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>	<u>2018</u>
Revenues										
County Tax Levy	\$ 315,242	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000	\$ 300,000	\$ 250,000
Tuition Charges	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	8,585,794
Interest Earnings	16,208	7,004	3,860	2,744	1,513	2,098	3,531	4,132	4,358	6,194
Shared Services Revenue					127,847					
Miscellaneous	8,415	19,380	21,845	25,072	19,451	32,431	6,154	33,154	16,109	32,363
Other Sources										
State Sources	524,485	594,233	673,773	872,592	1,087,966	906,807	1,041,058	1,125,049	1,319,372	1,610,431
Federal Sources	44,986	13,199	15,662	43,982		40,110	30,048	1,291		
Total Revenues	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	10,484,782
Expenditures										
Instruction										
Regular										
Special Education Instruction	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	3,649,111
Support Services										
Student and Instruction Related Services	224,344	277,711	249,218	266,142	621,856	773,586	731,793	670,143	669,862	859,799
General Administrative Services	174,791	99,999	165,842	213,976	136,533	234,695	295,870	194,252	125,722	203,869
School Administrative Services	210,138	213,903	237,011	235,496	387,163	321,197	527,547	333,349	342,288	353,925
Central Services	96,999	100,148	120,192	159,464	207,230	303,466	265,254	256,149	211,707	278,895
Administrative Information Tech, Serv	4,417	13,282	45,982	36,795	50,975	78,624	60,753	96,936	45,486	64,258
Plant Operations and Maintenance	431,645	613,757	406,797	422,323	450,729	518,957	630,673	444,725	464,992	543,078
Pupil Transportation	29,615	28,911	23,487	63,879	44,474	62,599	48,112	41,301	32,880	25,035
Unallocated Employee Benefits	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	3,665,319
Capital Outlay	5,653,740	310,217	33,634	137,257		27,734	35,000	234,953	43,136	94,955
Total Expenditures	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	9,738,244
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(5,526,420)	(430,710)	(235,969)	(173,915)	(115,303)	597,205	237,236	(377,784)	(192,447)	746,538
Other Financing Sources (Uses)										
Bond & Capital Lease Proceeds	6,000,000							127,828		
Cancellation of Prior Year Receivables									82,146	
Transfers	(9,519)	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968	390,602	(40,074)
Total Other Financing Sources (Uses)	5,990,481	137,501	180,760	(9,868)	(4,456)	(28,872)		392,796	472,748	(40,074)
Net Change in Fund Balances	\$ 464,061	\$ (293,209)	\$ (55,209)	\$ (183,783)	\$ (119,759)	\$ 568,333	\$ 237,236	\$ 15,012	\$ 280,301	\$ 706,464
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%

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u> <u>Revenue</u>	<u>Rent</u>	<u>Refund of</u> <u>Prior Year</u> <u>Expenditure</u>	<u>Shared</u> <u>Service</u> <u>Revenue</u>	<u>Misc.</u>	<u>Total</u>
2018	\$ 6,194	\$ 8,585,794	\$	\$	\$	\$ 29,476	\$ 8,621,464
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

Source: District Records

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

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income (thousands of dollars)</u> ^b	<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
2018	** 62,903	\$ 2,703,471,488	\$ 42,979	7.0%
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%

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>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>	<u>2018</u>
Instruction										
Regular	1	1	2	3	3	3	3	3	3	3
Special education	16	16	20	21	21	21	25	25	25	25
Other special education	27	27	27	26	26	26	30	30	30	30
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services	18	20	20	20	20	20	22	22	22	24
General administrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	2	2	2	2	2	2	3	3	3	3
Business administrative services	1.25	2.5	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	1
Pupil transportation										
Food Service										
Total	66.25	69.5	74.5	77.5	77.5	77.5	87.5	87.5	87.5	89.5

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				
2018	252	\$ 9,643,289	\$ 38,267	4.37%	40	4.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	6.0 : 1	251.5	218.0	-3.05%	86.68%
2017	263	9,643,289	36,666	13.91%	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%

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>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>	<u>2018</u>
<u>District Building</u>										
<u>Elementary, Middle & High</u>										
Daretown										
Square Feet	22,464	22,464	22,646	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	49	47	44	48	45	43	45	39	31
Cumberland										
Square Feet	32,619	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	80
Enrollment	24	60	43	55	54	75	93	100	88	100

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 #	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Daretown	\$	63,340	\$ 66,098	58,547	\$ 51,829	\$ 41,823	\$ 35,477	\$ 42,555	\$ 44,986	\$ 82,373	\$ 141,364
Cumberland Campus		84,915	75,164	70,247	113,440	58,237	45,447	52,776	27,656	44,854	18,559
Mannington Twp. Reg. Day		39,039	34,404	57,432	28,960						
Total School Facilities		187,294	175,666	186,226	194,229	100,060	80,924	95,331	72,642	127,227	159,923
Other Facilities				1,161	2,442	4,052	1,551				
Grand Total	\$	187,294	\$ 175,666	187,387	\$ 196,671	\$ 104,112	\$ 82,475	\$ 95,331	\$ 72,642	\$ 127,227	\$ 159,923

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the of Education of the Salem County Special Services School District, in the County of Salem, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the of Education of the Salem County Special Services School District's basic financial statements, and have issued our report thereon dated January 22, 2019.

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 2018-1.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Salem County Special Services Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no 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.

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
January 22, 2019

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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Salem County Special Services School Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to 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 School Board of Education's compliance.

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 types of 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Salem County Special Services School Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program 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 Treasury 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 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.

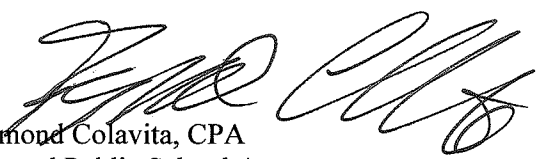
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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
January 22, 2019

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2017	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures Pass Through Funds	Budgetary Expenditures Direct	Total Budgetary Expenditures (A)	Balance at June 30, 2018		
					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	\$ 34,220	7/1/17	6/30/18	\$	\$	\$ 34,220	\$ (34,220)	\$	\$ (34,220)	\$	\$	\$
School Breakfast Program	10.553	161NJ304N1099	N/A	28,933	7/1/16	6/30/17	(1,893)		1,893						
National School Lunch Program	10.555	171NJ304N1099	N/A	65,163	7/1/17	6/30/18			65,163	(65,163)		(65,163)			
National School Lunch Program	10.555	161NJ304N1099	N/A	55,876	7/1/16	6/30/17	(3,481)		3,481						
Total U.S. Department of Agriculture							(5,374)		104,757	(99,383)		(99,383)			
U.S. Department of Education															
Passed-through State Department of Education:															
Special Revenue Fund:															
Total U.S. Department of Education															
Total Federal Financial Awards							\$ (5,374)	\$	\$ 104,757	\$ (99,383)	\$	\$ (99,383)	\$	\$	\$

(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, 2018**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period From To</u>	<u>Balance at June 30, 2017</u>			<u>Balance at June 30, 2018</u>			<u>Cumulative Total Expenditures</u>
				<u>Unearned Revenue (Accounts Receivable)</u>	<u>Due to Grantor</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>(Accounts Receivable)</u>	<u>Unearned Revenue/ Interfund Payable</u>	
State Department of Education:										
General Fund										
Reimbursed TPAF Social Security Contrib.	18-495-034-5094-003	\$ 357,618	7/1/17-6/30/18	\$	\$	\$ 339,329	\$ (357,618)	\$ (18,289)	\$	\$ 357,618
Reimbursed TPAF Social Security Contrib.	17-495-034-5094-003	355,120	7/1/16-6/30/17	(16,999)		16,999				
				(16,999)		356,328	(357,618)	(18,289)		357,618
Special Revenue Fund										
State Department of Education:										
Food Service Enterprise Fund										
State Department of Agriculture:										
National School Lunch Program (State Share)	18-100-010-3350-023	1,184	7/1/17-6/30/18			1,184	(1,184)			1,184
National School Lunch Program (State Share)	17-100-010-3350-023	1,024	7/1/16-6/30/17	(64)		64				1,024
				(64)		1,248	(1,184)			2,208
Total State Financial Assistance Subject to OMB 15-08				\$ (17,063)	\$	\$ 357,576	\$ (358,802)	\$ (18,289)	\$	\$ 359,826
State Financial Assistance Not Subject to OMB 15-08										
On Behalf TPAF Pension Contribution	18-495-034-5094-002	759,775	7/1/17-6/30/18			\$ 759,775	\$ (759,775)			
On Behalf TPAF Post Retirement Med'l. Contrib.	18-495-034-5094-001	490,722	7/1/17-6/30/18			490,722	(490,722)			
On-behalf TPAF Long-Term Disability	18-495-034-5094-004	2,316	7/1/17-6/30/18			2,316	(2,316)			
Total State Financial Assistance						\$ 1,610,389	\$ (1,611,615)			

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, 2018

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, 2018

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 1,610,431	\$ 1,610,431
Special Revenue Fund			
Food Service Fund	99,383	1,184	100,567
Total Awards & Financial Assistance	\$ 99,383	\$ 1,611,615	\$ 1,710,998

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, 2018.

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, 2018. 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, 2018.

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, 2018

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? _____ yes X no

Federal Awards N/A

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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, 2018
(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? _____ yes X 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

18-495-034-5094-003

Reimbursed TPAF Social Security Contrib.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting 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 Treasury Circular 15-08 audit.

Finding: 2018-1

Criteria or specific requirement:

It is considered essential that cash, as reported in the financial statements, be supported by a properly prepared reconciliation to the bank statements and filed in a timely manner for monitoring and other internal control purposes.

Condition:

An issue within the bank reconciliation module of the District's accounting software program resulted in several bank reconciliations not being accurate or submitted in a timely manner, including June 30, 2018.

Context:

The bank reconciliations for several months of the School Year, were not properly supported with an accurate outstanding checklist, thus requiring subsequent revisions to the initial drafts of the bank reconciliations.

Effect:

Without a properly prepared bank reconciliation, as of June 30, 2018, it was not readily possible to satisfy the basic audit conclusion that cash reported in the financial statements was in agreement with a supporting bank reconciliation.

Cause:

An issue within the accounting software system's bank reconciliation module.

Recommendation:

Procedures and resources need to be reviewed and revised, in order to assure that bank reconciliations are available to support the amount of cash reflected in the records and financial statements. The bank reconciliations must also be completed and submitted in a timely manner.

Views of responsible officials and planned corrective actions:

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, 2018 (CONT'D)**

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS N/A

- Finding:**
- Information on the state program:**
- Criteria or specific requirement:**
- Condition:**
- Questioned Costs:**
- Effect:**
- Cause:**
- Recommendation:**
- Views of responsible officials and planned corrective actions:**

STATE AWARDS N/A

- Finding:**
- 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, 2018**

This section identifies the status of prior - year findings related to the basic financial statements and Federal and State awards 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 Treasury Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

Finding 2018-1

Condition: The Treasurer's surety bond coverage, for the 2017-18 School Year, did not meet the minimum amount required by N.J.A.C. 6A:23A-16.4.

Status: Resolved

Finding 2018-2

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.

Status: Resolved