

**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, 2019**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

**Salem County Special Services Board of Education**

**Salem County, New Jersey**

**For the Fiscal Year Ended June 30, 2019**

**Prepared by**

**John Bolil**

**School Business Administrator/Board Secretary**

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## **INTRODUCTORY SECTION**

# SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT

**John R. Swain**

Superintendent

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

**Frank H. Maurer III**

Business Administrator

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

November 26, 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, 2019, 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 2018-2019 school year included, alternative high and middle schools, behavior disabilities, transitional career programs, Pre-school, multiply-disabilities, cognitive, autistic, and deaf and hearing impaired. The following details the changes in the student enrollment of the last five years. This includes a decrease in students in the 2018-19 school year.

Average Daily Enrollment		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2018-19	230.0	-8.73%
2017-18	252.0	-4.18%
2016-17	263.0	0.38%
2015-16	262.0	-11.19%
2014-15	295.0	3.15%



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.

2018-2019 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.

2018-2019 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 18-19 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 Alternative Campuses for the 2019-2020 school year. The District will look to provide its own food service for the 2020-2021 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 2018–2019 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 2019 is reflected in the financial section.

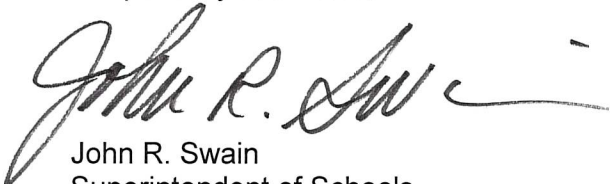
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2019.

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,



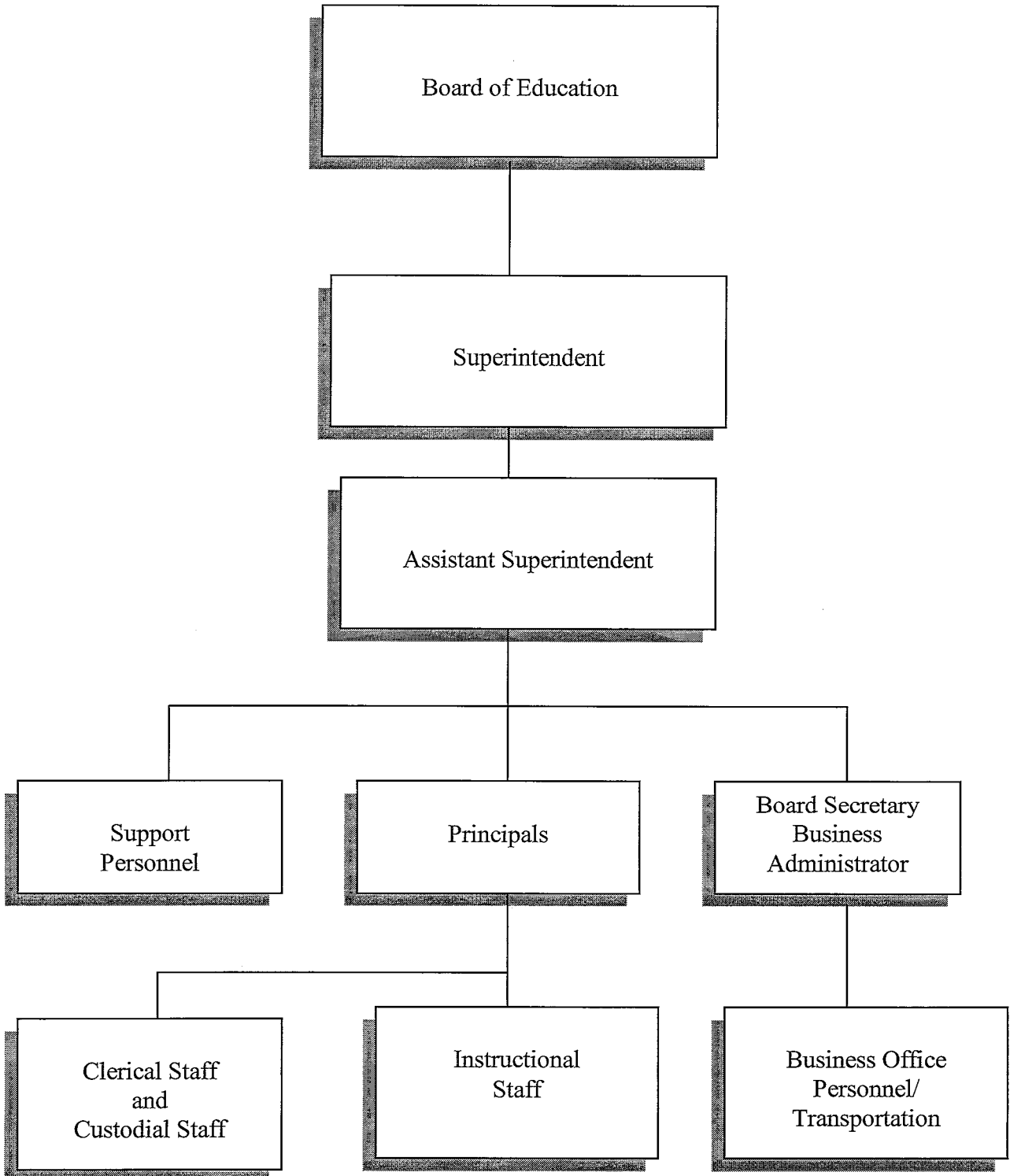
John R. Swain  
Superintendent of Schools



Frank H. Maurer III  
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, 2019**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Linwood Donelson, President	2021
Earl Ransome, Vice President	2021
James Davis	2020
Daryl Halter	2020
Patricia Bomba	2021
Julie Smith	2021
Margaret Nicolosi - Executive County Superintendent of Schools	
<u>OTHER OFFICIALS</u>	<u>Surety Bonds</u>
John R. Swain, Superintendent	
Frank H. Maurer, III, Board Secretary/Business Administrator	\$155,000

**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.  
P.O. Box 799  
Williamstown, New Jersey 08094

**ATTORNEY**

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

**INSURANCE AGENT**

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

**OFFICIAL DEPOSITORY**

Fulton Bank  
450 Bridgeton Pike  
Mantua, New Jersey 08051

## **FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association*

*Certified Public Accountants*

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

(856) 629-3111  
Fax (856) 728-2245  
[www.colavita.net](http://www.colavita.net)

## **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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to accounting and reporting for pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salem County Special Services School Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

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

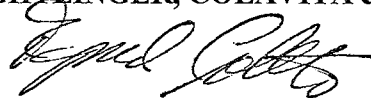
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with **Government Auditing Standards**, we have also issued our report dated November 26, 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  
November 26, 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, 2019

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, 2019. 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 2019 are as follows:

- ❖ General revenues accounted for \$9,128,294 in revenue or 43.9% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$11,682,521 or 56.1% percent to total revenues of \$20,810,815.
- ❖ Net position of governmental activities decreased by \$764,035, comprised primarily of increases in pension expenses.
- ❖ The School District had \$22,472,407 in expenses. Of these expenses, \$11,682,521 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 \$10,863,470 in revenues, \$10,159,797 in expenditures and \$89,960 in a transfer to the Food Service Fund. The General Fund balance increased by \$613,713 over 2018. 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 2019?” 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 2019 and 2018.

**Table 1  
Net Position**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 5,201,917	\$ 4,453,969
Receivables, Net	300,722	1,405,901
Capital Assets, Net	4,935,030	5,191,099
	<hr/>	<hr/>
Total Assets	10,437,669	11,050,969
	<hr/>	<hr/>
<b>Deferred Outflows of Resources</b>	3,216,240	3,851,771
	<hr/>	<hr/>
<b>Liabilities</b>		
Other Liabilities	7,729,142	8,695,983
Long-term Liabilities	866,659	327,147
	<hr/>	<hr/>
Total Liabilities	8,595,801	9,023,130
	<hr/>	<hr/>
<b>Deferred Outflows of Resources</b>	2,555,150	1,715,060
	<hr/>	<hr/>
<b>Net Position</b>		
Invested in capital assets, net of debt	4,788,848	5,191,099
Restricted	100,001	100,000
Unrestricted (Deficit)	(2,385,891)	(1,126,549)
	<hr/>	<hr/>
Total Net Position	\$ 2,502,958	\$ 4,164,550
	<hr/> <hr/>	<hr/> <hr/>

Table 2 shows the changes in Net Position from fiscal years 2019 and 2018.

**Table 2 - Changes in Net Position**

	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Programs revenues		
Charges for services	\$ 7,500,304	\$ 7,316,090
Operating grants and contributions	4,182,217	5,479,231
General Revenues		
County taxes	200,000	250,000
Tuition	8,903,071	8,585,794
Other	25,223	38,557
Total Revenues	<u>20,810,815</u>	<u>21,669,672</u>
<b>Program Expenses</b>		
Instruction	3,618,674	3,649,111
Support Services		
Pupils and instructional staff	843,871	859,799
General administration, school administration, business	1,060,306	900,947
Operations and Maintenance of Facilities	543,790	549,927
Pupil Transportation	19,175	25,035
Employee Benefits	7,528,616	8,137,722
Enterprise Funds		
Food Service	195,661	169,029
Other Shared Service Funds	8,388,043	7,239,079
Other	274,271	276,563
Total Expenses	<u>22,472,407</u>	<u>21,807,212</u>
Increase (Decrease) in Net Position	<u>\$ (1,661,592)</u>	<u>\$ (137,540)</u>

**Governmental Activities**

As a special services school district, the budget is approved by the Salem County Freeholders. Of the \$20,810,815 in total revenues, \$11,682,251 was from program revenues and \$9,128,294 was from general revenues. Net Governmental Revenues were \$9,038,334 and net Governmental Expenditures were \$9,802,369. County taxes made up 2.2% of revenues for governmental activities for fiscal year 2019, while tuition charges accounted 97.6% of total governmental activity revenue and miscellaneous revenue accounted for .2%.

The total cost of all Governmental activities was \$13,888,703. This amount is offset by program revenues of \$4,086,334 for a net total expense of \$9,802,369. Instruction costs of \$3,618,674 comprised 37.1% of District Governmental Activity expenses. Student support costs were \$843,871 or 8.6%, administration costs were \$1,060,306 or 10.8%, plant operation costs were \$543,790 or 5.5%, transportation costs were \$25,035 or .1%, Employee benefits of \$3,442,282 or 35.1% and depreciation of \$274,271 represents 2.8%.

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 2019</u>	<u>Net Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>
Instruction	\$ 3,618,674	\$ 3,618,674	\$ 3,649,111	\$ 3,646,224
Support services				
Pupils and instructional staff	843,871	843,871	859,799	859,799
General administration, school administration, business	1,060,306	1,060,306	900,947	900,947
Operation and maintenance of facilities	543,790	543,790	549,927	549,927
Pupil Transportation	19,175	19,175	25,035	25,035
Employee Benefit Costs	7,528,616	3,442,282	8,137,722	2,761,945
Other	274,271	274,271	276,563	276,563
<b>Total Expenses</b>	<u>\$ 13,888,703</u>	<u>\$ 9,802,369</u>	<u>\$ 14,399,104</u>	<u>\$ 9,020,440</u>

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

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

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

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

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

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

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

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

Other includes unallocated depreciation and amortization.



**Business-Type Activities**

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

- ❖ Food service expenses exceeded revenues by \$89,960, while combined other enterprise fund exceeded revenues by \$897,557.
- ❖ Federal and state reimbursements for free and reduced meals were \$95,883.
- ❖ Charges for food services were \$9,818 or 9.3% of total food service revenue. This represents amount paid by patrons for daily food services.
- ❖ Revenue for other enterprises was \$7,490,486 consisting of \$1,166,276 in N.J. Dept. of Human Services fees, \$2,598,148 in tuition and \$3,726,062 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 \$10,863,470 and expenditures of \$10,159,797. The net positive/negative change in General fund balance for the year was an increase of \$613,713, net of a transfer to the Food Service Fund of \$89,960. 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, 2019, 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 2018</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 9,128,294	84.0%	\$ 253,943	3%
State Sources	1,735,176	16.0%	124,745	8%
<b>Total</b>	<b>\$ 10,863,470</b>	<b>100.0%</b>	<b>\$ 378,688</b>	<b>4%</b>

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, 2019.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) 2018</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 3,618,674	35.6%	\$ (30,437)	-1%
Undistributed expenditures	6,482,583	63.8%	488,405	8%
Capital Outlay	58,540	0.6%	(36,415)	-38%
Total	<u>\$ 10,159,797</u>	<u>100%</u>	<u>\$ 421,553</u>	<u>4%</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 general school administrative expenditures of \$159,359, plant operations and maintenance of \$712 and employee benefits of \$350,122, offset by a decrease in transportation costs of \$5,860 and student and instruction related services of \$15,928

Capital Outlay Expenditures decreased by \$36,415 over 2018.

### 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 2019, 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 \$613,713.

For the General Fund, the original revenue amount budgeted on Exhibit C-1 was \$8,967,728, made up of \$200,000 in county tax, \$8,757,727 in tuition from LEA's and \$10,001 in miscellaneous revenue. There were no adjustments.

Actual revenue was \$9,128,294, excluding \$1,735,176 in On-behalf TPAF Social Security Aid and TPAF On-behalf Contributions state aid. Therefore, revenues were \$160,566 more than expected.

The final budget basis expenditure appropriation of \$9,170,278 was \$2,550 greater than the original estimate, which represents prior year encumbrances.

There was a positive variance in total expenditures totaling \$745,657, excluding reimbursed TPAF Social Security Aid and TPAF On-behalf Contributions of \$1,735,176.

There was a positive variance in total expenditures totaling \$745,657, excluding reimbursed TPAF Social Security Aid and TPAF On-behalf Contributions of \$1,735,176.

**Capital Assets**

At the end of the fiscal year 2019, the School District had \$4,935,030 invested in land, buildings, machinery and equipment. Table 4 shows fiscal 2019 balances compared to 2018.

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

	<u>2019</u>	<u>2018</u>
Land	\$ 50,000	\$ 50,000
Land Improvements	121,198	132,287
Building and Improvements	4,420,998	4,606,410
Machinery and Equipment	342,834	402,402
Totals	<u>\$ 4,935,030</u>	<u>\$ 5,191,099</u>

Overall capital assets decreased by \$256,069 from fiscal year 2018. The decrease represents additions to Fixed Assets of \$58,540, in the governmental activities, offset by depreciation expense of \$314,609.

**Debt Administration**

As of June 30, 2019, there was one capital lease outstanding in the Enterprise Fund, with a balance of \$146,182.

**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. Financial reporting has been addressed and is now being reported in a timely manner. The addition of a Human Resource 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 services, transportation, 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 will be investing in expansion of the playground and addition of a walking path at the Cumberland Campus.

The district as a whole has increased its technology capabilities through incremental technology upgrades and purchases. The district has leased three school buses in order to decrease its cost in providing both educational and social outings for the students. The district will be bringing back the pre-school program to one of its' locations due to the negative financial impact on the district. The district will continue to explore options to increase efficiency, cost savings, and accuracy.

The district will continue investing in safety and security upgrades across the district such as panic buttons and security cameras.

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](mailto: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, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,639,747	\$ 2,562,170	\$ 5,201,917
Receivables, Net	86,216	186,904	273,120
Interfund Receivable	27,602		27,602
Capital Assets, Net (Note 5)	4,703,282	231,748	4,935,030
	7,456,847	2,980,822	10,437,669
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	3,216,240		3,216,240
	3,216,240		3,216,240
<b>LIABILITIES</b>			
Accounts Payable	10,541	22,545	33,086
Accrued Interest Payable		1,130	1,130
Unearned Revenue	3,549	247	3,796
Non-current Liabilities (Note 6):			
Due Within One Year		47,459	47,459
Due Beyond One Year	8,411,607	98,723	8,510,330
	8,425,697	170,104	8,595,801
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows	2,555,150		2,555,150
	2,555,150		2,555,150
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	4,703,282	85,566	4,788,848
Restricted for:			
Maintenance Reserve	100,001		100,001
Unrestricted (Deficit)	(5,111,043)	2,725,152	(2,385,891)
	(307,760)	2,810,718	2,502,958
Total Net Position	\$ (307,760)	\$ 2,810,718	\$ 2,502,958

**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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Special Education	\$ 3,618,674	\$	\$	\$(3,618,674)	\$	\$(3,618,674)
Support Services:						
Student & Instruction Related Services	843,871			(843,871)		(843,871)
General and Business Admin Services	227,889			(227,889)		(227,889)
School Administrative Services	366,424			(366,424)		(366,424)
Central Services	395,006			(395,006)		(395,006)
Administrative Info Tech. Services	70,987			(70,987)		(70,987)
Plant Operations and Maintenance	543,790			(543,790)		(543,790)
Pupil Transportation	19,175			(19,175)		(19,175)
Employee Benefits	7,528,616		4,086,334	(3,442,282)		(3,442,282)
Unallocated Depreciation	274,271			(274,271)		(274,271)
Total Governmental Activities	13,888,703		4,086,334	(9,802,369)		(9,802,369)
Business-type Activities:						
Food Service	195,661	9,818	95,883		(89,960)	(89,960)
Other Enterprise	8,388,043	7,490,486			(897,557)	(897,557)
Total Business-type Activities	8,583,704	7,500,304	95,883		(987,517)	(987,517)
Total Primary Government	\$ 22,472,407	\$ 7,500,304	\$ 4,182,217	(9,802,369)	(987,517)	(10,789,886)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes, Net				200,000		200,000
Tuition Received				8,903,071		8,903,071
Investment Earnings				20,631		20,631
Transfers				(89,960)	89,960	
Miscellaneous Income				4,592		4,592
Total General Revenues, Special Items, Extraordinary Items and Transfers				9,038,334	89,960	9,128,294
Change in Net Position				(764,035)	(897,557)	(1,661,592)
Net Position—Beginning				456,275	3,708,275	4,164,550
Net Position—Ending (Deficit)				\$(307,760)	2,810,718	2,502,958

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, 2019**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,928,260	\$ 8,782	\$ 2,937,042
Interfunds Receivable	33,742		33,742
Intergovernmental Accounts Receivable	68,755		68,755
State Aid Receivable	17,461		17,461
	<hr/>	<hr/>	<hr/>
Total Assets	3,048,218	8,782	3,057,000
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	10,541		10,541
Interfunds Payable	298,202	5,233	303,435
Unearned Revenue		3,549	3,549
	<hr/>	<hr/>	<hr/>
Total Liabilities	308,743	8,782	317,525
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Restricted For:			
Maintenance Reserve	100,001		100,001
Assigned:			
Designated for Subsequent Years Expenditures	350,000		350,000
Unassigned - General Fund	2,289,474		2,289,474
	<hr/>	<hr/>	<hr/>
Total Fund Balances	2,739,475		2,739,475
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 3,048,218	\$ 8,782	
	<hr/> <hr/>	<hr/> <hr/>	

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 \$10,298,982 and the accumulated depreciation is \$5,595,700 (Note 5).

4,703,282

Deferred Outflow of Resources - Deferred Pension Contribution.

3,216,240

Deferred Inflows of Resources - Pension Actuarial Gains.

(2,555,150)

Long Term Net Pension Liability

(7,643,671)

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).

(767,936)

Net Position of Governmental Activities

\$ (307,760)

**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, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources:			
County Tax Levy	\$ 200,000	\$	\$ 200,000
Tuition Charges	8,903,071		8,903,071
Interest on Investments	20,631		20,631
Miscellaneous	4,592		4,592
Total - Local Sources	<u>9,128,294</u>		<u>9,128,294</u>
Other Sources:			
Federal Sources			
State Sources	1,735,176		1,735,176
Total Revenues	<u>10,863,470</u>		<u>10,863,470</u>
<b>EXPENDITURES</b>			
Current:			
Special Education Instruction	3,618,674		3,618,674
Support Services:			
Student & Instruction Related Services	843,871		843,871
General Administrative Expenses	227,889		227,889
School Administrative Expenses	366,424		366,424
Central Services	395,006		395,006
Administrative Information Tech Serv.	70,987		70,987
Plant Operations and Maintenance	543,790		543,790
Pupil Transportation	19,175		19,175
Employee Benefits	4,015,441		4,015,441
Capital Outlay	58,540		58,540
Total Expenditures	<u>10,159,797</u>		<u>10,159,797</u>
Excess (Deficiency) of Revenues over Expenditures	<u>703,673</u>		<u>703,673</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Enterprise Fund	(89,960)		(89,960)
Total Other Financing Sources and Uses	<u>(89,960)</u>		<u>(89,960)</u>
Net Change in Fund Balances	613,713		613,713
Fund Balance—July 1	2,125,762		2,125,762
Fund Balance—June 30	<u>\$ 2,739,475</u>	<u>\$</u>	<u>\$ 2,739,475</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, 2019**

<b>Total Net Change in Fund Balances - Governmental Funds (from B-2)</b>	<b>\$ 613,713</b>
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.	
	(586,971)
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.	
	(575,046)
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	58,540
Depreciation expense	(274,271)
<b>Change in Net Position of Governmental Activities (A-2)</b>	<b>\$ (764,035)</b>

**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, 2019**

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$	\$ 2,264,875	\$ 2,264,875
Accounts Receivable	6,400	180,504	186,904
Interfund Receivable		316,931	316,931
Total Current Assets	6,400	2,762,310	2,768,710
Fixed Assets			
Equipment	17,373	370,227	387,600
Less: Depreciation	(17,373)	(138,479)	(155,852)
Total Fixed Assets		231,748	231,748
Total Assets	6,400	2,994,058	3,000,458
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable		22,545	22,545
Accrued Interest Payable		1,130	1,130
Interfund Payable	6,153	13,483	19,636
Unearned Revenue	247		247
Non-current Liabilities			
Due Within One Year		47,459	47,459
Due Beyond One Year		98,723	98,723
Total Current Liabilities	6,400	183,340	189,740
<b>Net Position</b>			
Restricted			
Invested in Fixed Assets		85,566	85,566
Unreserved		2,725,152	2,725,152
Total Net Position	\$	\$ 2,810,718	\$ 2,810,718

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, 2019**

	Business-type Activities - Enterprise Fund		
	Food Service	Other Enterprise	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 9,818	\$	\$ 9,818
N.J. Dept. of Human Services - Fees		1,166,276	1,166,276
Tuition		2,598,148	2,598,148
Services Provided Other LEA's		3,726,062	3,726,062
Total Operating Revenue:	9,818	7,490,486	7,500,304
Operating Expenses:			
Salaries	104,842	5,526,811	5,631,653
Employee Benefits	9,898	2,322,929	2,332,827
Purchased Professional and Technical Services		9,520	9,520
Purchased Professional /Educ services		3,965	3,965
Purchased Professional Services		18,507	18,507
Purchased Property Services		88,076	88,076
Other Purchased Services	16,401	49,668	66,069
Communications Telephone		2,978	2,978
Cleaning /Repair /Maintenance	1,995	135,183	137,178
Supplies and Materials	58,761	93,951	152,712
Travel		9,390	9,390
Transportation		1,913	1,913
Other Objects		13,758	13,758
Equipment		3,764	3,764
Depreciation	3,764	36,574	40,338
Interest Expense		6,229	6,229
Utilities		64,827	64,827
Total Operating Expenses	195,661	8,388,043	8,583,704
Operating Income (Loss)	(185,843)	(897,557)	(1,083,400)
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,016		1,016
Federal Sources:			
National School Breakfast Program	32,784		32,784
Food Distribution Program	4,098		4,098
National School Lunch Program	57,985		57,985
Total Non-operating Revenues (Expenses)	95,883		95,883
Income (Loss) Before Contributions & Transfers	(89,960)	(897,557)	(987,517)
Transfers	89,960		89,960
Change in Net Position		(897,557)	(897,557)
Total Net Position—Beginning		3,708,275	3,708,275
Total Net Position—Ending	\$	\$ 2,810,718	\$ 2,810,718

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, 2019**

	Business-type Activities - Enterprise Funds		
	Food Service	Other Enterprise	Total Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 13,533	\$ 8,435,150	\$ 8,448,683
Payments to Employees	(104,842)	(5,523,803)	(5,628,645)
Payments for Employee Benefits	(9,898)	(2,350,476)	(2,360,374)
Payments to Suppliers	(78,236)	(529,399)	(607,635)
Net Cash Provided by (Used for) Operating Activities	(179,443)	31,472	(147,971)
Cash from (Used for) Operating Activities- Transfers to the General Fund	89,960		89,960
Total Cash Provided by (Used for) Operating Activities	(89,483)	31,472	(58,011)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	948		948
Federal Sources	88,535		88,535
Net Cash Provided by (Used for) Non-capital Financing Activities	89,483		89,483
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets			
Net Cash Provided by (Used for) Capital and Related Financing Activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends			
Net Cash Provided by (Used for) Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents		31,472	31,472
Balances—Beginning of Year		2,233,403	2,233,403
Balances—End of Year	\$	\$ 2,264,875	\$ 2,264,875
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (Loss)	\$ (185,843)	\$ (897,557)	\$ (1,083,400)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation		40,338	40,338
Capital Lease Principle		(46,234)	(46,234)
(Increase) Decrease in Accounts Receivable	3,715	929,918	933,633
(Increase) Decrease in Interfund Receivable		14,746	14,746
Increase (Decrease) in Accounts Payable	(2,561)	(12,177)	(14,738)
Increase (Decrease) in Interfund Payable	5,246	3,008	8,254
Increase (Decrease) in Accrued Interest Payable		(570)	(570)
Increase (Decrease) in Unearned Revenue			
Total Adjustments	6,400	929,029	935,429
Net Cash Provided by (Used for) Operating Activities	\$ (179,443)	\$ 31,472	\$ (147,971)

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, 2019**

	<b>Memorial Expendable Trust</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,102	\$ 317,770
	<hr/>	<hr/>
Total Assets	1,102	317,770
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Payable to Student Groups		38,440
Payroll Deductions and Withholdings		223,866
Flexible Spending		27,862
Interfund Payable		27,602
		<hr/>
Total Liabilities		\$ 317,770
		<hr/> <hr/>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims and Other Purposes	\$ 1,102	
	<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, 2019**

	<u>Memorial Expendable Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Plan member	
Interest Income	\$ 3
Total additions	<u>3</u>
<b>DEDUCTIONS</b>	
Withdrawals from Investments	
Total Deductions	<u>          </u>
Change in Net Position	<u>3</u>
Net Position—Beginning of the Year	1,099
Net Position—End of the Year	<u>\$ 1,102</u>

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019 was 241 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. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. The adoption of GASB 83 is not expected to impact the financial statements of the School District.
- 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The adoption of GASB 88 is not expected to impact the financial statements of the School District.
- 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. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. The Board 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, 2019**

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

**New Accounting Standards (Cont'd):**

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

- 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. The requirements of Statement will be effective for reporting periods beginning after December 15, 2019. The Board is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.
- 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. 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. 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.
- GASB Statement - No. 91 – *Conduit Debt Obligations*: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is evaluating the potential impact of the adoption of GASB 91 on the School District's financial statements.

**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.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**A. Basis of Presentation (Cont'd)**

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.

**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.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**B. Fund Accounting (Cont'd):**

**GOVERNMENTAL FUND TYPE (CONT'D)**

**General Fund (Cont'd)** - 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:

**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.



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**B. Fund Accounting (Cont'd):**

**PROPRIETARY FUND TYPE (CONT'D)**

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

The district does not maintain an internal service fund.

**FIDUCIARY FUND TYPE**

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

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

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

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

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**C. Basis of Accounting and Measurement Focus:**

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

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

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

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

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

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**D. Budgets/Budgetary Control:**

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

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

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

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

**E. Encumbrances:**

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

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

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**F. Tuition Receivable:**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The tuition adjustments related to the 2014-15 and 2015-16 fiscal years were computed based on the certified rates as provided by the New Jersey Department of Education and invoiced to the various sending districts. The district will recognize this adjustment in the next school year.

**G. Tuition Payable:**

Tuition charges for the fiscal years 2017-18 and 2018-19 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, 2019.

**I. Short -Term Interfund Receivables/Payables:**

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

**J. Assets, Liabilities and Equity:**

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

Inventories - On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

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 received \$4,098 in federal commodities during the 2018-2019 school year.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2019 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the general fixed assets account group. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Assets in the general fixed assets account group are not depreciated.

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

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

**K. Compensated Absences:**

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, 2019, a liability existed for compensated absences in the General Fund of \$767,936 and none in the Food Service Fund.

**L. Unearned Revenue:**

Unearned revenue represents cash that has been received but not yet earned.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**M. Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**N. Allocation of Indirect Expenses:**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are not reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**O. Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**P. Long-term Obligations:**

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

**Q. Other Fund Equity:**

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

**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.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**S. Management Estimates:**

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

**T. Accrued Liabilities and Long-term Obligations:**

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

**U. Net Position:**

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

Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

**V. Fund Balance Reserves:**

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

**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.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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

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

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

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

**X. Lease Acquisition Costs:**

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

**NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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

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

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

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. Although the School does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2019, the School District's bank balance of \$4,888,246 was exposed to custodial credit risk as follows:

Insured	\$	250,000
Uninsured and collateralized with securities held by pledging financial institutions		4,638,246
	\$	4,888,246

**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, 2019, the District had no funds on deposit with the New Jersey Cash Management Fund.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4. RESERVE ACCOUNTS**

**Capital Reserve** - 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, 2019.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<b>Beginning Balance 7/1/2018</b>	<b>Additions</b>	<b>Adjustments/ Retirements</b>	<b>Ending Balance 6/30/2019</b>
<b>Governmental activities:</b>				
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	233,886			233,886
Building and Building Improvements	9,535,022	58,540		9,593,562
Machinery and Equipment	421,534			421,534
Totals at Historical Cost	<u>10,190,442</u>	<u>58,540</u>		<u>10,248,982</u>
Less Accumulated Depreciation for :				
Land Improvements	(101,599)	(11,089)		(112,688)
Building and Improvements	(4,928,612)	(243,952)		(5,172,564)
Equipment	(291,218)	(19,230)		(310,448)
Total Accumulated Depreciation	<u>(5,321,429)</u>	<u>(274,271)</u>		<u>(5,595,700)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	4,869,013	(274,271)		4,653,282
<b>Government activities capital assets, net</b>	<u>\$ 4,919,013</u>	<u>\$ (215,731)</u>	\$	<u>\$ 4,703,282</u>
				<b>To A-1</b>

Depreciation expense was charged to governmental functions as follows:

		Unallocated		\$ 274,271
<b>Business-Type Activities - Equipment</b>	\$ 387,600		\$	\$ 387,600
Less Accumulated Depreciation for :	(115,514)	(40,338)		(155,852)
Business-Type Activities Capital Assets - Net	<u>\$ 272,086</u>	<u>\$ (40,338)</u>	\$	<u>\$ 231,748</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6. LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2019, the following changes occurred in long-term obligations:

	Beginning Balance 7/1/2018	Additions	Reductions	Ending Balance 6/30/2019	Amounts Due within One Year	Long-term Portion
<b>Governmental Activities:</b>						
Capital Lease payable:						
Other Liabilities:						
Compensated absences payable	\$ 180,965	\$ 586,971		\$ 767,936		\$ 767,936
Net Pension Liability	8,544,246		\$ (900,575)	7,643,671		7,643,671
Total Other Liabilities	<u>\$ 8,725,211</u>	<u>\$ 586,971</u>	<u>\$ (900,575)</u>	<u>\$ 8,411,607</u>	<u>\$</u>	<u>\$ 8,411,607</u>
<b>Business-Type Activities:</b>						
Capital Lease payable:	<u>\$ 192,416</u>		<u>\$ (46,234)</u>	<u>\$ 146,182</u>	<u>\$ 47,459</u>	<u>\$ 98,723</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
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>\$ 3,760,000</u>	<u>\$ 656,906</u>	<u>\$ 4,416,906</u>

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.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6. LONG-TERM OBLIGATIONS (CONT'D)**

**B. Capital Leases**

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
2020	\$ 47,459	\$ 3,874	\$ 51,333
2021	48,716	2,616	51,332
2022	50,007	1,325	51,332
	\$ 146,182	\$ 7,815	\$ 153,997

**NOTE 7. OPERATING LEASES**

Three classrooms and related facilities are currently rented at the Upper Pittsgrove School for the period of July 1, 2019 to June 30, 2020, at a total cost of \$54,760.

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, 2019 through June 30, 2020, at a cost of \$116,760.

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

Year Ending June 30	Amount
2019-20	\$ 21,788
2020-21	21,788
2021-22	10,129
2022-23	4,462
Total	\$ 58,167

**NOTE 8. MAINTENANCE RESERVE**

New Jersey Statute 18A:7G-9 permits school districts to accumulate funds for the required maintenance of a facility in accordance with EFCFA. The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities projects, Districts are required to submit a plan for maintenance of that facility. As of June 30, 2019, the District's maintenance reserve balance was \$100,001.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 9. PENSION PLANS**

**Description of Plans** - Eligible employees of the School District can be covered by Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), or Defined Contribution Retirement Program (DCRP). PERS and TPAF are administered by the New Jersey Division of Pension and Benefits (NJDPB) and the DCRP is jointly administered by Prudential and NJDPB. The NJDPB issues publicly available financial reports that include financial statements and required supplementary information for the systems. These reports may be obtained online at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

**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.

The following represents the membership tiers for PERS:

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.

**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. The PERS member total contribution rate as of July 1, 2018 was 7.5% of base salary. The District employees' contributions for the year ended June 30, 2019 were 213,845. Employers in PERS are required to contribute at an actuarially determined rate which includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The PERS employer rate due in 2019 is 13.37% of covered payroll. The District is billed annually for its normal contribution plus any accrued liability. These contributions were paid by the District and equal to the required contributions for each year. The District's contributions to PERS for the years ended June 30, 2019, and 2018, were \$390,328 and \$352,715 respectively. The total payroll for the year ended June 30, 2019 was \$10,622,716. Payroll covered by PERS was \$2,844,511 for fiscal year 2019.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Public Employees' Retirement System (Cont'd)**

**Components of Net Pension Liability** - At June 30, 2019, the District's proportionate share of the PERS net pension liability was \$7,643,671. The net pension liability was measured as of June 30, 2018. 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, 2018. The District's proportion measured as of June 30, 2018 was 0.038821% which was an increase of 0.00212% from its proportion measured as of June 30, 2017.

**Pension Expense and Deferred Outflows/Inflows of Resources** - The District's 2019 PERS pension expense, with respect to GASB 68, was \$998,802. The District's 2019 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 145,766	\$ 39,413
Changes of assumptions	1,259,550	2,444,039
Net difference between projected and actual earnings on pension plan investments		71,698
Changes in proportion	1,420,596	
Contributions subsequent to the measurement date	390,328	
<b>Total</b>	<b>\$ 3,216,240</b>	<b>\$ 2,555,150</b>

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
2020	\$	474,554
2021		284,648
2022		(315,959)
2023		(230,984)
2024		58,503
Thereafter		
<b>Total</b>	<b>\$</b>	<b>270,762</b>

**Additional Information** - Collective Balances at June 30, 2019 and 2018 are as follows:

Year		2019		2018
Collective deferred outflows of resources	\$	3,216,240	\$	3,851,771
Collective deferred inflows of resources	\$	2,555,150	\$	1,715,060
Collective Net Pension Liability	\$	7,643,671	\$	8,544,246
District's Proportion		0.038821%		0.036705%

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Public Employees' Retirement System (Cont'd)**

**Actuarial Assumptions** - The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<b>PERS</b>
Measurement Date	June 30, 2018
Actuarial Valuation Date	July 1, 2017
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.

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, 2017 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, 2018 are summarized in the following table:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Public Employees' Retirement System (Cont'd)**

**Long-Term Expected Rate of Return (Cont'd)**

Asset Class	PERS Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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%	

**Discount Rate** - The discount rate, as of June 30, 2018, used to measure the total pension liability was 5.66% 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 3.87% as of June 30, 2018 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 50% 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 2046 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 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, 2018, 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 (4.66%) or 1-percentage-point higher (6.66%) than the current rate:



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Public Employees' Retirement System (Cont'd)**

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate (Cont'd)-**

	<u>1% Decrease (4.66%)</u>	<u>Current Discount (5.66%)</u>	<u>1% Increase (6.66%)</u>
District's Proportionate Share of the Net Pension Liability	\$ <u>9,611,036</u>	\$ <u>7,643,671</u>	\$ <u>5,993,178</u>

**Teachers' Pension and Annuity Fund**

The State of New Jersey Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special funding situation that was established in 1955. 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.

The following represents the membership tiers for 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.

**Special Funding Situation** - The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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. The member contribution rate was 7.5% in as of July 1, 2018. 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 2018, the State's pension contribution was less that 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, 2019 because of the 100% special funding situation with the State of New Jersey.

During the fiscal year ended June 30, 2019, the State of New Jersey contributed \$936,525 to the TPAF for pension contributions, \$424,806 for post-retirement benefits on behalf of the School, and \$1,840 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$372,005 during the year ended June 30, 2019 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, 2019, 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.

**Pension Expense** - For the year ended June 30, 2019, the District recognized pension expense of \$1,868,076 and revenue of \$1,868,076 for support provided by the State.

**Actuarial Assumptions** - The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<b>TPAF</b>
Measurement Date	June 30, 2018
Actuarial Valuation Date	July 1, 2017
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.55% - 4.55%
Thereafter	2.00% - 5.45%
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, 2018 are summarized in the following table:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Teachers' Pension and Annuity Fund (Cont'd)**

**Long-Term Expected Rate of Return (Cont'd) –**

Asset Class	TPAF	
	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%	

**Discount Rate** - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2018. 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, 2018 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** - The following presents the collective net pension liability of the participating employers as of June 30, 2019, 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 (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Teachers' Pension and Annuity Fund (Cont'd)**

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate (Cont'd) –**

	<u>1% Decrease</u> <u>(3.86%)</u>	<u>Current</u> <u>Discount</u> <u>(4.86%)</u>	<u>1% Increase</u> <u>(5.86%)</u>
State's Share of the Net Pension Liability associated with the District	\$ 37,988,095	\$ 32,044,398	\$ 27,290,873
State's Share of the Net Pension Liability	<u>\$ 75,417,894,537</u>	<u>\$ 63,806,350,446</u>	<u>\$ 54,180,663,328</u>

**Defined Contribution Retirement Program (DCRP)**

**The Defined Contribution Retirement Program (DCRP)** is a multiple-employer defined contribution pension fund that was established in 2007 under the provisions of N.J.S.A 43:15C-1. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and long-term disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The following represents the individuals eligible for membership in the DCRP:

Eligibility

1. State or Local Officials who are elected or appointed on or after July 1, 2007
2. Employees enrolled in the PERS or TPAF on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits
3. Employees enrolled in the PFRS or SPRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits
4. Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually
5. Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually

**Contributions** – The contribution policy is set by N.J.S.A 43:15C-3 and requires contributions by active members and contributing employers. Plan members are required to contribute 5.5% of their base salary and the District's employer match is an additional 3% contribution. For the year ended June 30, 2019, employee contributions totaled \$31,236 and the District's employer contribution, recognized in pension expense, was \$17,037. There were no forfeitures during the fiscal year.

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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.

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.

As of June 30, 2017, the Local Education Retired Plan had 99,686 Inactive employees or beneficiaries currently receiving benefit payments and 224,418 Active employees.

**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, 2019**

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

**Total OPEB Liability**

The State of New Jersey's total OPEB liability, as of the measurement date of June 30, 2018, was \$46,110,832,982. Of this amount, the total OPEB liability attributable to the School District was \$19,234,058. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the School District of 0.04171%. The total OPEB liability for the School District measured as of June 30, 2018 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, 2018 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, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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:

	<b>TPAF/ABP</b>	<b>PERS</b>	<b>PFRS</b>
Inflation Rate	2.50%	2.50%	2.50%
	Based on	Based on	Based on
Salary Increases:	Years of Service	Age	Age
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%

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, 2017 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.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of all active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**Health Care Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven 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, 2018 was 3.87%. 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.

**Changes in the Total OPEB Liability**

	<b><u>Total OPEB Liability</u></b>
<b>State of New Jersey</b>	
<b>Balance as of June 30, 2017 Measurement Date</b>	<b>\$ 53,639,841,858</b>
Changes for the year:	
Service Cost	1,984,642,729
Interest	1,970,236,232
Changes of Benefit Terms	
Differences between Expected and Actual	(5,002,065,740)
Changes of Assumptions	(5,291,448,855)
Benefit Payments	(1,232,987,247)
Contributions from Members	42,614,005
<b>Net Changes</b>	<b>(7,529,008,876)</b>
<b>Balance as of June 30, 2018 Measurement Date</b>	<b>\$ 46,110,832,982</b>

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

The following presents the total nonemployer OPEB liability as of June 30, 2018, 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:

	<b><u>June 30, 2018</u></b>		
	<b><u>At 1.00% Decrease</u></b>	<b><u>At Discount Rate</u></b>	<b><u>At 1.00% Increase</u></b>
	2.87%	3.87%	4.87%
<b>\$</b>	<b>54,512,391,175</b>	<b>46,110,832,982</b>	<b>39,432,461,816</b>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**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, 2018, 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:

<b>June 30, 2018</b>		
	Healthcare Cost Trend Rate	
1.00% Decrease		1.00% Increase
\$ 38,113,289,045	46,110,832,982	56,687,891,003

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$1,844,413. The School District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$	\$ 1,867,095
Changes of Assumptions		4,311,412
Net difference Between Projected and Actual Earnings on OPEB Plan Investments		
Changes in Proportion	526,797	1,826,837
Contributions Subsequent to the Measurement Date		
Total	\$ 526,797	\$ 8,005,344

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
2019	\$	(909,031)
2020		(909,031)
2021		(909,031)
2022		(909,031)
2023		(909,031)
Thereafter		(2,933,392)
Total	\$	(7,478,547)



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 11. 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 12. 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>
2018-2019	\$ 17,017	\$ 84,643	\$ 101,660	\$ -0-
2017-2018	30,966	28,389	59,355	-0-
2016-2017	38,692	25,757	64,449	-0-

**NOTE 13. LITIGATION**

The District is from time to time involved in claims and lawsuits incidental to its operations. Per confirmation by the District's legal counsel, there are no pending litigations, claims, assessments of contingent liability against the District.

**NOTE 14. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 33,742	\$ 298,202
Special Revenue		5,233
Enterprise Funds	316,931	19,636
Trust and Agency Fund		27,602
Total	\$ <u>350,673</u>	\$ <u>350,673</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 15. FUND BALANCE APPROPRIATED**

Of the \$2,739,475 General Fund balance at June 30, 2019, \$0 is assigned for encumbrances; \$100,001 is restricted for Maintenance Reserve; \$350,000 is assigned for subsequent year's expenditures and appropriated in the 2019-20 budget and \$2,289,474 is unrestricted and unassigned.

**NOTE 16. DEFICIT IN UNRESTRICTED NET POSITION**

The governmental activities had a deficit in unrestricted Net Position of \$5,111,043, shown on Exhibit A-1, as of June 30, 2019. 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.

**NOTE 17. CALCULATION OF EXCESS SURPLUS**

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

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

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

**NOTE 19. ACCOUNTS RECEIVABLES**

Accounts Receivables at June 30, 2019 consisted of fees, tuition and grants are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>
Receivables:			
State	\$ 17,461	\$	\$ 68
Intergovernmental	68,755		180,504
Total	<u>\$ 86,216</u>	<u>\$</u>	<u>\$ 180,572</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 20. 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 21. SUBSEQUENT EVENTS**

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

End of Notes to Financial Statements

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule-General Fund**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Original</u> <u>Actual</u>	<u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>					
<b>Local Sources:</b>					
County Tax Levy	\$ 200,000	\$	\$ 200,000	\$ 200,000	
Tuition from LEA's	8,757,727		8,757,727	8,903,071	145,344
Interest on Investments				20,630	20,630
Interest Earned on Maintenance Reserve	1		1	1	
Unrestricted Miscellaneous Revenues	10,000		10,000	4,592	(5,408)
<b>Total - Local Sources</b>	<b>8,967,728</b>		<b>8,967,728</b>	<b>9,128,294</b>	<b>160,566</b>
<b>State Sources:</b>					
On-behalf TPAF Pension Contribution				936,525	936,525
On-behalf TPAF Post-Retirement Medical Contributions				424,806	424,806
On-behalf TPAF Long-Term Disability				1,840	1,840
Reimbursement TPAF Social Security				372,005	372,005
<b>Total - State Sources</b>				<b>1,735,176</b>	<b>1,735,176</b>
<b>TOTAL REVENUES</b>	<b>8,967,728</b>		<b>8,967,728</b>	<b>10,863,470</b>	<b>1,895,742</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES:</b>					
<b>Special Education:</b>					
<b>Behavioral Disabilities:</b>					
Salaries of Teachers	732,376	7,060	739,436	735,473	3,963
Other Salaries for Instruction	104,668	(17,942)	86,726	55,663	31,063
Purchased Professional - Educational Services	4,000	(2,217)	1,783	1,783	
Purchased Technical Services	4,000	(4,000)			
Other Purchased Services	9,710	(1,445)	8,265	5,999	2,266
General Supplies	15,600	1,121	16,721	16,721	
Textbooks	4,000	(4,000)			
Other Objects	4,000	1,324	5,324	4,296	1,028
<b>Total Behavioral Disabilities</b>	<b>878,354</b>	<b>(20,099)</b>	<b>858,255</b>	<b>819,935</b>	<b>38,320</b>
<b>Multiple Disabilities:</b>					
Salaries of Teachers	806,092	(1)	806,091	691,915	114,176
Other Salaries for Instruction	183,859	(13,172)	170,687	110,265	60,422
Purchased Professional - Educational Services	2,500	1,175	3,675	3,668	7
Other Purchased Services	4,400		4,400	3,212	1,188
General Supplies	30,004	(1,175)	28,829	24,382	4,447
Other Objects		1,555	1,555	946	609
<b>Total Multiple Disabilities</b>	<b>1,026,855</b>	<b>(11,618)</b>	<b>1,015,237</b>	<b>834,388</b>	<b>180,849</b>
<b>Autism:</b>					
Salaries of Teachers	429,972	3,658	433,630	410,458	23,172
Other Salaries for Instruction	237,537	5,498	243,035	240,806	2,229
Purchased Professional - Educational Services	5,000	(1,113)	3,887	3,865	22
Purchased Technical Services	3,202	(2,140)	1,062		1,062
Other Purchased Services	3,460	(770)	2,690	2,528	162
General Supplies	35,057	(10,047)	25,010	23,064	1,946
Other Objects	2,000	1,200	3,200	2,122	1,078
<b>Total Autism</b>	<b>716,228</b>	<b>(3,714)</b>	<b>712,514</b>	<b>682,843</b>	<b>29,671</b>
<b>Preschool Disabilities - Full Time</b>					
Salaries of Teachers	71,129	8,780	79,909	79,909	
Other Salaries for Instruction	19,434	19,657	39,091	39,091	
Other Purchased Services	17,300	(300)	17,000	17,000	
General Supplies	5,000	(4,223)	777	748	29
<b>Total Preschool Disabilities - Full Time</b>	<b>112,863</b>	<b>23,914</b>	<b>136,777</b>	<b>136,748</b>	<b>29</b>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule-General Fund**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Extended School Year</b>					
Salaries of Teachers	\$ 255,000	\$	\$ 255,000	\$ 205,746	\$ 49,254
Salaries of Supervisors of Instruction	4,386		4,386	2,150	2,236
Other Salaries for Instruction	229,500		229,500	191,236	38,264
Other Purchased Services	27,950	(20,270)	7,680	6,763	917
General Supplies	7,250		7,250	6,639	611
<b>Total Extended School Year</b>	<b>524,086</b>	<b>(20,270)</b>	<b>503,816</b>	<b>412,534</b>	<b>91,282</b>
<b>Cognitive - Severe:</b>					
Salaries of Teachers	67,319	(1,412)	65,907	63,983	1,924
Other Salaries for Instruction		1,365	1,365	1,365	
Purchased Professional - Educational Services	2,500	(1,780)	720	719	1
Other Purchased Services	2,100		1,186	1,186	
General Supplies	12,000	(8,645)	3,355	3,265	90
Textbooks	3,125	(3,125)			
Other Objects		650	650	433	217
<b>Total Cognitive Severe</b>	<b>87,044</b>	<b>(13,861)</b>	<b>73,183</b>	<b>70,951</b>	<b>2,232</b>
<b>Total Special Education</b>	<b>3,345,430</b>	<b>(45,648)</b>	<b>3,299,782</b>	<b>2,957,399</b>	<b>342,383</b>
<b>School Sponsored Co-curricular Activities- Instruction</b>					
Salaries	8,000		8,000		8,000
<b>Total School Sponsored Co-curricular Activities- Instruction</b>	<b>8,000</b>		<b>8,000</b>		<b>8,000</b>
<b>Other Instructional Programs - Instruction</b>					
Salaries	529,269	4,518	533,787	532,574	1,213
Purchased Services	138,800		138,800	116,856	21,944
Supplies & Materials	22,949	(11,704)	11,245	11,245	0
Other Objects	4,000	(2,877)	1,123	600	523
<b>Total Other Instruction Programs - Instruction</b>	<b>695,018</b>	<b>(10,063)</b>	<b>684,955</b>	<b>661,275</b>	<b>23,680</b>
<b>Total Instruction</b>	<b>4,048,448</b>	<b>(55,711)</b>	<b>3,992,737</b>	<b>3,618,674</b>	<b>374,063</b>
<b>Undistributed Expenditures:</b>					
<b>Attendance and Social Work Services</b>					
Salaries	29,534	6,600	36,134	35,747	387
<b>Total Attendance and Social Work Services</b>	<b>29,534</b>	<b>6,600</b>	<b>36,134</b>	<b>35,747</b>	<b>387</b>
<b>Health Services:</b>					
Salaries	146,216	675	146,891	137,257	9,634
Purchased Professional and Technical Services	900	189	1,089	1,070	19
Other Purchased Services	3,347	(1,529)	1,818	1,806	12
Supplies and Materials	13,800	(5,400)	8,400	7,984	416
<b>Total Health Services</b>	<b>164,263</b>	<b>(6,065)</b>	<b>158,198</b>	<b>148,117</b>	<b>10,081</b>
<b>Speech, OT, PT &amp; Related Services</b>					
Salaries	630,065	30,085	660,150	609,829	50,321
Purchased Professional Educational Services	2,500	(410)	2,090	2,090	
<b>Total Speech, OT, PT &amp; Related Services</b>	<b>632,565</b>	<b>29,675</b>	<b>662,240</b>	<b>611,919</b>	<b>50,321</b>
<b>Improvement of Instruction Services/Other Support Services- Instructional Staff</b>					
Salaries of Secretarial and Clerical Assistants					
Purchased Professional Educational Services	20,000	10,836	30,836	30,832	4
<b>Total Improvement of Instruction</b>	<b>20,000</b>	<b>10,836</b>	<b>30,836</b>	<b>30,832</b>	<b>4</b>
<b>Educational Media Services: School Library</b>					
Purchased Professional and Technical Services	3,500	(3,500)			
<b>Total Educational Media Services</b>	<b>3,500</b>	<b>(3,500)</b>			

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule-General Fund**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Undistributed Expenditures: (Continued)</b>					
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	\$ 5,000	\$ 12,359	\$ 17,359	\$ 17,206	\$ 153
Other Purchased Services	14,000	(14,000)			
Supplies and Materials	1,000	(950)	50	50	
<b>Total Instructional Staff Training Services</b>	<b>20,000</b>	<b>(2,591)</b>	<b>17,409</b>	<b>17,256</b>	<b>153</b>
<b>Support Services - General Administration:</b>					
Salaries	129,296		127,867	125,388	2,479
Legal Services	27,000	(17,525)	9,475	2,920	6,555
Audit Fees	25,000		13,085	13,085	
Other Purchased Professional Services	22,000	(5,414)	16,586	12,393	4,193
Communication/Telephone	5,000	8,096	13,096	13,059	37
Misc. Purchased Services	41,500	5,653	47,153	47,070	83
General Supplies	4,500	(1,295)	3,205	3,160	45
BOE In-House Training/Meeting Supplies	500	(433)	67	67	
Miscellaneous Expenditures	4,500	1,152	5,652	5,568	84
BOE Membership Dues and Fees	6,000	(821)	5,179	5,179	
<b>Total Support Services - General Administration</b>	<b>265,296</b>	<b>(23,931)</b>	<b>241,365</b>	<b>227,889</b>	<b>13,476</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	231,517	17,249	248,766	244,615	4,151
Salaries of Secretarial and Clerical Assistants	107,879	4,411	112,290	104,421	7,869
Purchased Professional and Technical Services	1,000		1,000	86	914
Other Purchased Services	16,924	(1,535)	15,389	6,608	8,781
Supplies and Materials	10,000		10,000	7,854	2,146
Other Objects	9,300	(450)	8,850	2,840	6,010
<b>Total Support Services - School Administration</b>	<b>376,620</b>	<b>19,675</b>	<b>396,295</b>	<b>366,424</b>	<b>29,871</b>
<b>Central Services</b>					
Salaries	298,017	35,544	333,561	333,561	
Purchased Technical Services	54,000	500	54,500	54,248	252
Miscellaneous Purchased Services	1,500	(200)	1,300	1,299	1
Supplies and Materials	9,500	(4,350)	5,150	4,708	442
Other Objects	750	440	1,190	1,190	
<b>Total Central Services</b>	<b>363,767</b>	<b>31,934</b>	<b>395,701</b>	<b>395,006</b>	<b>695</b>
<b>Admin. Info. Technology</b>					
Salaries	47,348		47,348	47,348	
Purchased Technical Services	20,000	(6,775)	13,225	12,943	282
Other Purchased Services	4,000	(2,612)	1,388	1,328	60
Supplies and Materials	5,000	3,672	8,672	8,431	241
Other Objects	500	437	937	937	
<b>Total Admin. Info. Technology</b>	<b>76,848</b>	<b>(5,278)</b>	<b>71,570</b>	<b>70,987</b>	<b>583</b>
<b>Total Central Services &amp; Admin. Info. Technology</b>	<b>440,615</b>	<b>26,656</b>	<b>467,271</b>	<b>465,993</b>	<b>1,278</b>
<b>Required Maintenance for School Facilities</b>					
Salaries	58,566	5,128	63,694	63,694	
Cleaning, Repair, and Maintenance Services	98,500	(7,913)	90,587	88,729	1,858
General Supplies	11,000	6,500	17,500	15,982	1,518
<b>Total Required Maintenance for School Facilities</b>	<b>168,066</b>	<b>3,715</b>	<b>171,781</b>	<b>168,405</b>	<b>3,376</b>



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule-General Fund**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Undistributed Expenditures: (Continued)</b>					
<b>Operation And Maintenance Of Plant Services:</b>					
Purchased Professional and Technical Services	\$ 14,000	\$ (5,050)	\$ 8,950	\$ 150	\$ 8,800
Cleaning, Repair and Maintenance Services	210,000	20,041	230,041	223,084	6,957
Rental - Other than Lease Purchase Agreements	59,053		59,053	53,685	5,368
Other Purchased Property Services	200		200		200
Insurance	40,000		7,266		7,266
General Supplies	16,000	(11,169)	4,831	2,113	2,718
Energy (Natural Gas)	17,000	(6,500)	10,500	6,922	3,578
Energy (Electricity)	74,000	(374)	73,626	60,321	13,305
Energy (Oil)	30,000	278	30,278	27,137	3,141
<b>Total Operation of Plant Services</b>	<b>460,253</b>	<b>(35,508)</b>	<b>424,745</b>	<b>373,412</b>	<b>51,333</b>
<b>Care and Upkeep of Grounds</b>					
Cleaning, Repair and Maintenance Services	9,000	(4,498)	4,502	1,973	2,529
<b>Total Operation And Maintenance of Plant Services</b>	<b>637,319</b>	<b>(36,291)</b>	<b>601,028</b>	<b>543,790</b>	<b>57,238</b>
<b>Student Transportation Services</b>					
Lease Purchase Payments - School Buses	59,188	(59,188)			
Salaries - Other Than between Home and School	55,399	(9,142)	46,257	17,156	29,101
Cont Services-Other than between Home and School		6,493	6,493	2,019	4,474
Miscellaneous Purchased Services - Transportation		50,030	50,030		50,030
<b>Total Student Transportation Services</b>	<b>114,587</b>	<b>(11,807)</b>	<b>102,780</b>	<b>19,175</b>	<b>83,605</b>
<b>Allocated Benefits:</b>					
Health Benefits					
<b>Total Allocated Benefits</b>					
<b>Unallocated Benefits - Employee Benefits:</b>					
Social Security Contributions	254,748	(1)	254,747	230,417	24,330
Other Retirement Contributions - PERS	180,000	(15,819)	164,181	163,867	314
Unemployment Compensation	10,000	91,661	101,661	101,660	1
Workers' Compensation	156,000	(28,950)	127,050	127,050	
Health Benefits	1,615,032	85,553	1,700,585	1,622,928	77,657
Tuition Reimbursements	39,200	(10,877)	28,323	23,500	4,823
Other Employee Benefits	10,000	14,754	24,754	10,843	13,911
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>2,264,980</b>	<b>136,321</b>	<b>2,401,301</b>	<b>2,280,265</b>	<b>121,036</b>
On-behalf TPAF Non-Contributory Insurance (Non-budgeted)				936,525	(936,525)
On-behalf TPAF Postretirement Contributions (Non-budgeted)				424,806	(424,806)
On-behalf TPAF Long-Term Disability (Non-budgeted)				1,840	(1,840)
Reimbursed TPAF Social Security Contributions Not-budgeted)				372,005	(372,005)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>1,735,176</b>	<b>(1,735,176)</b>
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>2,264,980</b>	<b>136,321</b>	<b>2,401,301</b>	<b>4,015,441</b>	<b>(1,614,140)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>4,969,279</b>	<b>145,578</b>	<b>5,114,857</b>	<b>6,482,583</b>	<b>(1,367,726)</b>
Interest Earned on Maintenance	1	(1)			
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>9,017,728</b>	<b>89,866</b>	<b>9,107,594</b>	<b>10,101,257</b>	<b>(993,663)</b>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Special Education Instruction:</b>					
Special Schools - (All Programs)		4,144	4,144		4,144
<b>Total Equipment</b>		<b>4,144</b>	<b>4,144</b>		<b>4,144</b>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Budgetary Comparison Schedule-General Fund**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actual</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
<b>Facilities Acquisition and Construction Services:</b>					
Other Purchased Prof and Tech Services	\$ 80,000	\$ (80,000)	\$	\$	
Construction Services	50,000	8,540	58,540	58,540	
Supplies and Materials	20,000	(20,000)			
<b>Total Facilities Acquisition and Construction Services</b>	<u>150,000</u>	<u>(91,460)</u>	<u>58,540</u>	<u>58,540</u>	
Assets Acquired Under Capital Leases (Non-budget)					
<b>TOTAL CAPITAL OUTLAY</b>	<u>150,000</u>	<u>(87,316)</u>	<u>62,684</u>	<u>58,540</u>	<u>4,144</u>
<b>TOTAL EXPENDITURES</b>	<u>9,167,728</u>	<u>2,550</u>	<u>9,170,278</u>	<u>10,159,797</u>	<u>(989,519)</u>
<b>Excess (Deficiency) of Revenues and Other Over/(Under) Expenditures</b>	<u>(200,000)</u>	<u>(2,550)</u>	<u>(202,550)</u>	<u>703,673</u>	<u>906,223</u>
<b>Other Financing Sources (uses):</b>					
<b>Operating Transfers In/(Out):</b>					
Transfer to Food Service				(89,960)	(89,960)
<b>Total Other Financing Sources (Uses)</b>				<u>(89,960)</u>	<u>(89,960)</u>
<b>Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses</b>	<u>(200,000)</u>	<u>(2,550)</u>	<u>(202,550)</u>	<u>613,713</u>	<u>816,263</u>
<b>Fund Balances, July 1</b>	<u>2,125,762</u>		<u>2,125,762</u>	<u>2,125,762</u>	
<b>Fund Balances, June 30</b>	<u>\$ 1,925,762</u>	<u>\$ (2,550)</u>	<u>\$ 1,923,212</u>	<u>\$ 2,739,475</u>	<u>\$ 816,263</u>
<b>RECAPITULATION</b>					
<b>Restricted Fund Balance:</b>					
Maintenance Reserve				\$ 100,001	
<b>Assigned to:</b>					
Designated for Subsequent Years Expenditures				350,000	
<b>Unassigned Fund Balance</b>				<u>2,289,474</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<u>\$ 2,739,475</u>	

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**AS OF JUNE 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources	\$	\$	\$	\$	\$
State Sources					
Federal Sources					
<b>Total Revenues</b>					
<b>EXPENDITURES:</b>					
Instruction					
<b>Total Instruction</b>					
Support Services					
<b>Total Support Services</b>					
Facilities Acquisition and Construction Services:					
<b>Total Facilities Acquisition and Construction Services</b>					
<b>Total Expenditures</b>					
<b>Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>					
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Expenditures and Other Financing Sources (Uses)</b>	\$	\$	\$	\$	\$

**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, 2019**

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 10,863,470		[C-2] \$ -
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/>			
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 10,863,470		[B-2] \$ -
<hr/>			
<b>Uses/outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 10,159,797		[C-2] \$ -
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/>			
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	[B-2] \$ 10,159,797		[B-2] \$ -
<hr/>			

**REQUIRED SUPPLEMENTARY**  
**INFORMATION PART III**

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System (PERS)**  
**Last Ten Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.038821%	0.036705%	0.035685%	0.031218%	0.024927%	0.022275%
District's Proportionate Share of the Net Pension Liability	\$ 7,643,671	\$ 8,544,246	\$ 10,568,925	\$ 7,007,866	\$ 4,666,980	\$ 4,257,130
District's Covered-Employee Payroll	\$ 2,844,511	\$ 2,699,173	\$ 2,541,161	\$ 2,470,397	\$ 2,207,070	\$ 1,960,265
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	268.72%	316.55%	415.91%	283.67%	211.46%	217.17%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year end measurement date.

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

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Schedule of District Contributions**  
**Public Employees' Retirement System (PERS)**  
**Last Ten Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 390,328	\$ 352,715	\$ 322,451	\$ 268,393	\$ 205,493	\$ 167,835
Contributions in relation to the Contractually Required Contribution	(390,328)	(352,715)	(322,451)	(268,393)	(205,493)	(167,835)
Contribution Deficiency (Excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
District's Covered-Employee Payroll	\$ 2,844,511	\$ 2,699,173	\$ 2,541,161	\$ 2,470,397	\$ 2,207,070	\$ 1,960,265
Contributions as a Percentage of Covered-Employee Payroll	13.72%	13.07%	12.69%	10.86%	9.31%	8.56%

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



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Teachers' Pension and Annuity Fund (TPAF)**  
**Last Ten Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.050370%	0.046634%	0.042760%	0.049653%	0.052290%	0.051708%
District's Proportionate Share of the Net Pension Liability	\$ 32,044,398	\$ 31,442,626	\$ 33,637,659	\$ 31,383,016	\$ 27,947,304	\$ 26,132,864
District's Covered-Employee Payroll	\$ 5,294,290	\$ 5,163,893	\$ 3,479,591	\$ 4,980,916	\$ 4,543,261	\$ 3,975,269
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	605.26%	608.89%	966.71%	630.07%	615.14%	657.39%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year end measurement date.

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

**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**

	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Service Cost	\$ 1,928,725	\$ 2,336,204
Interest Cost	926,606	781,028
Changes of Benefit Terms		
Differences Between Expected and Actual Experiences	(5,117,740)	
Changes of Assumptions	(2,207,204)	(3,713,483)
Member Contributions	17,775	20,640
Gross Benefit Payments	(514,312)	(560,528)
<b>Net Change in Total OPEB Liability</b>	<b>(4,966,150)</b>	<b>(1,136,139)</b>
<b>Total OPEB Liability - Beginning</b>	<b>24,200,208</b>	<b>25,336,347</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 19,234,058</b>	<b>\$ 24,200,208</b>
<b>Covered-Employee Payroll</b>	<b>\$ 8,138,801</b>	<b>\$ 7,863,066</b>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>236.33%</b>	<b>307.77%</b>

Notes to Schedule:

Changes of Benefit Terms: None

Differences Between Expected and Actual Experiences: There is no change in the Total OPEB Liability from June 30, 2016 to June 30, 2017 due to differences in expected and actual experiences. The decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in the census, claims and premiums experience.

Changes in 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. The decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax

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, 2019**

	<b>Totals</b>	
	<u>2019</u>	<u>2018</u>
<b>REVENUES:</b>		
Federal sources	\$	\$
State sources		
Other sources		2,887
Total Revenues		<u>2,887</u>
<b>EXPENDITURES:</b>		
Instruction:		
Purchased Professional ED. Services		2,387
General Supplies		500
Total Instruction		<u>2,887</u>
Support Services - General Administration:		
Total Support Services		
Facilities Acquisition and Construction Services:		
Total Facilities Acquisition and Construction Services		
Total Expenditures	\$	<u>\$ 2,887</u>

## **CAPITAL PROJECTS FUND DETAIL STATEMENT**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

## 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, 2019 AND 2018**

	<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>2019</u>	<u>2018</u>
<b>ASSETS:</b>										
Current Assets:										
Cash and Cash Equivaler \$	176,011	\$ 159,522	\$ 892,679	\$ -	\$	\$ 222,877	\$ 813,786	\$ -	\$ 2,264,875	\$ 2,233,403
Accounts Receivable:										
State								68	68	
Federal								6,332	6,332	
Intergovernmental	32,075	55,270	3,183	13,483			76,493		180,504	1,110,422
Other										3,715
Interfund Receivable		7,502	18,729				290,700		316,931	331,677
<b>Total Current Assets</b>	<b>208,086</b>	<b>222,294</b>	<b>914,591</b>	<b>13,483</b>		<b>222,877</b>	<b>1,180,979</b>	<b>6,400</b>	<b>2,768,710</b>	<b>3,679,217</b>
Fixed Assets:										
Equipment	9,738			33,209			327,280	17,373	387,600	387,600
Less: Depreciation	(9,738)			(33,209)			(95,532)	(17,373)	(155,852)	(115,514)
							231,748		231,748	272,086
<b>Total Assets</b>	<b>208,086</b>	<b>222,294</b>	<b>914,591</b>	<b>13,483</b>		<b>222,877</b>	<b>1,412,727</b>	<b>6,400</b>	<b>3,000,458</b>	<b>3,951,303</b>
<b>LIABILITIES:</b>										
Current Liabilities:										
Accounts Payable						22,545			22,545	37,283
Accrued Interest Payable							1,130		1,130	1,700
Interfund Payable				13,483				6,153	19,636	11,382
Unearned Revenue								247	247	247
Non-current Liabilities										
Due Within One Year							47,459		47,459	46,234
Due Beyond One Year							98,723		98,723	146,182
<b>Total Current Liabilities</b>				<b>13,483</b>			<b>147,312</b>	<b>6,400</b>	<b>189,740</b>	<b>243,028</b>
<b>Net Position:</b>										
Unrestricted	208,086	222,294	914,591			200,332	1,179,849		2,725,152	3,436,189
Invested in Fixed Assets							85,566		85,566	272,086
<b>Total Net Position</b>	<b>\$ 208,086</b>	<b>\$ 222,294</b>	<b>\$ 914,591</b>	<b>\$</b>	<b>\$</b>	<b>\$ 200,332</b>	<b>\$ 1,265,415</b>	<b>\$</b>	<b>\$ 2,810,718</b>	<b>\$ 3,708,275</b>



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
 PROPRIETARY ENTERPRISE FUNDS  
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION  
 AS OF JUNE 30, 2019 AND 2018**

	Child	Related	One on	Nonpublic	Summer	Early	Regional	Food	Totals	
	Study	Services	One	Interlocal	Programs	Intervention	Day	Service	2019	2018
	Team	Fund	Aides	Fund		Program	School	Fund		
<b>OPERATING REVENUES:</b>										
Local Sources:										
Daily sales - reimbursable programs	\$	\$	\$	\$	\$	\$	\$	\$ 8,372	\$ 8,372	\$ 6,691
Daily sales - nonreimbursable programs								1,446	1,446	
Total daily sales - reimbursable programs								9,818	9,818	6,691
N.J. Dept of Human Services - Fees						1,166,276			1,166,276	694,499
Tuition							2,598,148		2,598,148	2,961,718
Services provided other LEAs	718,149	830,873	2,147,902	29,138					3,726,062	3,653,182
Total Operating Revenue	718,149	830,873	2,147,902	29,138		1,166,276	2,598,148	9,818	7,500,304	7,316,090
<b>OPERATING EXPENSES:</b>										
Salaries	620,143	549,356	1,455,696	42,706		877,046	1,981,864	104,842	5,631,653	4,409,297
Employee Benefits	213,617	268,261	964,958			117,936	758,157	9,898	2,332,827	1,886,198
Purchased Professional and Technical Services							9,520		9,520	121,643
Purchased Professional /Educ services							3,965		3,965	340,851
Purchased Professional Services	5,235	7,627					5,645		18,507	24,828
Purchased Property Services	25,000	50,000				11,220	1,856		88,076	88,522
Other Purchased Services	4,592	2,880				28,113	14,083	16,401	66,069	32,678
Communications Telephone		600				600	1,778		2,978	3,109
Cleaning /Repair /Maintenance							135,183	1,995	137,178	155,265
Supplies and Materials	8,651	21,532		350		363	63,055	58,761	152,712	153,838
Travel	2,559	6,401		430					9,390	5,488
Transportation							1,913		1,913	33,881
Other Objects	550	820				2,462	9,926		13,758	20,546
Insurance										13,108
Equipment								3,764	3,764	23,560
Depreciation							40,338		40,338	32,799
Interest Expense							6,229		6,229	
Utilities							64,827		64,827	62,497
Total Operating Expenses	\$ 880,347	\$ 907,477	\$ 2,420,654	\$ 43,486	\$	\$ 1,037,740	\$ 3,098,339	\$ 195,661	\$ 8,583,704	\$ 7,408,108

SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
PROPRIETARY ENTERPRISE FUNDS  
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
AS OF JUNE 30, 2019 AND 2018

	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)	\$ (162,198)	\$ (76,604)	\$ (272,752)	\$ (14,348)		\$ 128,536	\$ (500,191)	\$ (185,843)	\$ (1,083,400)	\$ (92,018)
Non-Operating Revenues:										
State Sources:										
State School Lunch Program								1,016	1,016	1,184
Federal Sources:										
School Breakfast Program								32,784	32,784	34,220
Food Distribution Program								4,098	4,098	
National School Lunch Program								57,985	57,985	65,163
Total Non-Operating Revenues								95,883	95,883	100,567
Transfer			(14,348)	14,348				89,960	89,960	40,074
Net Increase (Decrease) in Net Position	(162,198)	(76,604)	(287,100)			128,536	(500,191)		(897,557)	48,623
Net Position - July 1	370,284	298,898	1,201,691			71,796	1,765,606		3,708,275	3,659,652
Net Position - June 30	\$ 208,086	\$ 222,294	\$ 914,591	\$	\$	\$ 200,332	\$ 1,265,415	\$	\$ 2,810,718	\$ 3,708,275

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**AS OF JUNE 30, 2019 AND 2018**

	Child Study Team	Related Services Fund	One on One Aides	Nonpublic Interlocal Fund	Early Intervention Program	Regional Day School	Food Service Fund	Totals	
								2019	2018
Cash Flows from Operating Activities:									
Receipts from Customers	\$ 806,665	\$ 930,001	\$ 2,550,519	\$ 26,130	\$ 1,166,276	\$ 2,955,559	\$ 13,533	\$ 8,448,683	\$ 7,135,048
Payments to Employees	(620,143)	(549,356)	(1,455,696)	(39,698)	(877,046)	(1,981,864)	(104,842)	(5,628,645)	(4,407,869)
Payments for Employee Benefits	(213,617)	(268,261)	(992,505)		(117,936)	(758,157)	(9,898)	(2,360,374)	(1,882,834)
Payments to Suppliers	(46,587)	(89,860)		(780)	(20,213)	(371,959)	(78,236)	(607,635)	(1,059,695)
Net Cash Provided by (Used for) Operating Activities	(73,682)	22,524	102,318	(14,348)	151,081	(156,421)	(179,443)	(147,971)	(215,350)
Cash from (Used for) Operating Activities- Transfers			(14,348)	14,348			89,960	89,960	
Total Cash Provided by (Used for) Operating Activities	(73,682)	22,524	87,970		151,081	(156,421)	(89,483)	(58,011)	(215,350)
Cash Flows from Noncapital Financing Activities									
State Sources							948	948	1,184
Federal Sources							88,535	88,535	99,383
Net Cash Provided by (Used for) Noncapital Financing Activities							89,483	89,483	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									
Net Cash Provided by (Used for) Investing Activities									
Net Increase (Decrease) in Cash and Cash Equivalents	(73,682)	22,524	87,970		151,081	(156,421)		31,472	(114,783)
Balances - Beginning of Year	249,693	136,998	804,709		71,796	970,207		2,233,403	2,348,186
Balances - End of Year	\$ 176,011	\$ 159,522	\$ 892,679		\$ 222,877	\$ 813,786		\$ 2,264,875	\$ 2,233,403
Operating income (loss)	\$ (162,198)	\$ (76,604)	\$ (272,752)	\$ (14,348)	\$ 128,536	\$ (500,191)	\$ (185,843)	\$ (1,083,400)	\$ (92,018)
Adjustments to reconcile operating income (loss) to cash used by operating activities:									
Depreciation						40,338		40,338	32,799
Capital Lease Principle						(46,234)		(46,234)	(48,829)
Change in assets and liabilities:									
(Increase)/decrease in Accounts Receivable	88,516	99,128	410,871	(3,008)		334,411	3,715	933,633	136,351
(Increase)/decrease in Interfund Receivable			(8,254)			23,000		14,746	(315,670)
Increase/(decrease) in Accounts Payable			(27,547)		22,545	(7,175)	(2,561)	(14,738)	30,271
Increase/(decrease) in Interfund Payable				3,008			5,246	8,254	39,799
Increase/(decrease) in Accrued Interest Payable						(570)		(570)	1,700
Increase/(decrease) in Unearned Revenue									247
Total Adjustments	88,516	99,128	375,070		22,545	343,770	6,400	935,429	(123,332)
Net Cash Provided by (Used for) Operating Activities	\$ (73,682)	\$ 22,524	\$ 102,318	\$ (14,348)	\$ 151,081	\$ (156,421)	\$ (179,443)	\$ (147,971)	\$ (215,350)

## 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, 2019**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	Expendable Trust Funds	Agency		Total 2019	Total 2018
		Student Activity	Payroll		
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,102	\$ 38,440	\$ 279,330	\$ 318,872	\$ 59,889
Total Assets	<u>\$ 1,102</u>	<u>\$ 38,440</u>	<u>\$ 279,330</u>	<u>\$ 318,872</u>	<u>\$ 59,889</u>
<b>LIABILITIES:</b>					
Payroll Deductions & Withholdings	\$	\$	\$ 223,866	\$ 223,866	\$ 24,755
Flexible Spending			27,862	27,862	
Interfund Payable			27,602	27,602	5,804
Due to Student Groups		38,440		38,440	28,231
Total Liabilities		<u>38,440</u>	<u>279,330</u>	<u>317,770</u>	<u>58,790</u>
<b>NET POSITION:</b>					
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 1,102</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,102</u>	<u>\$ 1,099</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**MEMORIAL EXPENDABLE TRUST FUND**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES:</b>		
Local Sources		
Interest on Investments	\$ 3	\$ 2
<b>OPERATING EXPENSES</b>		
Withdrawals		
Operating Income (Loss)	3	2
Net Position - July 1, 2018	1,099	1,097
Net Position - June 30, 2019	\$ 1,102	\$ 1,099

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STUDENT ACTIVITY AGENCY FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Activity</u>	<u>Balance July 1 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable</u>	<u>Balance June 30 2019</u>
Due To Students	\$ 28,231	\$ 19,905	\$ 9,696	\$	\$ 38,440

**SALEM COUNTY SPECIAL SERVICES DISTRICT**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 30,559	\$ 12,240,060	\$ 11,991,289	\$ 279,330
Total Assets	<u>\$ 30,559</u>	<u>\$ 12,240,060</u>	<u>\$ 11,991,289</u>	<u>\$ 279,330</u>
<b>LIABILITIES:</b>				
Payroll Deductions & Withholdings	\$	\$ 5,165,243	\$ 4,941,377	\$ 223,866
Net Payroll		6,958,465	6,958,465	
Flexible Spending	24,755	94,554	91,447	27,862
Interfund Payable	5,804	21,798		27,602
Total Liabilities	<u>\$ 30,559</u>	<u>\$ 12,240,060</u>	<u>\$ 11,991,289</u>	<u>\$ 279,330</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, 2019

<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, 2018</u>	<u>Issued</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2019</u>
2017-18 School Buses	10/22/17	5 yrs	\$ 241,245	2.65%	\$ 192,416	\$	\$ 46,234	\$ 146,182
					<u>\$ 192,416</u>	<u>\$</u>	<u>\$ 46,234</u>	<u>\$ 146,182</u>
					(a)			(a)

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

**STATISTICAL SECTION**

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related De	\$ 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	\$ 4,703,282
Restricted	280,291	264,991	127,734	127,879	100,210	100,000	100,000	100,000	100,000	100,001
Unrestricted (Deficit)	352,606	282,342	201,606	190,537	691,176	(3,311,927)	(3,721,097)	(4,562,145)	(4,562,738)	(5,111,043)
<b>Total Governmental Activities Net Position</b>	<b>\$ 7,389,643</b>	<b>\$ 6,295,742</b>	<b>\$ 6,018,250</b>	<b>\$ 5,728,407</b>	<b>\$ 6,498,366</b>	<b>\$ 2,260,791</b>	<b>\$ 1,684,593</b>	<b>642,438</b>	<b>456,275</b>	<b>\$ (307,760)</b>
<b>Business-Type Activities</b>										
Invested in Capital Assets, Net of Related De	\$ 29,134	\$ 13,150	\$ 4,725	\$	\$	\$	\$ 73,822	63,640	272,086	\$ 85,566
Restricted	4,554	1,050				61,422	61,422			
Unrestricted	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	2,725,152
<b>Total Business-Type Activities Net Position</b>	<b>\$ 1,699,454</b>	<b>\$ 1,103,964</b>	<b>\$ 609,072</b>	<b>\$ 1,027,902</b>	<b>\$ 1,767,867</b>	<b>\$ 3,032,678</b>	<b>\$ 3,083,600</b>	<b>3,659,652</b>	<b>3,708,275</b>	<b>\$ 2,810,718</b>
<b>District-Wide</b>										
Invested in Capital Assets, Net of Related De	\$ 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	\$ 4,788,848
Restricted	284,845	266,041	127,734	127,879	100,210	161,422	161,422	100,000	100,000	100,001
Unrestricted (Deficit)	2,018,372	1,372,106	805,953	1,218,439	2,459,043	(340,671)	(772,741)	(966,133)	(1,126,549)	(2,385,891)
<b>Total District-Wide Net Position</b>	<b>\$ 9,089,097</b>	<b>\$ 7,399,706</b>	<b>\$ 6,627,322</b>	<b>\$ 6,756,309</b>	<b>\$ 8,266,233</b>	<b>\$ 5,293,469</b>	<b>\$ 4,768,193</b>	<b>4,302,090</b>	<b>4,164,550</b>	<b>\$ 2,502,958</b>

Source: CAFR Schedule A-1

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
<b>Governmental activities</b>										
Instruction										
Regular	\$ 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	\$ 3,618,674
Special Education										
Support Services										
Student and Instruction Related Services	277,711	249,218	266,142	621,856	773,586	731,793	670,143	669,862	859,799	843,871
General Administrative Services	99,999	165,842	213,976	136,533	234,695	295,870	194,252	125,722	203,869	227,889
School Administrative Services	213,903	237,011	235,496	387,163	321,197	527,547	335,349	342,288	353,925	366,424
Central Services and Info. Technology	113,430	166,174	196,259	258,205	382,090	326,007	353,085	257,193	343,153	465,993
Plant Operations and Maintenance	613,757	406,797	422,323	450,729	518,957	630,673	445,334	464,383	549,927	543,790
Pupil Transportation	28,911	23,487	63,879	44,474	62,599	48,112	41,301	38,597	25,035	19,175
Employee Benefits	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	7,528,616
Unallocated Depreciation and Amortization	134,182	162,619	196,756	196,756	280,675	269,262	274,153	272,781	276,563	274,271
<b>Total Governmental Activities Expenses</b>	<b>4,610,779</b>	<b>5,083,496</b>	<b>5,757,131</b>	<b>6,328,736</b>	<b>7,776,501</b>	<b>10,196,766</b>	<b>10,705,463</b>	<b>12,625,946</b>	<b>14,399,104</b>	<b>13,888,703</b>
<b>Business-Type Activities</b>										
Food Service	60,405	73,682	73,800	84,634	112,827	71,996	91,749	97,527	169,029	195,661
Other Enterprise	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	8,388,043
<b>Total Business-Type Activities Expense</b>	<b>6,956,677</b>	<b>7,272,350</b>	<b>6,493,893</b>	<b>7,257,115</b>	<b>6,066,388</b>	<b>6,102,987</b>	<b>7,232,498</b>	<b>6,725,435</b>	<b>7,408,108</b>	<b>8,583,704</b>
<b>Total District Expenses</b>	<b>\$ 11,567,456</b>	<b>\$ 12,355,846</b>	<b>\$ 12,251,024</b>	<b>\$ 13,585,851</b>	<b>\$ 13,842,889</b>	<b>\$ 13,842,889</b>	<b>\$ 17,937,961</b>	<b>\$ 19,351,381</b>	<b>\$ 21,807,212</b>	<b>\$ 22,472,407</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Operating Grants and Contributions	\$ 611,956	\$ 693,365	\$ 916,594	\$ 1,092,617	\$ 948,873	\$ 805,777	\$ 2,713,691	\$ 3,334,393	\$ 5,378,664	\$ 4,086,334
<b>Total Governmental Activities Program Revenues</b>	<b>611,956</b>	<b>693,365</b>	<b>916,594</b>	<b>1,092,617</b>	<b>948,873</b>	<b>805,777</b>	<b>2,713,691</b>	<b>3,334,393</b>	<b>5,378,664</b>	<b>4,086,334</b>
<b>Business-Type Activities</b>										
Charges for Services										
Food Service	7,214	6,903	7,843	5,416	6,332	6,143	9,701	6,959	6,691	9,818
Other Enterprise	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	7,490,486
Operating Grants and Contributions	42,865	56,597	61,030	59,374	55,709	72,681	101,652	85,833	100,567	95,883
<b>Total Business-Type Activities Program Revenues</b>	<b>6,627,238</b>	<b>6,868,653</b>	<b>5,981,494</b>	<b>7,671,489</b>	<b>6,777,481</b>	<b>7,560,428</b>	<b>7,548,388</b>	<b>7,692,089</b>	<b>7,416,657</b>	<b>7,596,187</b>
<b>Total District Program Revenues</b>	<b>\$ 7,239,194</b>	<b>\$ 7,562,018</b>	<b>\$ 6,898,088</b>	<b>\$ 8,764,106</b>	<b>\$ 7,726,354</b>	<b>\$ 8,366,205</b>	<b>\$ 10,262,079</b>	<b>\$ 11,026,482</b>	<b>\$ 12,795,321</b>	<b>\$ 11,682,521</b>
<b>Net (Expense)/Revenue</b>										
<b>Governmental Activities</b>	<b>\$ (3,998,823)</b>	<b>\$ (4,390,131)</b>	<b>\$ (4,840,537)</b>	<b>\$ (5,236,119)</b>	<b>\$ (6,827,628)</b>	<b>\$ (9,390,989)</b>	<b>\$ (7,991,772)</b>	<b>\$ (9,291,553)</b>	<b>\$ (9,020,440)</b>	<b>\$ (9,802,369)</b>
<b>Business-Type Activities</b>	<b>(329,439)</b>	<b>(403,697)</b>	<b>(512,399)</b>	<b>414,374</b>	<b>711,093</b>	<b>1,457,441</b>	<b>315,890</b>	<b>966,654</b>	<b>8,549</b>	<b>(987,517)</b>
<b>Total District-Wide Net Expense</b>	<b>\$ (4,328,262)</b>	<b>\$ (4,793,828)</b>	<b>\$ (5,352,936)</b>	<b>\$ (4,821,745)</b>	<b>\$ (6,116,535)</b>	<b>\$ (7,933,548)</b>	<b>\$ (7,675,882)</b>	<b>\$ (8,324,899)</b>	<b>\$ (9,011,891)</b>	<b>\$ (10,789,886)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities</b>										
Property Taxes Levied for General Purposes, Net	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000	\$ 300,000	\$ 250,000	\$ 200,000
Tuition Received	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	8,903,071
Investment Earnings	7,004	3,860	2,744	1,513	2,098	3,531	4,132	4,358	6,194	20,631
Shared Services Revenue				127,847						
Miscellaneous Income	14,856	17,915	25,052	14,800	30,475	1,506,866	19,666	86,090	32,363	4,592
Fixed Assets Adjustment		(879,352)			467,767					
Transfers	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968	390,602	(40,074)	(89,960)
<b>Total Governmental Activities</b>	<b>3,885,884</b>	<b>3,296,230</b>	<b>4,563,045</b>	<b>4,946,276</b>	<b>7,597,587</b>	<b>9,242,709</b>	<b>7,415,574</b>	<b>8,249,398</b>	<b>8,834,277</b>	<b>9,038,334</b>
<b>Business-Type Activities</b>										
Prior Year Revenue Adjustment	(9,864)	(11,033)	7,639							
Transfer	(137,501)	(180,760)	9,868	4,456	28,872	(192,630)	(192,630)	(390,602)	40,074	89,960
<b>Total Business-Type Activities</b>	<b>(147,365)</b>	<b>(191,793)</b>	<b>17,507</b>	<b>4,456</b>	<b>28,872</b>	<b>(192,630)</b>	<b>(192,630)</b>	<b>(390,602)</b>	<b>40,074</b>	<b>89,960</b>
<b>Total District-Wide</b>	<b>\$ 3,738,519</b>	<b>\$ 3,104,437</b>	<b>\$ 4,580,552</b>	<b>\$ 4,950,732</b>	<b>\$ 7,626,459</b>	<b>\$ 9,050,079</b>	<b>\$ 7,222,944</b>	<b>\$ 7,858,796</b>	<b>\$ 8,874,351</b>	<b>\$ 9,128,294</b>
<b>Change in Net Position</b>										
<b>Governmental Activities</b>	<b>\$ (112,939)</b>	<b>\$ (1,093,901)</b>	<b>\$ (277,492)</b>	<b>\$ (289,843)</b>	<b>\$ 769,959</b>	<b>\$ (148,280)</b>	<b>\$ (576,198)</b>	<b>\$ (1,042,155)</b>	<b>\$ (186,163)</b>	<b>\$ (764,035)</b>
<b>Business-Type Activities</b>	<b>(476,804)</b>	<b>(595,490)</b>	<b>(494,892)</b>	<b>418,830</b>	<b>739,965</b>	<b>1,264,811</b>	<b>123,260</b>	<b>576,052</b>	<b>48,623</b>	<b>(897,557)</b>
<b>Total District-Wide</b>	<b>\$ (589,743)</b>	<b>\$ (1,689,391)</b>	<b>\$ (772,384)</b>	<b>\$ 128,987</b>	<b>\$ 1,509,924</b>	<b>\$ 1,116,531</b>	<b>\$ (452,938)</b>	<b>\$ (466,103)</b>	<b>\$ (137,540)</b>	<b>\$ (1,661,592)</b>

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)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Restricted	\$ 157,811	\$ 100,000	\$ 100,000	\$	\$	\$	\$	\$	\$	\$
Maintenance Reserve				100,000	100,000	100,000	100,000	100,000	100,000	100,001
Assigned:										
Year-end Encumbrances				145	210	6,232	531	1,400	2,550	
Subsequent Year's Expenditures									200,000	350,000
Unrestricted - Unassigned	339,065	356,967	310,441	190,537	786,539	1,017,753	1,038,466	1,317,898	1,823,212	2,289,474
<b>Total General Fund</b>	<b>\$ 496,876</b>	<b>\$ 456,967</b>	<b>\$ 410,441</b>	<b>\$ 290,682</b>	<b>\$ 886,749</b>	<b>\$ 1,123,985</b>	<b>\$ 1,138,997</b>	<b>\$ 1,419,298</b>	<b>\$ 2,125,762</b>	<b>\$ 2,739,475</b>
All Other Governmental Funds										
Restricted	\$ 114,762	\$ 114,762	\$	\$	\$	\$	\$			\$
Unrestricted, Reported in:										
Special Revenue Fund										
Capital Projects Fund	65,529	50,229	27,734	27,734						
<b>Total All Other Governmental Funds</b>	<b>\$ 180,291</b>	<b>\$ 164,991</b>	<b>\$ 27,734</b>	<b>\$ 27,734</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>			<b>\$</b>

Source: CAFR Schedule B-1

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
County Tax Levy	\$ 305,000	\$ 305,000	\$ 305,000	\$ 275,000	\$ 241,875	\$ 353,000	\$ 453,000	\$ 300,000	\$ 250,000	\$ 200,000
Tuition Charges	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	8,903,071
Interest Earnings	7,004	3,860	2,744	1,513	2,098	3,531	4,132	4,358	6,194	20,631
Shared Services Revenue				127,847						
Miscellaneous	19,380	21,845	25,072	19,451	32,431	6,154	33,154	16,109	32,363	4,592
State Sources	594,233	673,773	872,592	1,087,966	906,807	1,041,058	1,125,049	1,319,372	1,610,431	1,735,176
Federal Sources	13,199	15,662	43,982		40,110	30,048	1,291			
<b>Total Revenues</b>	<b>4,360,339</b>	<b>4,688,187</b>	<b>5,489,507</b>	<b>6,043,349</b>	<b>8,107,565</b>	<b>8,813,103</b>	<b>8,290,434</b>	<b>9,108,187</b>	<b>10,484,782</b>	<b>10,863,470</b>
<b>Expenditures</b>										
Instruction										
Regular										
Special Education Instruction	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	3,618,674
Support Services										
Student and Instruction Related Services	277,711	249,218	266,142	621,856	773,586	731,793	670,143	669,862	859,799	843,871
General Administrative Services	99,999	165,842	213,976	136,533	234,695	295,870	194,252	125,722	203,869	227,889
School Administrative Services	213,903	237,011	235,496	387,163	321,197	527,547	333,349	342,288	353,925	366,424
Central Services	100,148	120,192	159,464	207,230	303,466	265,254	256,149	211,707	278,895	395,006
Administrative Information Tech, Serv	13,282	45,982	36,795	50,975	78,624	60,753	96,936	45,486	64,258	70,987
Plant Operations and Maintenance	613,757	406,797	422,323	450,729	518,957	630,673	444,725	464,992	543,078	543,790
Pupil Transportation	28,911	23,487	63,879	44,474	62,599	48,112	41,301	32,880	25,035	19,175
Unallocated Employee Benefits	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	4,015,441
Capital Outlay	310,217	33,634	137,257		27,734	35,000	234,953	43,136	94,955	58,540
<b>Total Expenditures</b>	<b>4,791,049</b>	<b>4,924,156</b>	<b>5,663,422</b>	<b>6,158,652</b>	<b>7,510,360</b>	<b>8,575,867</b>	<b>8,686,218</b>	<b>9,300,634</b>	<b>9,738,244</b>	<b>10,159,797</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(430,710)	(235,969)	(173,915)	(115,303)	597,205	237,236	(377,784)	(192,447)	746,538	703,673
<b>Other Financing Sources (Uses)</b>										
Bond & Capital Lease Proceeds										
Cancellation of Prior Year Receivables							127,828			
Transfers	137,501	180,760	(9,868)	(4,456)	(28,872)		264,968	390,602	(40,074)	(89,960)
<b>Total Other Financing Sources (Uses)</b>	<b>137,501</b>	<b>180,760</b>	<b>(9,868)</b>	<b>(4,456)</b>	<b>(28,872)</b>	<b></b>	<b>392,796</b>	<b>472,748</b>	<b>(40,074)</b>	<b>(89,960)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (293,209)</b>	<b>\$ (55,209)</b>	<b>\$ (183,783)</b>	<b>\$ (119,759)</b>	<b>\$ 568,333</b>	<b>\$ 237,236</b>	<b>\$ 15,012</b>	<b>280,301</b>	<b>706,464</b>	<b>\$ 613,713</b>
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0.0%

Source: CAFR Schedule B-2

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

<b>Fiscal Year Ended June 30,</b>	<b>Interest on Investments</b>	<b>Tuition Revenue</b>	<b>Rent</b>	<b>Refund of Prior Year Expenditure</b>	<b>Shared Service Revenue</b>	<b>Misc.</b>	<b>Total</b>
2019	\$ 20,631	\$ 8,903,071	\$	\$	\$	\$ 4,592	\$ 8,928,294
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

Source: District Records



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

<u>Year</u>	<u>Population</u> <sup>a</sup>	<u>Personal Income (thousands of dollars)</u> <sup>b</sup>	<u>Per Capita Personal Income</u> <sup>c</sup>	<u>Unemployment Rate</u> <sup>d</sup>
2019	** 62,480	\$ 2,847,559,114	\$ 45,576	5.3%
2018	62,607	2,957,441,424	47,238	5.4%
2017	62,838	2,965,388,058	47,191	7.0%
2016	63,189	2,876,995,170	45,530	7.0%
2015	63,720	2,866,699,080	44,989	7.1%
2014	64,328	2,771,636,208	43,086	8.2%
2013	64,789	2,722,822,514	42,026	8.8%
2012	65,410	2,724,391,910	41,651	11.0%
2011	65,866	2,757,150,760	41,860	10.8%
2010	65,976	2,667,013,824	40,424	7.4%

**Source:**

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

<sup>b</sup> Personal income

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

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

\*\* Estimates

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

<u>Function/Program</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>2019</u>
Instruction										
Regular	1	2	3	3	3	3	3	3	3	14
Special education	16	20	21	21	21	25	25	25	25	35
Other special education	27	27	26	26	26	30	30	30	30	7
Vocational										
Other instruction										
Support Services:										
Tuition										
Student & instruction related services	20	20	20	20	20	22	22	22	24	104
General administrative services	1	1	1	1	1	1	1	1	1	1
School administrative services	2	2	2	2	2	3	3	3	3	4
Business administrative services	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	5.5
Plant operations and maintenance			2	2	2	1	1	1	1	2
Pupil transportation										1
Food Service										2
<b>Total</b>	<u>69.5</u>	<u>74.5</u>	<u>77.5</u>	<u>77.5</u>	<u>77.5</u>	<u>87.5</u>	<u>87.5</u>	<u>87.5</u>	<u>89.5</u>	<u>175.5</u>

**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 <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio					Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Behavioral Disability	Emotionally Disturbed	Cognitive - Severe	Autistic	Multi-Handicapped				
2019	241	\$ 10,101,257	\$ 41,914	9.53%	49	6.8 : 1	3.4 : 1	13.0 : 1	4.6 : 1	4.8 : 1	230.47	198.8	-8.36%	86.24%
2018	252	9,643,289	38,267	8.71%	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	9,257,498	35,200	9.36%	40	4.0 : 1	5.0 : 1	5.0 : 1	5.0 : 1	6.0 : 1	259.4	224.0	1.13%	86.35%
2016	262	8,433,265	32,188	11.18%	29	5.0 : 1	4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	256.5	228.4	6.04%	89.05%
2015	295	8,540,867	28,952	10.66%	29	5.0 : 1	4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	241.9	216.0	2.76%	89.29%
2014	286	7,482,626	26,163	-34.58%	26	5.0 : 1	4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	235.4	204.9	52.26%	87.04%
2013	154	6,158,652	39,991	23.02%	26	5.0 : 1	4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	154.6	142.7	-4.09%	92.30%
2012	170	5,526,165	32,507	13.00%	26		4.0 : 1	3.0 : 1	6.0 : 1	5.0 : 1	161.2	151.8	0.19%	94.17%
2011	170	4,890,522	28,768	-30.02%	26		6.0 : 1	3.0 : 1	5.0 : 0	9.0 : 0	160.9	149.5	15.18%	92.91%
2010	109	4,480,832	41,109	-5.02%	25		5.0 : 1	7.0 : 1	6.0 : 0	4.0 : 0	139.7	128.5	17.59%	91.98%

**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>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>2019</u>
<b><u>District Building</u></b>										
<b><u>Elementary, Middle &amp; High</u></b>										
Daretown										
Square Feet	22,464	22,646	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	49	47	44	48	45	43	45	39	31	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	100
Enrollment	60	43	55	54	75	93	100	88	100	100

**Other**

Administration Building  
 Square Feet  
 Transportation  
 Square Feet  
 Maintenance Offices  
 Square Feet

Number of Schools at June 30, 2019  
 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

<u>School Facilities</u>	<u>Project #</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Daretown		\$ 84,472	\$ 63,340	\$ 66,098	\$ 58,547	\$ 51,829	\$ 41,823	\$ 35,477	\$ 42,555	\$ 44,986	\$ 82,373
Cumberland Campus		83,933	84,915	75,164	70,247	113,440	58,237	45,447	52,776	27,656	44,854
Mannington Twp. Reg. Day		61,057	39,039	34,404	57,432	28,960					
Total School Facilities		<u>229,462</u>	<u>187,294</u>	<u>175,666</u>	<u>186,226</u>	<u>194,229</u>	<u>100,060</u>	<u>80,924</u>	<u>95,331</u>	<u>72,642</u>	<u>127,227</u>
Other Facilities					1,161	2,442	4,052	1,551			
Grand Total		<u>\$ 229,462</u>	<u>\$ 187,294</u>	<u>\$ 175,666</u>	<u>\$ 187,387</u>	<u>\$ 196,671</u>	<u>\$ 104,112</u>	<u>\$ 82,475</u>	<u>\$ 95,331</u>	<u>\$ 72,642</u>	<u>\$ 127,227</u>

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT**  
**INSURANCE SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(UNAUDITED)**

<b>Company</b>	<b>Type of Coverage</b>	<b>Coverage</b>	<b>Deductible</b>
NJSBAIG	School Package Policy		
	Blanket Building & Contents	\$ 175,000,000	\$ 500
	Boiler & Machinery - Property & Extra Expense	125,000,000	1,000
	Comprehensive General Liability	20,000,000	-
	Comprehensive Automobile Liability	20,000,000	-
	Workman's Compensation Policy	Statutory	-
	Educators Legal Liability Policy	20,000,000	-
	Commercial Crime Section	500,000	500
	Pollution Legal Liability	3,000,000	
	Pollution		25,000
	Mold		100,000
	Violent Malicious Acts	1,000,000	15,000
	Cyber Liability	1,000,000	10,000
Disaster Management Services	2,000,000	15,000	
Conner Strong	<b>Student Accident Policy</b>		
	Full Excess Maximum Benefit Amount	5,000,000	25,000
Ohio Casualty Ins Co.	<b>Surety Bonds</b>		
	Business Administrator	155,000	

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 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 year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board of Education of the Salem County Special Services School District's basic financial statements, and have issued our report thereon dated November 26, 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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant, labeled Finding 2019-1 and 2.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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  
November 26, 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, 2019. 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, 2019.

**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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a 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  
November 26, 2019

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, SCHEDULE A  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2018	Carryover (Walkover) Amount	Budgetary Expenditures		Budgetary Expenditures Direct	Total Budgetary Expenditures (A)	Balance at June 30, 2019		
					From	To			Cash Received	Pass Through Funds			(Accounts Receivable)	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	191NJ304N1099	N/A	\$32,784	7/1/18	6/30/19	\$	\$ 30,401	\$ (32,784)	\$	\$ (32,784)	\$ (2,383)	\$		
National School Lunch Program	10.555	191NJ304N1099	N/A	57,985	7/1/18	6/30/19		54,036	(57,985)		(57,985)	(3,949)			
Food Distribution Program	10.565	Unknown	N/A	4,098	7/1/18	6/30/19		4,098	(4,098)		(4,098)				
Total U.S. Department of Agriculture								88,535	(94,867)		(94,867)	(6,332)			
U.S. Department of Education															
Passed-through State Department of Education:															
Special Revenue Fund:															
Total U.S. Department of Education															
Total Federal Financial Awards								\$ 88,535	\$ (94,867)		\$ (94,867)	\$ (6,332)			

(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, 2019**

<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, 2018</u>		<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Balance at June 30, 2019</u>		<u>Cumulative Total Expenditures</u>	
				<u>(Accounts Receivable)</u>	<u>Due to Grantor</u>			<u>(Accounts Receivable)</u>	<u>Due to Grantor</u>		
State Department of Education:											
General Fund											
Reimbursed TPAF Social Security Contrib.	19-495-034-5094-003	\$ 372,005	7/1/18-6/30/19	\$	\$	354,544	\$ (372,005)	\$	(17,461)	\$ 372,005	
Reimbursed TPAF Social Security Contrib.	18-495-034-5094-003	357,618	7/1/17-6/30/18	(18,289)		18,289					
On Behalf TPAF Pension Contribution	19-495-034-5094-002	936,525	7/1/18-6/30/19			936,525	(936,525)			936,525	
On Behalf TPAF Post Retirement Med'l. Contrib.	19-495-034-5094-001	424,806	7/1/18-6/30/19			424,806	(424,806)			424,806	
On-behalf TPAF Long-Term Disability	19-495-034-5094-004	1,840	7/1/18-6/30/19			1,840	(1,840)			1,840	
				(18,289)		1,736,004	(1,735,176)		(17,461)	1,735,176	
Special Revenue Fund											
State Department of Education:											
Food Service Enterprise Fund											
State Department of Agriculture:											
National School Lunch Program (State Share)	19-100-010-3350-023	1,016	7/1/18-6/30/19			948	(1,016)		(68)	1,016	
						948	(1,016)		(68)	1,016	
Total State Financial Assistance				\$	(18,289)	\$	1,736,952	\$	(1,736,192)	\$	1,736,192
Less: On-Behalf TPAF Pension System Contributions											
On Behalf TPAF Pension Contribution	19-495-034-5094-002	936,525	7/1/18-6/30/19			\$ 936,525	\$ (936,525)				
On Behalf TPAF Post Retirement Med'l. Contrib.	19-495-034-5094-001	424,806	7/1/18-6/30/19			424,806	(424,806)				
On-behalf TPAF Long-Term Disability	19-495-034-5094-004	1,840	7/1/18-6/30/19			1,840	(1,840)				
Total State Financial Assistance - Major Program Determination						\$	373,781	\$	(373,021)		

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, 2019**

**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, 2019**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 1,735,176	\$ 1,735,176
Special Revenue Fund			
Food Service Fund	94,867	1,016	95,883
Total Awards & Financial Assistance	<u>\$ 94,867</u>	<u>\$ 1,736,192</u>	<u>\$ 1,831,059</u>

**NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING**

The Salem County Special Services School District had no outstanding loans at June 30, 2019.

**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, 2019. 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, 2019.

**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, 2019**

**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 \_\_\_\_\_ no

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 \_\_\_\_\_ no

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:

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

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

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



**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(continued)**

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

**State Awards**

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

Auditee qualified as low-risk auditee?  X  yes   no

Internal control over major programs:

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

2) Significant deficiencies identified that are not considered to be material weaknesses?   yes  X  no

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**

19-495-034-5094-003

Reimbursed TPAF Social Security Contrib.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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: 2019-1**

**Criteria or specific requirement:**

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

**Condition:**

Bank reconciliations of the Net Payroll and Payroll Agency Bank Accounts were not prepared for the months of January through May 2019.

**Context:**

Proper Internal Control dictates that the respective bank accounts of Net Payroll and Payroll Agency be reconciled for all months during the year.

**Effect:**

Internal Control over the Payroll Function was weakened, as Cash Reconciliation Reports for the months of January through May 2019 reflected cash balances that were not reconciled to the bank accounts of Net Payroll and Payroll Agency.

**Cause:**

The departure of the Board Treasurer in December 2018 resulted in a delay with preparing bank reconciliations for the bank accounts of Net Payroll and Payroll Agency.

**Recommendation:**

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

**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, 2019  
(continued)**

**Section II - Financial Statement Findings (Continued)**

**Finding: 2019-2**

**Criteria or specific requirement:**

It is considered necessary, as well as required, to record adjusting journal entries into the General Ledger and other journals within the accounting software, prior to the year-end financial close.

**Condition:**

Numerous adjustments to the District's General Ledger were presented as part of the audit, as of June 30, 2019.

**Context:**

There were several adjusting journal entries required to be identified and recorded subsequent to closing out the year-end financial reports.

**Effect:**

As a result of the above condition, adjusting journal entries were submitted to the Board Office for approval and recording, as of June 30, 2019.

**Cause:**

A necessary step to analyze various General Ledger account balances was omitted.

**Recommendation:**

Prior to the year-end close out of the accounting system, various adjustments should be identified and recorded in the General Ledger.

**Views of responsible officials and planned corrective actions:**

Management is aware of the necessary procedures to be updated and followed.

**SALEM COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (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, 2019**

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 15-08.

**STATUS OF PRIOR - YEAR FINDINGS**

**Finding 2018-1**

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

**Status:** Resolved