

**SALEM COUNTY
IMPROVEMENT AUTHORITY**

REPORT OF AUDIT

**WITH
SUPPLEMENTARY SCHEDULES**

**FOR THE SIX MONTHS ENDED
DECEMBER 31, 2010**

SALEM COUNTY IMPROVEMENT AUTHORITY
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SALEM COUNTY IMPROVEMENT AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2010

The following officials were in office as of December 31, 2010:

MEMBERS

Michael Burke
Douglas Fisher
Otis Sistrunk
Ronald Howard
John Ober

POSITION

Chairman
Vice Chairman
Treasurer
Secretary
Assistant Secretary

OTHER OFFICIALS

John A. Kugler
Adam Telsey, Esquire
Parker McCay P.A.

Executive Director
Solicitor
Bond Counsel

**SALEM COUNTY
IMPROVEMENT AUTHORITY**

PART I

FINANCIAL SECTION

FOR THE SIX MONTHS ENDED

DECEMBER 31, 2010

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of
Salem County Improvement Authority
Alloway, New Jersey

We have audited the accompanying statement of net assets of the Salem County Improvement Authority, State of New Jersey, a component unit of the County of Salem, as of December 31, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the six months then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to determine the Authority's investment in capital assets for the six months ended December 31, 2010. This was the result of the Nursing Home Division's inability to reconcile their capital asset records to the financial statements or accurately record depreciation expense and related accumulated depreciation for the six months ended December 31, 2010. Accordingly, we were unable to satisfy ourselves as to the amount of the capital assets and investment in capital assets as recorded in the Authority's statements.

In our opinion, except for the matter as discussed in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Salem County Improvement Authority as of December 31, 2010 and the respective changes in financial position and cash flows for the six months then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2011 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

The accompanying management's discussion and analysis, required supplementary information and the schedule of conduit debt obligations payable as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



David C. Rollison
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
August 12, 2011

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Chairman and Members of
Salem County Improvement Authority
Alloway, New Jersey

We have audited the financial statements of the Salem County Improvement Authority, State of New Jersey, a compound unit of the County of Salem, as of and for the six months ended December 31, 2010, and have issued our report thereon dated August 12, 2011. In our report, we issued a qualified opinion on the Authority's financial statements due to the Nursing Home Division's inability to reconcile their capital asset records to the financial statements or accurately record depreciation expense and related accumulated depreciation for the six months ended December 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Recommendations to be material weaknesses: findings no. 2010-02, 2010-03, 2010-04 and 2010-07.

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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 consider the following deficiencies described in the accompanying Schedule of Findings and Recommendations to be significant deficiencies: finding no. 2010-01, 2010-05 and 2010-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 or other matters and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, State of New Jersey which are described in the accompanying Findings and Recommendations as finding no's.: 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, 2010-06 and 2010-07.

The Authority's response to the findings identified in our audit is described in the accompanying Findings and Recommendations. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Authority and the Local Finance Board, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



David C. Rollison
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
August 12, 2011

Salem County Improvement Authority Management's Discussion and Analysis For the Six Months Ended December 31, 2010

The Salem County Improvement Authority (the Authority) is a public agency providing economic development, nursing home, and solid waste landfill services for the County of Salem. This section of the Authority's annual financial report provides a discussion and analysis of the financial performance for the six months ended December 31, 2010.

FINANCIAL HIGHLIGHTS

- **Total Assets** - Total assets at the end of December 31, 2010 were \$32,226,616.29, after deducting liabilities net assets equal \$16,559,158.51.
- **Total Operating Revenue** - 2010 revenues totaled \$8,023,088.71.
- **Total Operating Expenses** - 2010 operating expenses were \$8,309,264.50.
- **Net Non-Operating Revenue (Expenses)** - In 2010 the Authority generated \$219,772.11 in net expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Reports, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental schedules.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Authority's assets and liabilities. As the Authority follows the accrual method of accounting, the current year's revenues and expenses are accounted for in the statement of revenues and expenses regardless of when cash is received or paid. The statement of revenues, expenses and changes in net assets provides a breakdown of the various areas of revenues and expenses encountered during the current year. Net assets – the difference between the Authority's assets and liabilities – are a measure of the Authority's financial health or position.

The statement of cash flows provides a breakdown of the various sources of cash flow, categorized into three areas: Cash flows from operating activities, capital and related financing activities and investing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net assets were \$16,559,158.51 on December 31, 2010. Total assets, total liabilities and total net assets are detailed below.

A significant portion of the Authority's net assets (44.4%) represents its investment in capital assets (i.e. land, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net assets (0.2%) represents resources that are subject to external restrictions on how they can be used under state law. The remaining unrestricted net assets (55.4%) may be used to meet the Authority's capital and ongoing obligations.

Statement of Net Assets As of December 31, 2010

	<u>2010</u>
Unrestricted	\$ 11,819,831.53
Restricted	11,478,147.96
Capital	8,872,156.55
Other Noncurrent	<u>56,480.25</u>
Total Assets	<u>32,226,616.29</u>
Current Liabilities	1,516,750.68
Long-Term Liabilities	<u>14,150,707.10</u>
Total Liabilities	<u>15,667,457.78</u>
Invested in Capital Assets, Net of Related Debt	7,353,488.54
Restricted	34,499.41
Unrestricted	<u>9,171,170.56</u>
Total Net Assets	<u>\$ 16,559,158.51</u>

Statement of Revenues, Expenses and Changes in Net Assets
For the Six Month Period Ended December 31, 2010

	<u>2010</u>
Operating Revenues:	
Nursing Home Fees	\$ 3,473,852.55
Landfill Fees	3,332,971.55
State Grants	96,827.19
Landfill Closure and Post-Closure	1,099,401.33
Other Operating Revenue	20,036.09
Total Operating Revenues	<u>8,023,088.71</u>
Operating Expenses:	
Administration	2,901,437.57
Cost of Providing Service	4,521,664.42
Depreciation	886,162.51
Total Operating Expenses	<u>8,309,264.50</u>
Operating Income (Loss)	(286,175.79)
Net Non-Operating Revenue(Expenses)	<u>66,403.68</u>
Change in Net Assets	(219,772.11)
Net Assets -- July 1	<u>16,778,930.62</u>
Net Assets -- December 31	<u>\$ 16,559,158.51</u>

OVERALL ANALYSIS

Overall, net assets decreased by \$219,772.11. This net decrease was the result of a net loss from the Nursing Home Division totaling \$1,388,800.13, a net loss from the Economic Development Division totaling \$489,430.14 and net income from the Solid Waste Division totaling \$1,658,458.16.

LONG-TERM DEBT ACTIVITY

The Authority made interest payments of \$43,317.88 on its outstanding capital lease payable during the period under audit. As of December 31, 2010, the Authority had \$2,000,000.00 in outstanding capital lease payable with principal payments set to begin in 2011.

DEBT ADMINISTRATION

The Authority has issued \$78,314,000.00 in conduit debt financing. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or mortgage loans. As of December 31, 2010, there are two series of County Guaranteed Revenue Refunding Bonds, three series of County Guaranteed Revenue Bonds, one series of City of Salem Guaranteed Revenue Bonds and one Non-Profit financing outstanding. The corresponding aggregate outstanding principal totaling \$58,614,000.00 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements. See Note 1 to the Notes to Financial Statements for a more detailed explanation of conduit debt.

NURSING HOME DIVISION

At the beginning of 2011, the SCIA Board of Directors was faced with the reality of unsustainable financial losses in the Nursing Home and formulated an aggressive plan to reformulate the cost structure of that Division. These actions included renegotiation of contracts with all major suppliers of goods and services; immediate staffing reductions throughout the SCIA organization; curtailment of non-essential spending; rate increases and union contract renegotiations. In February of 2011 SCIA, reached a tentative agreement with CWA Local 1085 which included major concessions of wage and benefit expenses for the employees of the Nursing Home Division. The contract was placed before the union membership for ratification and was rejected in March of 2011.

Immediately upon receiving news of the union's decision, the SCIA Board commenced a plan to sell the Nursing Home to a private entity. The Board set forth guiding principles for the transaction which included minimizing negative impact to the residents of the facility and their families; garnering the maximum value of the asset; providing opportunity for future employment consideration for existing employees with the new owners; total and complete disclosure during the due diligence process; transitional and post sales support for the owners to limit operational disruptions. Following a very rigorous sales process which included multiple step bids and a thorough due diligence process, the SCIA successfully closed on the sale of the Nursing Home on June 1, 2011 and secured a purchase price of \$7.5M.

Following the sale, the Board took the necessary actions to rebalance the funding inequity between the Nursing Home Division and Solid Waste Division by transferring \$5.7 M back to the Solid Waste Division.

SOLID WASTE DIVISION

Uncertainty in the solid waste market is emerging as various counties in New Jersey implement flow control while haulers consolidate, merge and acquire new territories. The SCIA Board is developing a revised business plan for the Solid Waste Division. This plan is aimed at securing the base of solid waste generated within Salem County while continuing to attract beneficial waste streams from markets external to Salem County. The plan also includes reviewing and assessing rates, which are sensitive to the market, to insure economic vitality of the Solid Waste Division.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide Salem County residents, investors, clients and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director, Salem County Improvement Authority, 199 East Broadway, Salem, New Jersey 08079 or by telephone at 856-279-2182.

BASIC FINANCIAL STATEMENTS

SALEM COUNTY IMPROVEMENT AUTHORITY
Statement of Net Assets
As of December 31, 2010

ASSETS

Current Assets:

Unrestricted Assets:

Cash and Cash Equivalents	\$ 9,293,319.60
Accrued Interest Receivable	8,643.48
Service Fees Receivable, Net of an Allowance for Doubtful Accounts of \$1,461,299.67	1,755,682.40
Capital Project Lease Receivable	585,628.49
Reimbursements Receivable	69,558.75
Prepaid Expenses	<u>106,998.81</u>
 Total Unrestricted Assets	 <u>11,819,831.53</u>

Restricted Assets:

Cash and Cash Equivalents	7,921,129.88
Investments	3,514,974.71
Accrued Interest Receivable	<u>42,043.37</u>
 Total Restricted Assets	 <u>11,478,147.96</u>

Total Current Assets	<u>23,297,979.49</u>
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Noncurrent Assets:

Construction in Progress	424,851.74
Property, Plant and Equipment, net of Accumulated Depreciation of \$30,085,470.78	<u>8,447,304.81</u>
 Total Property, Plant and Equipment	 <u>8,872,156.55</u>

Unamortized Debt Issuance Costs	<u>56,480.25</u>
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Total Noncurrent Assets	<u>8,928,636.80</u>
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Total Assets	<u>32,226,616.29</u>
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SALEM COUNTY IMPROVEMENT AUTHORITY

Statement of Net Assets
As of December 31, 2010

LIABILITIES

Current Liabilities:

Accounts Payable - Operating Expense	\$ 397,646.13
Accounts Payable - Capital Assets	71,262.00
Host Benefits Payable	59,226.41
Landfill Taxes Payable	101,256.69
Patient Funds Held in Trust	33,628.01
Accrued Interest Payable on Capital Lease	18,049.48
Payroll Taxes Withheld and Payable	54,308.95
Accrued Salaries and Payroll Taxes	238,870.88
Compensated Absences Payable	261,973.27
Deferred Revenue:	
State Grants	80,890.00
Other	129,638.86
Current Maturity - Capital Lease Payable	<u>70,000.00</u>

Total Current Liabilities	<u>1,516,750.68</u>
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Long-term Liabilities:

Landfill Closure and Post-Closure Costs	12,030,307.10
OPEB Liability	190,400.00
Capital Lease Payable	<u>1,930,000.00</u>

Total Long-term Liabilities	<u>14,150,707.10</u>
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Total Liabilities	<u>15,667,457.78</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	7,353,488.54
Restricted:	
Unemployment Trust	34,499.41
Unrestricted	<u>9,171,170.56</u>
Total Net Assets	<u><u>\$ 16,559,158.51</u></u>

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

SALEM COUNTY IMPROVEMENT AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
For the Six Months Ended December 31, 2010

Operating Revenues:	
Landfill Fees	\$ 3,332,971.55
Nursing Home Fees	3,473,852.55
State Grants	96,827.19
Landfill Closure and Post-Closure	1,099,401.33
Other Revenues	<u>20,036.09</u>
Total Operating Revenues	<u>8,023,088.71</u>
Operating Expenses:	
Administrative:	
Salaries and Wages	679,340.43
Employee Benefits	1,343,302.71
Other Expenses	878,794.43
Cost of Providing Service:	
Salaries and Wages	1,948,424.45
Employee Benefits	284,093.99
Other Expenses	2,289,145.98
Depreciation	<u>886,162.51</u>
Total Operating Expenses	<u>8,309,264.50</u>
Operating (Loss)	<u>(286,175.79)</u>
Non-Operating Revenues (Expenses):	
Investment Income Including Net Realized and Unrealized Gains(Losses) on Investments	83,290.61
Interest Expense	(43,317.88)
Refund of Prior Year Expense	<u>26,430.95</u>
Total Non-Operating Revenues (Expenses)	<u>66,403.68</u>
Change in Net Assets	(219,772.11)
Net Assets July 1, 2010	<u>16,778,930.62</u>
Net Assets December 31, 2010	<u><u>\$ 16,559,158.51</u></u>

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

SALEM COUNTY IMPROVEMENT AUTHORITY
Statement of Cash Flows
For the Six Months Ended December 31, 2010

Cash Flows From Operating Activities:	
Receipts from Customer and Users	\$ 6,632,835.93
Payments to Suppliers	(3,242,105.79)
Payments to Employees	(4,370,719.38)
Other Operating Receipts	<u>11,011.69</u>
Net Cash (Used in) Operations	<u>(968,977.55)</u>
Cash Flows From Non-Capital Financing Activities:	
Receipts from Patients Trust Fund	<u>(2,072.22)</u>
Net Cash (Used in) Non-Capital Financing Activities	<u>(2,072.22)</u>
Cash Flows From Capital and Related Financing Activities:	
Interest Paid on Capital Lease Payable	(43,317.88)
Acquisitions of Property, Plant and Equipment	<u>(113,131.00)</u>
Net Cash (Used in) Capital and Related Financing Activities	<u>(156,448.88)</u>
Cash Flows From Investing Activities:	
Purchases and Sales of Investment Securities	(73,337.66)
Investment Income	<u>100,269.00</u>
Net Cash Provided by Investing Activities	<u>26,931.34</u>
Net (Decrease) in Cash and Cash Equivalents	(1,100,567.31)
Cash And Cash Equivalents at Beginning of Year	<u>18,315,016.79</u>
Cash And Cash Equivalents at End of Year	<u><u>\$ 17,214,449.48</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided	
by (Used in) Operating Activities:	
Operating Income from Continuing Operations	\$ (286,175.79)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by Operating Activities:	
Depreciation Expense	886,162.51
Changes in Assets and Liabilities:	
Service Fees Receivable	(173,988.17)
Reimbursements Receivable	(20,845.26)
Prepaid Expenses	84,633.69
Accounts Payable	(118,073.54)
Host Benefits Payable	(9,307.31)
Landfill Taxes Payable	(10,572.96)
Accrued Salaries and Payroll Taxes	(25,414.86)
Deferred Revenue	(105,851.59)
Landfill Closure and Post-Closure Costs	(1,099,401.33)
OPEB Payable	190,400.00
Compensated Absences Payable	<u>(280,542.94)</u>
Total Adjustments	<u>(682,801.76)</u>
Net Cash (Used in) Operating Activities	<u><u>\$ (968,977.55)</u></u>

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

SALEM COUNTY IMPROVEMENT AUTHORITY

Notes to Financial Statements

For the Six Months Ended December 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Salem County Improvement Authority (the "Authority") is a public body corporate and politic of the State of New Jersey and was originally created by a resolution of the Board of Chosen Freeholders of the County of Salem (the "County"), adopted in 1976, pursuant to the County Improvement Authority Law, Chapter 183 of the Pamphlet Laws of 1960, of the State of New Jersey, as amended and supplemented, ("The Act").

The Act empowers improvement authorities to provide within the County, public facilities, convention halls, equipment and facilities for public transportation, aviation facilities, garbage and solid waste systems, the improvement, furtherance and promotion of tourist industries and recreational attractiveness and planning and carrying out of redevelopment projects.

The Authority consists of five members, appointed by the Salem County Board of Chosen Freeholders. One member is appointed each year for a five-year term.

The Authority is composed of three distinct divisions:

Economic Development Division

The Economic Development Division is the original Salem County Improvement Authority prior to the addition of the subsequent two divisions.

Nursing Home Division

The Nursing Home Division was originally a department of the County of Salem, and was transferred to the Salem County Improvement Authority effective August 15, 2008. Such Nursing Home was created for the purpose of providing healthcare and assisted living to elderly residents. See Note 11, which discusses the sale of the Nursing Home.

Solid Waste Landfill Division

The Solid Waste Landfill Division is the former Salem County Utilities Authority, and came under the umbrella of the Salem County Improvement Authority effective April 1, 2009. The Salem County Utilities Authority was a public body corporate and politic of the State of New Jersey and was originally created as a utilities authority by an ordinance adopted in 1980 by the Board of Chosen Freeholders of Salem County. The Salem County Utilities Authority began operations on April 18, 1988 and was created for the purpose of constructing, maintaining and operating facilities for the disposal of solid waste generated throughout the County in an environmentally sound manner in conformance with the provisions of the New Jersey Solid Waste Management Act, consulting Chapter 326 of the Pamphlet Laws of 1983, of the State of New Jersey, implementing the Salem County Solid Waste Management plan, as amended and reviewing modifications to the plan.

Component Unit

The Authority is a component unit of the County of Salem as described in Governmental Accounting Standards Board Statement No. 14. These financial statements would be either blended or discreetly presented as part of the County's financial statements if the County reported using generally accepted accounting principles applicable to governmental entities.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into three separate activities (Economic Development, Nursing Home, and Solid Waste Landfill) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures.

Basis of Accounting

Enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when services are provided or when they are earned; their expenses are recognized when they are incurred.

Accounting Period

On December 3, 2010, the Salem County Improvement Authority adopted Resolution No.10-73 authorizing a change from the fiscal year ending June 30th to the calendar year ending December 31st with such resolution being accepted by the Division of Local Government Services, Bureau of Authority Regulation of the State of New Jersey. However, the state required the authority to have an audit completed for the six month period ended December 31, 2010 thereby transiting to a calendar year beginning January 1, 2011.

Governmental Accounting Standards Board - Statement No. 20

The Authority is required to follow all statements of the GASB. GASB Statement No. 20 was issued to give guidance in determining generally accepted accounting principles generally accepted in the United States of America for governmental proprietary funds. It provides that all proprietary fund activities follow all Financial Accounting Standards Board ("FASB") Statements issued prior to November 30, 1989, unless they conflict with GASB standards. It also provides that the governmental unit must elect whether to follow FASB Statements issued after that date.

The Authority has elected not to follow any FASB pronouncements issued after November 30, 1989.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense is not included in the budget appropriations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting (Cont'd)**

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Assets. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted amending budget resolutions during the year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at market value.

Local units are required by N.J.S.A. 40A:5-14 to annually adopt a cash management plan and must deposit its funds pursuant to that plan. The cash management plan includes a designation of a depository or depositories as defined in section 1 of P.L. 1970, c.236 (C. 17.9-41). In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

A cash management plan was adopted by the Authority. Such plan requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

Inventory

The costs of inventories of supplies are recorded as expenditures at the time the individual items are purchased. The Authority has determined that inventories that are on hand are immaterial, and therefore, are not included in the financial statements.

Property, Plant and Equipment

Property, Plant, and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. If the actual cost is not available, property, plant and equipment are valued at historical cost or estimated historical cost. Donated property, plant and equipment are valued at its estimated fair value on the date donated.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment (Cont'd)

The only exception is property; plant and equipment directly to conduit debt obligations are recorded in the respective financial statements of the entity responsible for the debt.

Costs incurred are recorded as construction in progress. In the year that the project is completed, these costs are transferred to property, plant and equipment - completed.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Site and Building Improvements	21
Landfill Cells	5-12
Furniture and Equipment	8
Vehicles	8

A half-year of depreciation is taken in the year of acquisition.

Debt Issuance Costs

Debt issuance costs arising from the issuance of the revenue bonds are deferred and amortized by the straight-line method over the term of the bonds.

Deferred Revenue

Deferred revenue represents deposits made by commercial haulers to the Solid Waste Landfill Division of the Authority in excess of actual solid waste units disposed of by them at the end of the year and the unrealized portion of State grants received.

Net Assets

Net assets comprise the various earnings from operating income, non-operating revenues, expenses, and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets, net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Assets (Cont'd)**

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." This component includes net assets that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues that are derived from solid waste disposal, nursing home fees, and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments of debt securities.

Operating expenses include expenses associated with the operation, maintenance and repair of the solid waste facility, nursing home and economic development activities; and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, investment expenses and disposal of capital assets.

Use of Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

Conduit Debt Obligations

To provide within the County, public facilities, convention halls, equipment and facilities for public transportation, garbage and solid waste systems, the improvement, furtherance and promotion of tourist industries and recreational attractiveness and the planning and carrying out of redevelopment projects, the Authority has issued certain debt bearing its name to lower the cost of borrowing for specific governmental or non-governmental third parties. This debt is commonly referred to as conduit (or non-commitment) debt. Typically, the debt proceeds are used to finance facilities within the Authority's jurisdiction that are transferred to the third party either by lease or by sale. The underlying lease or mortgage loan agreement, which serves as collateral for the promise of payments by the third party, calls for payments that are essentially the same as those required by the debt. These payments are made by the third-party directly to an independent trustee, who is appointed to service and administer the arrangement. The Authority assumes no responsibility for repayment of this debt beyond the resources provided by the underlying leases or mortgage loans.

As of December 31, 2010, there were seven series of Special Revenue Bonds outstanding. The corresponding aggregate principal totaling \$58,614,000 is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB) and accordingly is not included in the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with finance related legal and contractual provisions**

The Authority has no material violations of finance related legal and contractual provisions.

We are not aware of any “Events or Default” existing under the bond resolutions authorizing the issuance of the Authority’s conduit debt.

Note 3: DETAIL NOTES - ASSETS**Cash and Cash Equivalents**

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority’s formal policy regarding custodial credit risk is the same as described in Note 1, N.J.S.A. 17:9-41 et seq. and included in its cash management plan. The Authority shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. At December 31, 2010, the Authority’s bank balance of \$17,815,975 was entirely insured or collateralized as follows:

FDIC Insured	\$ 951,305
Collateralized under GUDPA	<u>16,864,670</u>
	<u>\$ 17,815,975</u>

Investments

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. The Authority’s \$3,514,975 of investments in treasury obligations, money market funds, Federal National Mortgage Association Bonds and Notes (FNMA), Federal Home Loan Mortgage Corporation Bonds and Notes (FHLMC), Federal Farm Credit Bonds (FFCB) and Federal Home Loan Bonds (FHLB) are held by the counterparty, in the name of the Authority.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair values losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. All of the Authority’s investments are either in treasury obligations, money market funds, FNMA’s, FHLMC’s, FFCB’s, FHLB’s or corporate issues.

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

As of December 31, 2010, the Authority had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
First Ameri Govt Oblig Fund MM	On Demand	AAA	\$ 107,357
FHLMC	7/26/2013	AAA	35,016
FHLMC	4/15/2013	AAA	35,614
FHLMC	9/10/2015	AAA	34,403
FHLMC	4/7/2014	AAA	35,154
FNMA	12/28/2012	AAA	34,778
FNMA	12/18/2013	AAA	34,609
FNMA	11/23/2015	AAA	33,942
FNMA	5/7/2013	AAA	25,534
FNMA	10/15/2015	AAA	34,648
FNMA	7/28/2015	AAA	35,495
FNMA	10/15/2015	AAA	33,022
FNMA	7/15/2016	AAA	11,483
FFCB	6/25/2013	AAA	35,456
FFCB	11/16/2015	AAA	19,417
FFCB	2/21/2013	AAA	66,220
FFCB	12/7/2012	AAA	35,806
FFCB	1/17/2012	AAA	60,984
FFCB	6/18/2012	AAA	30,688
FFCB	9/22/2014	AAA	31,616
FHLB	12/27/2013	AAA	34,693
FHLB	12/28/2011	AAA	30,177
US Treasury Bonds	8/15/2017	AAA	118,070
US Treasury Bonds	2/15/2016	AAA	81,239
US Treasury Bonds	8/15/2019	AAA	27,864
US Treasury Bonds	11/15/2018	AAA	93,757
US Treasury Inflation Protection Security	7/15/2020	AAA	35,938
US Treasury Inflation Protection Security	7/15/2015	AAA	36,541
US Treasury Inflation Protection Security	1/15/2011	AAA	31,447
US Treasury Bonds	2/15/2020	AAA	50,077
US Treasury Bonds	11/15/2015	AAA	27,431
US Treasury Note	1/15/2012	AAA	45,360
US Treasury Note	12/15/2012	AAA	136,386
US Treasury Note	10/31/2015	AAA	82,264
US Treasury Note	2/15/2012	AAA	40,450
US Treasury Note	4/15/2012	AAA	60,766
US Treasury Note	5/15/2012	AAA	25,332
US Treasury Note	1/13/2014	AAA	163,350
US Treasury Note	10/31/2017	AAA	23,766
US Treasury Note	11/30/013	AAA	10,295
US Treasury Note	5/31/2014	AAA	10,345
US Treasury Note	8/31/2014	AAA	150,211
US Treasury Note	3/31/2013	AAA	20,819
US Treasury Note	8/15/2020	AAA	94,805
US Treasury Note	11/15/2020	AAA	51,880
US Treasury Note	12/31/2014	AAA	26,068
US Treasury Note	2/15/2019	AAA	19,742
US Treasury Note	5/31/2017	AAA	55,700

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Investments (Cont'd)**

<u>Investment</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Fair Value</u>
US Treasury Note	5/15/2019	AAA	\$ 116,213
US Treasury Note	3/31/2017	AAA	46,997
US Treasury Note	11/15/2019	AAA	20,417
US Treasury Note	11/30/2012	AAA	52,699
US Treasury Note	2/15/2018	AAA	26,299
US Treasury Note	5/15/2020	AAA	117,804
US Treasury Note	8/15/2019	AAA	130,586
US Treasury Note	11/15/2018	AAA	53,184
US Treasury Note	5/15/2018	AAA	10,759
US Treasury Note	2/15/2014	AAA	98,044
US Treasury Note	2/15/2015	AAA	93,122
US Treasury Note	5/15/2015	AAA	49,553
US Treasury Note	8/15/2015	AAA	83,045
US Treasury Note	11/15/2014	AAA	33,167
US Treasury Note	2/15/2016	AAA	89,582
US Treasury Note	4/30/2012	AAA	47,477
US Treasury Note	11/30/2011	AAA	10,378
US Treasury Note	2/15/2012	AAA	42,005
US Treasury Note	5/15/2020	AAA	21,831
Private Export Funding	10/15/2014	AAA	15,799
			<u>\$ 3,514,975</u>

Service Fees

The following is a summary of user charge billings and collections for all types of accounts maintained by the Authority as of December 31, 2010:

Nursing Home Division				
Receivable Balance <u>June 30, 2010</u>	Net Billings	<u>Total</u> Collections	Receivable Balance <u>Dec 31, 2010</u>	Percentage of Collections
<u>\$ 587,432</u>	<u>\$ 3,030,159</u>	<u>\$ 2,586,466</u>	<u>\$ 1,031,125</u>	<u>71.50%</u>
Solid Waste Landfill Division				
Receivable Balance <u>June 30, 2010</u>	Net Billings	<u>Total</u> Collections	Receivable Balance <u>Dec 31, 2010</u>	Percentage of Collections
<u>\$ 994,262</u>	<u>\$ 3,358,701</u>	<u>\$ 3,628,406</u>	<u>\$ 724,558</u>	<u>83.35%</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Service Fees Receivable**

At December 31, 2010 the balance in Service Fees Receivable was \$1,755,682. The Nursing Home Division's policy for allowance for doubtful accounts is to consider any account with a balance greater than 6 months old as a doubtful account. The Solid Waste Division's policy for allowance for doubtful accounts is to review aging history periodically and deem accounts as doubtful as necessary.

Property, Plant and Equipment

For the period ended December 31, 2010, the following changes in Property, Plant and Equipment occurred:

	Balance <u>June 30, 2010</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec 31, 2010</u>
Land and Improvements	\$ 29,997,705				\$ 29,997,705
Buildings and Improvements	2,607,432				2,607,432
Moveable Equipment	5,308,966	\$ 434,702	\$ 80,014	\$ (26,578)	5,797,104
Fixed Equipment	97,415		33,121		130,536
Construction in Progress	353,590		71,262		424,852
	<u>38,365,107</u>	<u>434,702</u>	<u>184,397</u>	<u>(26,578)</u>	<u>38,957,628</u>
Depreciation	<u>(28,791,185)</u>	<u>(434,702)</u>	<u>(886,163)</u>	<u>26,578</u>	<u>(30,085,471)</u>
	<u>\$ 9,573,922</u>	<u>---</u>	<u>\$ (701,766)</u>	<u>---</u>	<u>\$ 8,872,157</u>

Depreciation Adjustment – For the year ended June 30, 2010, the Authority inadvertently removed equipment that was still in use regarding the Solid Waste Division's Schedule of Fixed Assets. The deletion of the fully depreciated equipment, totaling \$434,702, had no effect on the net assets previously reported as well as for the period ended December 31, 2010.

Note 4: DETAIL NOTES - LIABILITIES**Compensated Absences**

Solid Waste Landfill Division employees earn personal time, sick time and vacation time. Upon termination, employees are only compensated for accrued sick time for which they can add only ten sick days per year. The maximum they are able to accumulate overall is 60 days. Upon retirement, employees who have accumulated 30 days or more will be paid in full.

Nursing Home Division employees earn personal time, sick time and vacation time. Upon termination, employees are only compensated for accrued sick and vacation time.

The liability for compensated absences as of December 31, 2010 is \$261,973.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Retirement Systems**

The Authority contributes to a cost-sharing multiple-employer defined benefit pension plan, the Public Employees' Retirement System (PERS), which is administered by the New Jersey Division of Pensions and Benefits. In addition, several Authority employees are eligible to participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan and is also administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

Public Employees' Retirement System - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. The Authority's contributions to the plan, equal to the required contribution for each year are as follows:

Nursing Home & Economic Development Divisions						
<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contributory Group Life Insurance</u>		<u>Total Liability</u>	<u>Paid by Authority</u>
2010	\$ 115,233	\$ 148,061	\$ 36,513		\$ 299,807	\$ 299,807

Solid Waste Landfill Division							
<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non-Contributory Group Life Insurance</u>		<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by Authority</u>
2010	\$ 29,152	\$ 37,456	\$ 9,237		\$ 75,845	---	\$ 75,845
2009	27,325	31,605	7,325		66,255	---	66,255
2008	32,884	25,342	---		58,226	\$ 11,645	46,581 (1)

(1) Under the provisions of Chapter 108, P.L. 2003 the Authority's share of the total normal contribution and accrued liability will increase approximately 20% per year until the Authority is paying 100% of the total normal contribution and accrued liability.

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Salem County Improvement Authority.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Medicare B Reimbursement**

Plan Description - The Salem County Improvement Authority Nursing Home employees are eligible for benefits upon retirement provided they have completed at least 15 years of service with the Salem County Improvement Authority and have at least 25 years of service in the New Jersey Public Employees Retirement System (NJPERs).

Post-employment medical benefits are provided to eligible retired employees and their dependants. Once Medicare age is attained by either the retired employee or the spouse in the case of spousal coverage, Medicare is primary and the Salem County Improvement Authority provides supplementary medical insurance. Post-employment prescription benefits are provided to eligible retired employees and their dependants.

Funding Policy - The Authority presently funds its current retiree post employment benefit costs on a "pay-as-you-go" basis. The Authority did not make a contribution to the plan for 2010.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation for 2010 is as follows:

Normal cost	\$ 43,456.00
Unfunded Actuarial Liability	<u>146,944.00</u>
Annual required contribution (expense)	190,400.00
Contributions Made	---
Net OPEB obligation - beginning of year	<u>---</u>
Net OPEB obligation - end of year	<u>\$ 190,400.00</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<u>Year Ended</u>	<u>Normal Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 190,400.00	---	\$ 190,400.00

Funded Status and Funding Progress - As of December 31, 2010, the most recent actuarial valuation date, the Authority's Plan was 0% funded. The actuarial accrued liability for benefits was \$1,976,281, and the actuarial value of plan assets was \$0.00, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,976,281. (For additional information, please refer to the "Required Supplementary Information Schedule of Funding Progress for Health Benefits Plan" shown at the end of the footnote section.) Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Authority's Plan – Medicare B Reimbursement (Cont'd)**

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The actuarial assumptions included the following: a discount rate of 5% on future benefit costs; a rate of medical inflation for pre-Medicare of 7% and 5% for post-Medicare; annual administrative expenses of 2%; and lastly, the actual number of future retirees with dependants is used to determine dependent coverage. The remaining amortization period at December 31, 2010, was thirty years.

Deferred RevenueState Grants

The Authority has received grants from the New Jersey Department of Environmental Protection to support solid waste services and promote the Clean Communities Program in Salem County. These grants are recorded as deferred revenue until the Authority expends such funds.

Other Deferred Revenue

This represents deposits made by commercial haulers to the Solid Waste Landfill Division of the Authority in excess of actual solid waste units disposed of by them at the end of the year.

Operating Leases

As of December 31, 2010, the Authority had operating lease agreements in effect for the following:

- Digital Mailing Systems
- Copiers
- Building Rental

Future minimum lease payments under operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 253,513
2012	252,334
2013	251,941
2014	259,390
2015	261,299
2016-2020	1,297,900
2021-2025	1,322,435
2026-2029	889,200
	<u>\$ 4,788,013</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Capital Leases Payable**

The Solid Waste Landfill Division of the Salem County Improvement Authority entered into a Capital Project Lease Agreement for the purpose of constructing and equipping a gas blowing facility to be utilized by the students of the Salem Community College and the residents of the County. The Salem County Improvement Authority financed the cost of the project through the issuance of its County-Guaranteed Lease Revenue Bonds (County Glass Blowing Project), Series 2008. Following are the future lease payments due by the Solid Waste Landfill Division of the Salem County Improvement Authority.

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease</u> <u>Payment Due</u>
2011	\$ 70,000	\$ 85,238	\$ 155,238
2012	75,000	82,338	157,338
2013	80,000	79,238	159,238
2014	80,000	76,038	156,038
2015	85,000	72,631	157,631
2016	90,000	68,913	158,913
2017	95,000	64,981	159,981
2018	100,000	60,838	160,838
2019	105,000	56,481	161,481
2020	110,000	51,913	161,913
2021	115,000	47,131	162,131
2022	120,000	42,138	162,138
2023	130,000	36,825	166,825
2024	135,000	31,194	166,194
2025	140,000	25,350	165,350
2026	150,000	19,188	169,188
2027	155,000	12,125	167,125
2028	165,000	4,125	169,125
	<u>\$ 2,000,000</u>	<u>\$ 916,681</u>	<u>\$ 2,916,681</u>

In addition to the above Capital Project Lease Payable, a Capital Project Lease Receivable is also reflected on the Authority's records. Such amount represents the total amount spent by the Authority on the above referenced project that was not yet received from the trustee of the Authority.

Note 5: DETAIL NOTES – NET ASSETS**Net Assets Appropriated**

The Authority ended the period with a balance in unrestricted net assets of \$9,171,171.

Net Assets Designated

The Solid Waste Landfill Division also budgets for contributions to equipment replacement, construction and closure/post-closure accounts annually. The budgeted contribution is calculated formulaically based upon the tonnage accepted by the landfill.

Note 6: INTERGOVERNMENTAL AGREEMENTS

Salem County Service Agreements

In 1984, a service agreement was enacted between the Solid Waste Landfill Division (formerly the Salem County Utilities Authority) and the County of Salem. Section 301 of the agreement provides “Charges may and still at all times be such that the receipts of the Authority shall be sufficient to pay or provide for expenses of operation, repair and maintenance of the system including insurance, renewals and replacements and the cost of all enlargements and alterations of the system not otherwise provided for to pay the principal of and interest on any and all bonds or other obligations of the Authority as the same become due, and to repay to the County any deficiency advances made by the County to meet any deficits of the Authority by any participant or any other cause, and to provide and maintain such reserves or sinking funds, if required, for any of the foregoing purposes as provided by the terms of any contract or other obligation of the Authority.”

Section 401 provides “On or before January 15 next following the close of each fiscal year, the Authority shall make and deliver to the Board of Chosen Freeholders of the County, a certificate, signed by its Chairman or Vice-Chairman and its Registered Municipal Accountant, stating the receipts and expenses to the Authority for the current fiscal year, and deficiency advances (if any) payable by the County to the Authority, for or with respect to the preceding and current fiscal year. Such deficiency advances shall be a sum of money equal to the excess (if any) of the expenses of the Authority for a fiscal year over the receipts of the Authority for such fiscal year”.

Section 402 provides “On or before May 1 of each fiscal year, the County will pay to the Authority the deficiency advances (if any) stated in the certificate delivered to the Board of Chosen Freeholders pursuant to Section 401 of this Article”.

Since inception, the now Solid Waste Landfill Division of the Authority has filed annually with the County a statement of receipts and disbursements, for which no deficiencies have been noted.

Note 7: COMMITMENTS AND CONTINGENCIES

Commitments

The Authority has an Interlocal Services Agreement outstanding with the Salem County Pollution Control Financing Authority as of December 31, 2010. The agreement requires that Improvement Authority to pay the Pollution Control Authority \$280,000 a year for five years. The purpose and amount regarding this contractual commitment is as follows:

<u>Project</u>	<u>Agreement</u>	<u>Commitment Remaining</u>
Gateway Business Industrial Park	<u>\$ 1,400,000</u>	<u>\$ 840,000</u>
	<u><u>\$ 1,400,000</u></u>	<u><u>\$ 840,000</u></u>

Note 8: DEFERRED COMPENSATION SALARY ACCOUNT

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Note 8: DEFERRED COMPENSATION SALARY ACCOUNT (CONT'D)

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 9: RISK MANAGMENT

The Authority 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded coverage for the past several years.

Note 10: CLOSURE AND POST-CLOSURE COSTS

The original funding plan for closure and post-closure costs of the Solid Waste Landfill Division's landfill was developed and implemented at the Authority's inception and has since been revised. Government Accounting Standards Board Statement No. 18 requires the Authority to disclose specific information relevant to closure and post-closure costs including:

- Current year expenditures
- Nature and source of landfill closure and post-closure requirements
- Recognition of liability for closure and post-closure care
- Landfill life in years
- Assets restricted for this purpose
- Nature of estimates and potential for changes due to inflation, technology, laws and regulations

Pursuant to Statement No. 18, the Authority directed its engineer to update the closure/post-closure plan along with the required financial schedules. This plan was completed and filed with the Authority on March 2, 1995, revised in December 1998, May 2006 and May 2007. The latest revision of March 2009 was received from the Engineer and reflects the following:

Closure

Within that report, closure costs are estimated to be \$9,270,058. It is expected that such closure costs, assuming an inflation rate of 2.3% as estimated by the Engineer, would occur for the period of July 1, 2009 to the year 2013 when the operations at the landfill site would cease. Funding would be provided by the combined closure/post-closure account of the Authority.

Post-Closure

Post-closure costs for the thirty-year period would begin in the year 2014 and end 2043. The overall projected costs, assuming an inflation rate of 2.3% as estimated by the engineer, would total \$10,619,603. Of the \$10,619,603, \$1,297,788 was spent during 2008. Funding will consist of the New Jersey Department of Environmental Protection Escrow Tax Fund, combined with the closure/post-closure account of the Authority.

The accrued estimated liability for combined closure and post-closure costs is \$12,030,307 as of December 31, 2010. This estimate is based on engineering estimate of the landfill being at 90.95% of capacity at year end.

Note 10: CLOSURE AND POST-CLOSURE COSTS (CONT'D)

The Authority's funding progress, which includes accumulated contributions and investment income at December 31, 2010, and additional contributions and investment income subsequent to December 31, 2010, (estimated) regarding the plan overall are as follows:

New Jersey Department of Environmental Protection and Energy Escrow Tax Account Balance at December 31, 2010	\$ 3,514,975
Closure/Post-Closure Account Balance of the Authority at December 31, 2010	<u>7,900,734</u>
Subtotal	11,415,709
Remaining Estimated Contributions to be made by the Authority	356,603
Remaining Estimated Contributions to be made by the Authority to the NJDEP Escrow Tax Account	356,603
Projected Investment Earnings Assuming an Interest Rate of 5.0 Percent	<u>6,462,958</u>
Total	<u><u>\$ 18,591,873</u></u>

Note 11: SUBSEQUENT EVENTS**Discontinued Operations**

On March 28, 2011, the Authority authorized the sale of the Nursing Home Division to BSD Entities, LLC in the amount of \$7,500,000. When the Nursing Home was originally transferred from the County of Salem to the Authority, the agreement stipulated that "in the event that the SCIA engages in a sale of the Nursing Home Operation, the SCIA shall promptly remit the net proceeds there from to the County." As of December 31, 2010, the Nursing Home Division owes the Solid Waste and Economic Development Divisions \$3,633,383. It is assumed that such amount and all other liabilities of the Nursing home Division will be deducted from the gross sale proceeds prior to the remaining proceeds, if any, being distributed to the County.

Upon sale of the Nursing Home Division as finally consummated on June 1, 2011, BSD Entities will assume ownership of the real property inclusive of business assets consisting of beds, fixtures and improvements, vehicles, furniture and equipment, inventories, computer hardware, intellectual property, permits, personal property leases, contracts, books and records, patient and supplier data, patient security deposits, etc. The Authority will retain all cash, cash equivalents and investments not associated with patient trust funds, all accounts receivables and computer software and accounting records. The Authority will also remain liable for any unasserted claims that occurred during their operation of the Nursing Home Division. Retirement benefits of employees who retire from the Nursing Home Division prior to the sale date will be the responsibility of the Authority; however, the Authority is currently negotiating with the County to have the County assume a portion of the liability for the retired employees of the Nursing Home Division.

Note 11: SUBSEQUENT EVENTS (CONT'D)**Discontinued Operations (Cont'd)**

The Statement of Net Assets as of December 31, 2010 for the Nursing Home Division is below:

ASSETS

Current Assets:

Unrestricted Assets:

Cash and Cash Equivalents	\$ 146,824
Service Fees Receivable, Net of an Allowance for Doubtful Accounts of \$1,459,128.26	1,031,125
Prepaid Expenses	<u>29,005</u>

Total Current Assets	1,206,953
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Noncurrent Assets:

Property, Plant and Equipment, net of Accumulated Depreciation of \$2,526,189.11	<u>578,111</u>
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Total Assets	<u>1,785,064</u>
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LIABILITIES

Current Liabilities:

Accounts Payable - Operating Expense	158,215
Patient Funds Held in Trust	33,628
Payroll Taxes Withheld and Payable	33,587
Accrued Salaries and Payroll Taxes	202,815
Compensated Absences Payable	187,074
OPEB Payable	190,400
Due to Solid Waste & Economic Development Divisions	<u>3,633,383</u>

Total Liabilities	<u>4,439,102</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	578,111
Unrestricted (Deficit)	<u>(3,232,149)</u>
Total Net Assets	<u><u>\$ (2,654,038)</u></u>

Note 11: SUBSEQUENT EVENTS (CONT'D)**Discontinued Operations (Cont'd)**

The Statement of Revenues, Expenses and Changes in Net Assets for the six month period ended December 31, 2010 for the Nursing Home Division is as follows:

Operating Revenues:	
Nursing Home Fees	\$ 3,473,853
Operating Expenses:	
Administrative:	
Salaries and Wages	159,557
Employee Benefits	1,035,852
Other Expenses	240,716
Cost of Providing Service:	
Salaries and Wages	1,948,424
Employee Benefits	284,094
Other Expenses	1,153,228
Depreciation	<u>42,731</u>
Total Operating Expenses	<u>4,864,601</u>
Operating Income (Loss)	<u>(1,390,749)</u>
Non-Operating Revenues:	
Investment Income	580
Refund of Prior Year Expense	<u>1,368</u>
Total Non-Operating Revenues	<u>1,949</u>
Change in Net Assets	(1,388,800)
Net Assets June 30,	<u>(1,265,238)</u>
Net Assets December 31,	<u><u>\$ (2,654,038)</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

SALEM COUNTY IMPROVEMENT AUTHORITY
 Required Supplementary Information
 Schedule of Funding Progress for the OPEB Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
5/31/2011	\$ 0	\$ 1,976,281.00	\$ 1,976,281.00	0 %	N/A	N/A

Schedule RSI-2

Required Supplementary Information
 Schedule of Employer Contributions to the OPEB Plan

<u>Year Ended December 31,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
2010	\$ 190,400.00	0%

SALEM COUNTY IMPROVEMENT AUTHORITY

Note to Required Supplementary Information
For the Six Months Ended December 31, 2010

Other Postemployment Benefits

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	May 31, 2011
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Closed, Level Dollar Method
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Discount Rate	5.0%
Rate of Medical Inflation for Pre-Medicare	7.0%
Rate of Medical Inflation for Post-Medicare	5.0%
Annual Administration Expenses	2.0%

For determining the GASB ARC, the rate of employer contributions to the Salem County Improvement Authority Plan is composed of the Normal Cost plus amortization of the Unfunded Actuarial Liability. The Normal Cost is a portion of the actuarial present value of plan benefits and expenses which is allocated to a valuation year by the actuarial cost method. The Actuarial Liability is that portion of the Present Value of Projected Benefits that will not be paid by Future Employer Normal Costs or active employee contributions. The difference between this liability and the funds accumulated as of the same date is the Unfunded Actuarial Liability.

SUPPLEMENTAL SCHEDULES

SALEM COUNTY IMPROVEMENT AUTHORITY - ECONOMIC DEVELOPMENT DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Administration Fee per Section 4.1b of Lease Agreement with Salem County Miscellaneous	\$ 10,000.00		\$ 10,000.00		\$ (10,000.00)
Total Operating Revenues	10,000.00	---	10,000.00	---	(10,000.00)
Operating Appropriations:					
Administration:					
Salaries and Wages	30,000.00	\$ (2,788.00)	27,212.00	\$ 31,989.15	(4,777.15)
Fringe Benefits:					
PERS - Pension	2,500.00	(2,500.00)			
FICA	2,700.00	21.00	2,721.00	2,721.00	
Workers' Compensation Insurance	300.00	(300.00)		1,111.74	(1,111.74)
Employee Benefits (Health Ins. Premium)	7,500.00	6,149.39	13,649.39	12,875.37	774.02
Total Fringe Benefits	13,000.00	3,370.39	16,370.39	16,708.11	(337.72)
Other Expenses:					
Office Expense	20,000.00	(5,262.33)	14,737.67	13,762.04	975.63
Secretary	1,250.00	350.00	1,600.00	1,600.00	
Office Rent	120,000.00	2,780.04	122,780.04	122,780.04	
Phone Service	2,500.00	(559.43)	1,940.57	1,940.57	
Legal Services	15,000.00	6,317.18	21,317.18	14,454.68	6,862.50
Budget & Audit	15,000.00	(4,223.45)	10,776.55	10,776.55	
Trustee Fees	7,500.00	(7,500.00)			
Insurance - General Liability	2,500.00	(1,932.61)	567.39	890.56	(323.17)
Insurance - Public Officials Liability	750.00	(750.00)			
Consultant Fees	10,000.00	(1,105.00)	8,895.00	8,895.00	
Marketing Expense	5,000.00	(1,450.00)	3,550.00	3,550.00	
Economic Development Expense	7,500.00	15,253.21	22,753.21	9,549.00	13,204.21
Due Pollution Control Financing Authority of Salem County per Agreement	280,000.00		280,000.00	280,000.00	
Contingent/Unallocated	2,500.00	(2,500.00)			
Total Other Expenses	489,500.00	(582.39)	488,917.61	468,198.44	20,719.17
Total Operating Appropriations	532,500.00	---	532,500.00	516,895.70	15,604.30
Unrestricted Net Assets Utilized	(522,500.00)	---	(522,500.00)	---	(522,500.00)
Excess/(Deficit) of Revenues Over Expenditures	---	---	---	\$(516,895.70)	\$(516,895.70)
Reconciliation of Excess/(Deficit) Revenues over Appropriations to Operating Income					
Excess/(Deficit) Revenues over Appropriations to Operating Income				<u>\$(516,895.70)</u>	
Operating Income/(Loss) Schedule 2					<u>\$(516,895.70)</u>

SALEM COUNTY IMPROVEMENT AUTHORITY - NURSING HOME DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:					
Medicare	\$ 356,750.00		\$ 356,750.00	\$ 335,505.61	\$ (21,244.39)
Medicaid	1,968,300.00		1,968,300.00	2,628,399.00	660,099.00
Private	864,800.00		864,800.00	369,975.54	(494,824.46)
Commerical	8,650.00		8,650.00	121,306.72	112,656.72
Local Subsidies & Donations	112,986.00		112,986.00	112,986.00	
Miscellaneous	12,000.00		12,000.00	18,665.68	6,665.68
Total Operating Revenues	3,323,486.00	---	3,323,486.00	3,586,838.55	263,352.55
Operating Appropriations:					
Administration:					
Salaries and Wages	250,000.00	\$ (65,147.16)	184,852.84	159,556.64	25,296.20
Fringe Benefits:					
Payroll Taxes	20,000.00	(6,211.59)	13,788.41	13,393.18	395.23
Unemployment Compensation	32,000.00	27,546.59	59,546.59	32,794.59	26,752.00
Workers' Compensation Insurance	87,500.00	46,444.80	133,944.80	138,959.23	(5,014.43)
Benefits	500,000.00	820,606.62	1,320,606.62	774,544.62	546,062.00
Total Fringe Benefits	639,500.00	888,386.42	1,527,886.42	959,691.62	568,194.80
Other Expenses:					
Management Fees	36,000.00	(9,971.38)	26,028.62	26,028.62	
Legal Fees	10,000.00	14,312.50	24,312.50	24,312.50	
Accounting Fees	38,000.00	(8,042.85)	29,957.15	25,890.65	4,066.50
Licenses & Permits	750.00	(330.00)	420.00	420.00	
Meetings & Travel	500.00	180.68	680.68	680.68	
Hire Costs	250.00	(160.00)	90.00	90.00	
Equipment	3,750.00	3,029.83	6,779.83	6,479.86	299.97
Meals & Entertainment	250.00	(207.46)	42.54	42.54	
Advertising	5,500.00	(5,500.00)			
Training & Education	2,000.00	628.00	2,628.00	2,375.00	253.00
Peer Grouping	134,500.00	(48.00)	134,452.00	134,452.00	
Postage	2,000.00	(364.89)	1,635.11	1,400.11	235.00
Dues & Subscriptions	15,000.00	(4,261.55)	10,738.45	10,738.45	
Supplies	3,500.00	3,764.31	7,264.31	7,071.31	193.00
Bank Fees	250.00	(250.00)			
Miscellaneous Fees, Fines, & Penalties	1,000.00	(766.00)	234.00	734.00	(500.00)
Petty Cash	1,000.00		1,000.00		1,000.00
Total Other Expenses	254,250.00	(7,986.81)	246,263.19	240,715.72	5,547.47
Total Administration	1,143,750.00	815,252.45	1,959,002.45	1,359,963.98	599,038.47
Cost of Providing Service:					
Salary & Wages:					
Nursing PPD	110,000.00	(13,616.47)	96,383.53	69,199.33	27,184.20
Registered Nurses	167,500.00	(33,564.56)	133,935.44	111,717.09	22,218.35
Licensed Practical Nurses	550,000.00		550,000.00	472,786.82	77,213.18
Certified Nurses Assistant	750,000.00		750,000.00	630,111.06	119,888.94

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY - NURSING HOME DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Salary & Wages (Cont'd):					
Nursing Administration	\$ 200,000.00		\$ 200,000.00	\$ 104,281.97	\$ 95,718.03
Director of Nursing Salary	52,000.00		52,000.00	35,935.29	16,064.71
Activities	87,500.00		87,500.00	69,047.51	18,452.49
Social Services	30,000.00		30,000.00	20,010.87	9,989.13
Dietary	350,000.00		350,000.00	248,909.17	101,090.83
Maintenance	50,000.00		50,000.00	37,697.35	12,302.65
Housekeeping	187,500.00		187,500.00	136,415.25	51,084.75
Laundry	30,000.00		30,000.00	12,312.74	17,687.26
Total Salary & Wages	2,564,500.00	\$ (47,181.03)	2,517,318.97	1,948,424.45	568,894.52
Fringe Benefits:					
Payroll Taxes:					
Nursing PPD	8,500.00		8,500.00	8,662.19	(162.19)
Registered Nurses	12,750.00		12,750.00	10,089.08	2,660.92
Licensed Practical Nurses	41,500.00		41,500.00	37,530.31	3,969.69
Certified Nurses Assistant	56,500.00		56,500.00	50,883.42	5,616.58
Nursing Administration	15,500.00		15,500.00	11,944.31	3,555.69
Director of Nursing Salary	4,000.00		4,000.00	3,234.19	765.81
Activities	6,750.00		6,750.00	5,668.83	1,081.17
Social Services	2,250.00		2,250.00	1,854.48	395.52
Dietary	26,500.00		26,500.00	22,479.12	4,020.88
Maintenance	3,750.00		3,750.00	2,970.01	779.99
Housekeeping	14,250.00		14,250.00	12,651.45	1,598.55
Laundry	2,250.00		2,250.00	1,886.60	363.40
Total Benefits	194,500.00	---	194,500.00	169,853.99	24,646.01
Other Expenses:					
Nursing OE:					
Equipment Purchased	3,000.00	24,038.25	27,038.25	5,819.75	21,218.50
Medical Supplies	29,000.00	5,704.38	34,704.38	28,941.62	5,762.76
Incontinent Care	19,250.00	20,809.78	40,059.78	34,759.78	5,300.00
Enteral Feeding	3,250.00	1,611.39	4,861.39	3,861.39	1,000.00
Psychiatric Consulting	3,500.00	(500.00)	3,000.00	3,000.00	
Laboratory	16,750.00	5,116.73	21,866.73	21,312.56	554.17
X-Ray	2,000.00	4,515.70	6,515.70	6,515.70	
Medical Director	1,000.00	(113.82)	886.18	866.18	20.00
Rental Equipment	7,500.00	18,157.35	25,657.35	22,267.68	3,389.67
Temporary RN	30,000.00	(15,570.00)	14,430.00	14,430.00	
Temporary LPN	50,000.00	513.26	50,513.26	49,493.26	1,020.00
Temporary CN	65,000.00	41,878.08	106,878.08	105,273.83	1,604.25
Resident Transportation	17,500.00	(2,182.10)	15,317.90	15,317.90	
Total Nursing OE	247,750.00	103,979.00	351,729.00	311,859.65	39,869.35
Therapy OE:					
Physical Therapy Contract Services	39,000.00	4,281.38	43,281.38	43,281.38	
Physical Therapy Supplies	1,000.00	(328.32)	671.68	671.68	
Occupational Therapy Contract Services	25,000.00	(993.41)	24,006.59	24,006.59	

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY - NURSING HOME DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Other Expenses (Cont'd):					
Therapy OE (Cont'd):					
Occupational Therapy Supplies	\$ 500.00	\$ (500.00)			
Speech Therapy Contract Services	20,000.00	(5,891.98)	\$ 14,108.02	\$ 14,108.02	
Speech Therapy Supplies	500.00	2,073.16	2,573.16	2,573.16	
Total Therapy OE	86,000.00	(1,359.17)	84,640.83	84,640.83	---
Pharmacy OE:					
Medicare	35,000.00	7,314.92	42,314.92	42,314.92	
Over the Counter	4,500.00	4,130.76	8,630.76	8,630.76	
Consultant	6,250.00	1,465.14	7,715.14	7,715.14	
Total Pharmacy OE	45,750.00	12,910.82	58,660.82	58,660.82	---
Activities/Social Service OE:					
Supplies	500.00	546.97	1,046.97	1,046.97	
Events & Special Functions	1,500.00	2,035.96	3,535.96	3,535.96	
Total Activities/Social Service OE	2,000.00	2,582.93	4,582.93	4,582.93	---
Dietary OE:					
Consulting	15,500.00	5,794.00	21,294.00	21,294.00	
Food Cost/Supplements	83,000.00	23,752.93	106,752.93	85,952.93	\$ 20,800.00
Special Function	1,500.00	(1,500.00)			
Supplies	17,500.00	977.78	18,477.78	15,277.78	3,200.00
Maintenance & Small Equipment	3,000.00	8,264.70	11,264.70	2,996.70	8,268.00
Total Dietary OE	120,500.00	37,289.41	157,789.41	125,521.41	32,268.00
Maintenance OE:					
Equipment Repair & Maintenance	15,000.00	12,190.32	27,190.32	25,915.69	1,274.63
Building Repair & Maintenance	40,000.00	3,626.49	43,626.49	31,613.49	12,013.00
Supplies	10,000.00	455.59	10,455.59	9,555.59	900.00
Extermination	500.00	40.00	540.00	540.00	
Waste	5,500.00		5,500.00	4,980.96	519.04
Medical Waste	250.00	599.14	849.14	849.14	
Equipment	2,500.00	6,097.00	8,597.00	8,597.00	
Furniture	70,000.00		70,000.00	66,422.86	3,577.14
Fuel	1,000.00	86.68	1,086.68	1,086.68	
Housekeeping Supplies	7,000.00	7,052.44	14,052.44	14,052.44	
Total Maintenance OE	151,750.00	30,147.66	181,897.66	163,613.85	18,283.81
Laundry OE:					
Supplies	2,500.00	(259.23)	2,240.77	2,240.77	
Contract Services	38,500.00	14,416.17	52,916.17	52,916.17	
Total Laundry OE	41,000.00	14,156.94	55,156.94	55,156.94	---

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY - NURSING HOME DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Other Expenses (Cont'd):					
Utilities:					
Telephone	\$ 5,000.00	\$ 224.60	\$ 5,224.60	\$ 5,224.60	
Electric	55,000.00	6,298.27	61,298.27	61,298.27	
Cable	3,000.00	203.50	3,203.50	3,203.50	
Water & Sewer	15,000.00	7,058.00	22,058.00	19,561.92	\$ 2,496.08
Gas	4,500.00	7,526.90	12,026.90	12,026.90	
Total Utilities	82,500.00	21,311.27	103,811.27	101,315.19	2,496.08
Insurance:					
Property Insurance	27,500.00	(14,828.29)	12,671.71	6,551.58	6,120.13
General Liability Insurance	130,000.00	(100,533.00)	29,467.00	119,427.66	(89,960.66)
Bonding Insurance	2,500.00	(808.00)	1,692.00	19,875.02	(18,183.02)
Total Insurance	160,000.00	(116,169.29)	43,830.71	145,854.26	(102,023.55)
Consulting Fees:					
Professional Fees	9,000.00	48,350.76	57,350.76	57,335.46	15.30
Contracted Services	26,000.00	(4,701.59)	21,298.41	21,298.41	
Total Consulting Fees	35,000.00	43,649.17	78,649.17	78,633.87	15.30
Employee Clothing and Uniform Allowance	25,000.00	(1,612.12)	23,387.88	23,387.88	---
Bad Debt Expense	28,000.00	---	28,000.00	---	28,000.00
Total Other Expenses	1,025,250.00	146,886.62	1,172,136.62	1,153,227.63	18,908.99
Total Cost of Providing Service	3,784,250.00	99,705.59	3,883,955.59	3,271,506.07	612,449.52
Total Operating Appropriations	4,928,000.00	914,958.04	5,842,958.04	4,631,470.05	1,211,487.99
Accumulated Deficit	1,869,375.00	(914,958.04)	954,416.96		954,416.96
Total Operating and Non Operating Appropriations and Accumulated Deficit	6,797,375.00	---	6,797,375.00	4,631,470.05	2,165,904.95
Excess/(Deficit) of Revenues Over Appropriations	\$(3,473,889.00)	---	\$(3,473,889.00)	\$(1,044,631.50)	\$(1,902,552.40)
Reconciliation of Excess Appropriations over Revenues to Operating Income					
Excess Appropriations over Revenues to Operating Income				\$ (1,044,631.50)	
Add:					
Deferred Charge - Accumulated Deficit (Non-GAAP)					
Less:					
Transfer between Divisions (Non-GAAP)				112,986.00	
Unfunded OPEB Liability				190,400.00	
Depreciation				42,731.44	
Operating Income/(Loss) Schedule 2				<u>\$(1,390,748.94)</u>	

SALEM COUNTY IMPROVEMENT AUTHORITY - SOLID WASTE LANDFILL DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	<u>Adopted Budget</u>	<u>Modifications/ Transfers</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:					
Net User Charges and Fees	\$ 2,519,000.00		\$ 2,519,000.00	\$ 3,332,971.55	\$ 813,971.55
Miscellaneous	22,500.00		22,500.00	20,036.09	(2,463.91)
Total Operating Revenues	2,541,500.00	---	2,541,500.00	3,353,007.64	811,507.64
Non - Operating Revenues:					
Clean Communities	186,540.89	---	186,540.89	96,827.19	(89,713.70)
Total Revenues	2,728,040.89	---	2,728,040.89	3,449,834.83	721,793.94
Operating Appropriations:					
Administration:					
Salaries and Wages	575,000.00	\$ (80,411.19)	494,588.81	487,794.64	6,794.17
Employee Benefits:					
FICA	45,000.00		45,000.00	38,395.63	6,604.37
Unemployment	5,000.00		5,000.00	624.38	4,375.62
Workers' Compensation Insurance	27,000.00		27,000.00	19930.99	7,069.01
Health Benefits	187,500.00	213,085.56	400,585.56	231,791.98	168,793.58
Total Employee Benefits	264,500.00	213,085.56	477,585.56	290,742.98	186,842.58
Other Expenses:					
Insurance	100,000.00	18,385.37	118,385.37	74,519.18	43,866.19
Audit and Accounting	80,000.00	(37,853.40)	42,146.60	42,146.60	
Legal Expenses	30,000.00	(4,322.24)	25,677.76	25,677.76	
Office Expenses	12,500.00	(7,151.10)	5,348.90	5,348.90	
Miscellaneous & Contingency	7,681.25	323.33	8,004.58	8,004.58	
Trustee Fees	5,000.00	6,775.00	11,775.00	6,387.50	5,387.50
Landfill Operations	5,000.00	719.36	5,719.36	5,719.36	
Travel	2,500.00		2,500.00	1,926.39	573.61
Training & Education	2,500.00		2,500.00	150.00	2,350.00
Special Projects	7,500.00	(7,500.00)			
Total Other Expenses	252,681.25	(30,623.68)	222,057.57	169,880.27	52,177.30
Total Administration	1,092,181.25	102,050.69	1,194,231.94	948,417.89	245,814.05
Cost of Providing Service:					
Other Expenses:					
Engineer	100,000.00	12,655.92	112,655.92	112,655.92	
NJ DEP Permits	37,500.00	(15,745.25)	21,754.75	21,754.75	
NJ DEP Inspection Fees	22,500.00	29,790.00	52,290.00	33,525.00	18,765.00
Daily Cover	50,000.00	62,870.00	112,870.00	112,870.80	(0.80)
Leachate Treatment	55,000.00	(22,473.80)	32,526.20	26,892.76	5,633.44
Leachate Hauling	150,000.00	(15,304.07)	134,695.93	134,695.93	

(Continued)

SALEM COUNTY IMPROVEMENT AUTHORITY - SOLID WASTE LANDFILL DIVISION
 Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments and
 Non-Operating Appropriations Compared to Budget--Budgetary Basis
 For the Six Months Ended December 31, 2010

	Adopted Budget	Modifications/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating Appropriations (Cont'd):					
Other Expenses (Cont'd):					
Environmental Monitoring	\$ 20,000.00	\$ (5,649.99)	\$ 14,350.01	\$ 14,350.01	
Electric/Gas	25,000.00	(18,297.59)	6,702.41	6,702.41	
Phones	8,500.00	3,985.15	12,485.15	5,857.76	\$ 6,627.39
Diesel Fuel	125,000.00	(28,730.65)	96,269.35	96,269.35	
Equipment Maintenance	100,000.00	(11,650.82)	88,349.18	87,419.07	930.11
Household Waste	15,000.00	10,079.92	25,079.92	25,079.92	
Recycling	10,000.00		10,000.00	7,059.22	2,940.78
Site Improvements	12,500.00	(6,179.47)	6,320.53		6,320.53
Operations Maintenance	200,000.00	(114,895.08)	85,104.92	51,082.42	34,022.50
Tire Recycling	50,000.00		50,000.00	24,302.75	25,697.25
Total Cost of Providing Service	981,000.00	(119,545.73)	861,454.27	760,518.07	100,936.20
State Grants:					
Clean Communities Programs	186,540.89		186,540.89	11,902.77	174,638.12
REA Bonus Grant		1,110.00	1,110.00	1,110.00	
Total State Grant Appropriations	186,540.89	1,110.00	187,650.89	13,012.77	174,638.12
Total Operating Appropriations	2,259,722.14	(16,385.04)	2,243,337.10	1,721,948.73	521,388.37
Non-Operating Appropriations					
Interest on Bonds	43,318.75		43,318.75	43,317.88	0.87
Equipment Reserve	150,000.00		150,000.00	146,277.86	3,722.14
Construction/Landfill Cells Reserve	275,000.00	16,385.04	291,385.04	291,385.04	
Total Non-Operating Appropriations	468,318.75	16,385.04	484,703.79	480,980.78	3,723.01
Unrestricted Net Assets Utilized					
Municipal / County Appropriation	112,986.00	---	112,986.00	---	112,986.00
Total Budget Appropriations	2,841,026.89	---	2,841,026.89	2,202,929.51	638,097.38
Unrestricted Net Assets Utilized	(112,986.00)	---	(112,986.00)	---	(112,986.00)
Excess of Revenues Over Expenditures	---	---	---	\$ 1,246,905.32	\$ 196,682.56
Reconciliation of Excess Revenues over Appropriations to Operating Income					
Excess Revenues over Appropriations to Operating Income				\$ 1,246,905.32	
Add:					
Capital Lease Interest			\$ 43,317.88		
Landfill Closure and Post-Closure Revenue			1,099,401.33		
Other Reserves			437,662.90		
				1,580,382.11	
Less:					
Depreciation			843,431.07		
Host Community Benefits and Landfill Taxes			362,387.51		
				1,205,818.58	
Operating Income/(Loss) Schedule 2				\$ 1,621,468.85	

SALEM COUNTY IMPROVEMENT AUTHORITY
 Schedule of Reconciliation of Net Assets by Division to Exhibit B
 For the Six Months Ended December 31, 2010

	Divisions			Total
	Economic Development	Nursing Home	Solid Waste Landfill	
Operating Income (Loss) Schedules 1, 1a and 1b	\$ (516,895.70)	\$ (1,390,748.94)	\$ 1,621,468.85	\$ (286,175.79)
Non-Operating Revenues (Expenses)	27,465.56	1,948.81	36,989.31	66,403.68
Increase (Decrease) in Net Assets	(489,430.14)	(1,388,800.13)	1,658,458.16	(219,772.11)
Net Assets July 1, 2010	1,084,846.46	(1,265,237.58)	16,959,321.74	16,778,930.62
Net Assets December 31, 2010	<u>\$ 595,416.32</u>	<u>\$ (2,654,037.71)</u>	<u>\$18,617,779.90</u>	<u>\$ 16,559,158.51</u>
Detail of Net Assets:				
Invested in Capital Assets, Net of Related Debt		\$ 578,110.93	\$ 6,775,377.61	\$ 7,353,488.54
Restricted:				
Unemployment Trust			34,499.41	34,499.41
Unrestricted	\$ 595,416.32	(3,232,148.64)	11,807,902.88	9,171,170.56
Total Net Assets	<u>\$ 595,416.32</u>	<u>\$ (2,654,037.71)</u>	<u>\$18,617,779.90</u>	<u>\$ 16,559,158.51</u>

SALEM COUNTY IMPROVEMENT AUTHORITY
 Schedule of Accrued Interest Receivable
 For the Six Months Ended December 31, 2010

	<u>Balance</u> <u>July 1, 2010</u>	<u>Accrued</u>	<u>Received</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Economic Development Division:				
Unrestricted:				
General Operating Account	\$ 55.31	\$ 2,402.93	\$ 2,399.73	\$ 58.51
Nursing Home Division:				
Unrestricted:				
General Operating Account	---	556.97	556.97	---
Restricted:				
Unemployment Reserve	---	23.52	23.52	---
Solid Waste Landfill Division:				
Unrestricted:				
General Operating Account	10,846.83	24,483.83	28,489.91	6,840.75
Construction Fund	2,534.66	9,971.93	10,762.37	1,744.22
Equipment Replacement Fund		959.65	959.65	
	<u>13,381.49</u>	<u>35,415.41</u>	<u>40,211.93</u>	<u>8,584.97</u>
Restricted:				
Unemployment Reserve		34.98	34.98	
Closure/Post-Closure	54,228.44	44,856.80	57,041.87	42,043.37
	<u>54,228.44</u>	<u>44,891.78</u>	<u>57,076.85</u>	<u>42,043.37</u>
Total	<u>\$ 67,665.24</u>	<u>\$ 83,290.61</u>	<u>\$ 100,269.00</u>	<u>\$ 50,686.85</u>
 <u>Summary</u>				
Unrestricted			\$ 8,643.48	
Restricted			<u>42,043.37</u>	
				<u><u>\$ 50,686.85</u></u>

SALEM COUNTY IMPROVEMENT AUTHORITY
Economic Development Division
 Schedule of Conduit Debt Obligations Payable (Memorandum)
 For the Six Months Ended December 31, 2010

Issue	Date	Amount	Balance June 30, 2010	Paid	Balance Dec. 31, 2010
Economic Development Division:					
Salem County Guaranteed:					
Refunding Bonds of 2003	2/1/2003	\$ 17,140,000.00	\$ 9,560,000.00		\$ 9,560,000.00
Refunding Bonds of 2008	4/9/2008	3,780,000.00	3,685,000.00		3,685,000.00
County College Project Series 2008A	6/11/2008	3,600,000.00	2,990,000.00		2,990,000.00
County Glass Blowing Project Series 2008B	6/11/2008	2,000,000.00	2,000,000.00		2,000,000.00
Capital Improvement and Equipment Project Series 2009	3/31/2009	9,854,000.00	9,494,000.00		9,494,000.00
			<u>27,729,000.00</u>	---	<u>27,729,000.00</u>
Municipal Guaranteed:					
Finlaw State Office Building Project Series 2007	7/11/2007	19,500,000.00	19,445,000.00	---	19,445,000.00
Other Series:					
Friends Home at Woodstown	4/1/2004	22,440,000.00	11,440,000.00	---	11,440,000.00
			<u>\$ 58,614,000.00</u>	---	<u>\$ 58,614,000.00</u>

SALEM COUNTY IMPROVEMENT AUTHORITY
Solid Waste Landfill Division
 Schedule of Capital Project Lease Payable
 For the Six Months Ended December 31, 2010

<u>Description</u>	<u>Date</u>	<u>Amount</u>	<u>Maturities</u> <u>Date</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Paid</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
Solid Waste Landfill Division:								
Capital Lease Revenue Bonds								
Glass Blowing Project Series 2008B	5/28/2008	\$ 2,000,000	4/15/2011	\$ 70,000.00	4.00%			
			4/15/2012	75,000.00	4.00%			
			4/15/2013	80,000.00	4.00%			
			4/15/2014	80,000.00	4.00%			
			4/15/2015	85,000.00	4.25%			
			4/15/2016	90,000.00	4.25%			
			4/15/2017	95,000.00	4.25%			
			4/15/2018	100,000.00	4.25%			
			4/15/2019	105,000.00	4.25%			
			4/15/2020	110,000.00	4.25%			
			4/15/2021	115,000.00	4.25%			
			4/15/2022	120,000.00	4.25%			
			4/15/2023	130,000.00	4.25%			
			4/15/2024	135,000.00	4.25%			
			4/15/2025	140,000.00	4.25%			
			4/15/2026	150,000.00	4.25%			
			4/15/2027	155,000.00	5.00%			
			4/15/2028	165,000.00	5.00%			
				<u>\$ 2,000,000.00</u>		<u>\$ 2,000,000.00</u>	<u>---</u>	<u>\$ 2,000,000.00</u>

SALEM COUNTY IMPROVEMENT AUTHORITY
Analysis of Accrued Interest Payable on Capital Project Lease
For the Six Months Ended December 31, 2010

Balance June 30, 2010	\$ 18,049.48
Increased by:	
Accrued	<u>43,318.75</u>
	61,368.23
Decreased by:	
Payments Made	<u>43,318.75</u>
Balance December 31, 2010	<u><u>\$ 18,049.48</u></u>

SALEM COUNTY IMPROVEMENT AUTHORITY

PART II

FINDINGS AND RECOMMENDATIONS

FOR THE SIX MONTHS ENDED

DECEMBER 31, 2010

**SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Recommendations
For the Six Months Ended December 31, 2010**

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Local Finance Board, Department of Community Affairs, and State of New Jersey.

Finding No. 2010-01

Criteria or Specific Requirement

The Authority is subject to rules governing the awarding of contracts contained in N.J.S.A. 40A:11-1 et. seq (Local Public Contracts Law).

Condition

Our examination of contracts regarding the Public Contracts Law revealed that in several instances contracts were not bid when required and approved contracts were not always available for audit or recorded as approved within the minutes.

Context

We noted this condition during our audit of specific contracts, which included all three divisions.

Effect

Violation of N.J.S.A. 40A:11.

Cause

Lack of segregation of duties; inadequate control regarding assignment of employee duties regarding the purchasing cycle.

Recommendation

That more care be exercised to ensure that contracts are bid when required and that approved contracts be available for audit and recorded as approved within the minutes record.

View of Responsible Official

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Recommendations
For the Six Months Ended December 31, 2010**

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2010-02

Criteria or Specific Requirement

In accordance with N.J.A.C. 5-30-5.7, all local units are required to have a properly maintained general ledger. Furthermore, management must possess adequate accounting knowledge to understand and analyze the general ledger, financial statements inclusive of the notes to the financial statements and journal entries.

Condition

As a result of management not having adequate understanding and monitoring of the financial reporting system, the following conditions existed during the audit period:

- The general ledger along with the subsidiary records required numerous adjusting entries in order to achieve proper presentation of the financial statements.
- The Nursing Home Division is not properly classifying patients in their financial system. As a result, the revenues and receivable balances are not properly classified by category.(i.e. Medicaid, Medicare, Hospice & Private
- The Nursing Home Division failed to reconcile patient trust funds and interest earnings to actual cash balances. The Nursing Home Division also did not receive or review the patient trust fund bank statements during the audit period.

Context

A sound framework of internal control is necessary to afford a reasonable basis for the Authority to assert that the information they provide can be relied upon. This requires that a complete and reasonably accurate general ledger along with the appropriate subsidiary records be maintained to ensure adequate control over the preparation of financial statements including related disclosures.

Effect

Without a properly maintained general ledger system, the immediate and current identification of assets, liabilities, revenues, expenditures and net assets cannot be achieved. The amount of adjusting entries that were required to correct the general ledger result in a strong indication of ineffective controls over the preparation of financial statements. Therefore, this is a significant likelihood that the Authority's controls are not effective in detecting material misstatements in the preparation of the financial statements and related disclosures.

Cause

The Improvement Authority assumed control of both the County Nursing Home and the Salem County Utilities Authority in recent previous years. Such transfers, in effect, prohibited the design of adequate procedures to be developed in a timely manner to reconcile the various subsidiary records with accounts maintained in the general ledger system on a periodic basis.

Recommendation

That the general ledger be accurately maintained by the Authority in order to ensure adequate control over the preparation of financial statements inclusive of the reconciliation of subsidiary records and related disclosures.

View of Responsible Official

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Recommendations
For the Six Months Ended December 31, 2010**

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2010-03

Criteria or Specific Requirement

The Authority must adhere to N.J.S.A. 40A:11-1 et seq., N.J.A.C.5:30-5 and N.J.A.C.5:31-4 regarding the purchasing of goods and services, encumbering of purchase orders, support for the payment of claims, etc.

Condition

Our examination of the Authority's expenditures in several instances revealed the following: expenditures were not properly allocated between the three divisions, expenditures were charged to incorrect budgetary line accounts, expenditures were not properly charged to the proper year, vendor's business registration certificates were not always on file, invoices to support expenditures in some instances were not always available, and purchase order dates did not precede invoice dates.

Context

Adequate support and internal accounting controls should be reviewed to ensure an adequate environment exists as to the overall expenditure of funds by the Authority.

Effect

Non compliance with state statutes and the administrative code as well as inadequate internal controls over the purchasing and disbursement cycles.

Cause

The Improvement Authority assumed control of both the County Nursing Home and the Salem County Utilities Authority. Such transfers, in effect, prohibited the design of adequate procedures to be developed in a timely manner regarding the expenditure process.

Recommendation

That the Authority review their policy regarding expenditure of funds environment as to compliance with state statutes and the administrative code.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Recommendations
For the Six Months Ended December 31, 2010**

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2010-04

Criteria or Specific Requirement

In accordance with N.J.A.C.5:30-5.6, All local units shall have and maintain a fixed assets accounting and reporting system that establishes and maintains a physical inventory of fixed assets of nonexpendable, tangible property.

Condition

A fixed asset accounting and reporting system for the Nursing Home Division was not maintained in accordance with N.J.A.C.5:30-5.6.

Context

N.J.A.C.5:30-5.6 must be adhered to in order to properly maintain a fixed asset record that is complete and accurate.

Effect

Violation of N.J.A.C.5:30-5.6 and possible over or understatement of assets.

Cause

Lack of internal accounting control over the inspection and reporting of Fixed Assets.

Recommendation

That the fixed asset accounting and reporting system be reviewed for compliance with N.J.A.C.5:30-5.6 and that proper internal controls be developed to ensure accuracy of the system.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**SALEM COUNTY IMPROVEMENT AUTHORITY
Schedule of Findings and Recommendations
For the Six Months Ended December 31, 2010**

Schedule of Financial Statement Findings (Cont'd)

Finding No. 2010-05

Criteria or Specific Requirement

The Authority should ensure that reporting to external agencies is done properly and remittances are made in the correct amount.

Condition

The Solid Waste Division underreported the taxable tonnage regarding their recycling tax return for the fourth quarter resulting in an underpayment of \$22,955.85.

Context

Calculations for payment of landfill taxes should be reviewed to ensure that amounts reported agree to the amount of tons disposed of in the landfill.

Effect

Possible underpayment of claim resulting in assessment of penalties.

Cause

Lack of internal control over the reporting of waste disposal.

Recommendation

That more care be exercised regarding the calculation of taxable tonnage when determining the recycling tax liability to ensure the proper remittance amount.

View of Responsible Officials and Planned Corrective Action

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

SALEM COUNTY IMPROVEMENT AUTHORITY
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management
For the Six Months Ended December 31, 2010

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

FINANCIAL STATEMENT FINDINGS

Finding No. FY 2010-01

Condition

A Corrective Action Plan for the Audit period ended June 30, 2009 was not prepared and adopted by the Authority within 60 days of the audit report's issuance.

Current Status

This condition has been resolved.

Finding No. FY 2010-02

Condition

Our examination of contracts regarding the Public Contracts Law revealed that in several instances contracts were not bid when required and approved contracts were not always available for audit or recorded as approved within the minutes record.

Current Status

This condition remains unresolved as Finding No. 2010-01.

Planned Corrective Action

The Authority will develop procedures to ensure compliance with this requirement.

Finding No. FY 2010-03

Condition

The general ledger along with the subsidiary records required numerous adjusting entries in order to achieve proper presentation of the financial statements.

Current Status

This condition remains unresolved as Finding No. 2010-02.

Planned Corrective Action

The Authority will develop procedures to ensure compliance with this requirement.

Finding No. FY 2010-04

Condition

Our examination of the Authority's payroll records revealed instances of non-compliance with statutes and regulations which are as follows: employee deductions are not being properly withheld, employee deductions are not being properly remitted, and approval of new hires by the Authority Board were not noted in the minutes record.

Current Status

This condition has been resolved.

**SALEM COUNTY IMPROVEMENT AUTHORITY
Summary Schedule of Prior Year Audit Findings
and Recommendations as Prepared by Management
For the Six Months Ended December 31, 2010**

Schedule of Prior Year Findings (Cont'd)

Finding No. FY 2010-05

Condition

The Nursing Home Division over expended their 2009/2010 budget by \$1,939,330.78.

Current Status

This condition has been resolved.

Finding No. FY 2010-06

Condition

Our examination of the Authority's expenditures in several instances revealed the following: expenditures were not properly allocated between the three divisions, claimant's certification were not always evident, expenditures were charged to incorrect budgetary line accounts, vendor's state registration certificates were not always on file, approved bill lists were not attached to the minutes, invoices to support expenditures in some instances were not always available, checks lacked required signatures, purchase orders lacked required signatures, and purchase order dates did not precede invoice dates.

Current Status

This condition remains unresolved as Finding No. 2010-03.

Planned Corrective Action

The Authority will develop procedures to ensure compliance with this requirement.

Finding No. FY 2010-07

Condition

A fixed asset accounting and reporting system for the Nursing Home Division was not maintained in accordance with N.J.A.C.5:30-5.6.

Current Status

This condition remains unresolved as Finding No. 2010-04.

Planned Corrective Action

The Authority will develop procedures to ensure compliance with this requirement.

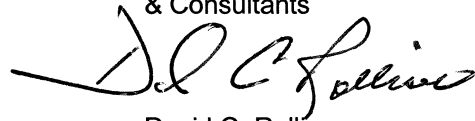
36700

APPRECIATION

I express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

A handwritten signature in black ink, appearing to read "D. C. Rollison". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

David C. Rollison
Certified Public Accountant
Registered Municipal Accountant

