

**WARREN COUNTY SPECIAL SERVICES  
SCHOOL DISTRICT**

**Warren County Special Services School District  
Board of Education  
Oxford, Warren County  
New Jersey**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2010**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Warren County Special Services School District**

**Board of Education**

**Oxford, New Jersey**

**For the Fiscal Year Ending June 30, 2010**

**Prepared by**

**Warren County Special Services School District**

**Board of Education**

**Finance Department**



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N/A

# Introductory Section

Nancy De Riso  
Business Administrator



Gail S. Gomez  
Board Secretary

682 Oxford Road, Oxford, NJ 07862

Telephone (908) 223-7275 Fax (908) 223-7314

Honorable President and  
Members of the Board of Education  
Warren County Special Services School District  
682 Oxford Road  
Oxford, New Jersey 07862  
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Warren County Special Services School District for the fiscal year ending June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

**1. REPORTING ENTITY AND ITS SERVICES:** The Warren County Special Services School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Warren County Special Services School District and all its programs constitute the District's reporting entity.

The district provides special education instructional programs for students with low incidence handicapping conditions. These include classes for multiply disabled, behaviorally disabled, autistic and cognitive severe. The district serves students ages three to twenty one. Art, music, speech, occupational and physical therapies as well as counseling and behavioral intervention services are provided as a regular part of the program.

The district completed the 2009-2010 fiscal year with an enrollment of 39 students. The following details the enrollment over the past seven (7) years.

**AVERAGE DAILY ENROLLMENT**

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-2010	37.9	(26%)
2008-2009	51.4	(12.00%)
2007-2008	58.4	(7.6%)
2006-2007	63.2	(2.6%)
2005-2006	61.6	(23.95%)
2004-2005	81.0	(10.0%)
2003-2004	90.0	(.08%)

**2. ECONOMIC CONDITION AND OUTLOOK:**

The district continues to see a decrease in enrollment secondary to the budgetary restrictions of the sending districts. However, the district continues to provide a host of contracted/shared services to local public school districts which is offsetting our decrease in enrollment. As the push to include students with disabilities in their home schools for economic, social and legal reasons continues, the Warren County Special Services School District has increasingly been called upon to provide the support services necessary to maintain students with lower incidence disabilities in their home schools. The district has embraced this mission, knowing that it is responding to the changing needs of its constituent districts.

The district continues to serve students from resident districts that otherwise may have been placed in more restrictive placements that are often a great distance from the home school. The Warren County Special Services School District is able to provide an appropriate, cost effective school based program within the confines of Warren County. As the move toward less restrictive special education programs continues to exist, it is expected that the district will also continue to service students with lower incidence disabilities as well as to provide contracted/shared services in the area of educational support services i.e. Child Study Team Personnel, CST Evals, PT/OT etc. The district

### **WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT PAGE 3**

regularly pursues additional opportunities for providing services to local school districts i.e. pupil transportation, Crisis Prevention Intervention training. The current emphasis in the District is on the provision of staff training opportunities in the area of special education, Alternate Proficiency Assessment, IEP writing, Technology, etc.

**3. MAJOR INITIATIVES:** During the 2009-2010 school-year, the Warren County Special Services School District operated 6 special education instructional programs in classrooms, which were leased from 5 local public school districts. The district began operating in 1990 on a space-available basis. Participation in the facilities planning of existing and potential host schools is now part of an ongoing initiative, however, space at the high school level has become increasingly impossible to find.

Beginning in the 1993-1994 school-year the district embarked upon a county wide coordinated transportation program. Many school districts in Warren County, as well as several from outside the county, participate in this coordinated effort. The subscribing districts have realized substantial savings through increased efficiency. The district also provides child study team services, occupational therapy, physical therapy, speech therapy, counseling, and teacher aides to subscribing districts on a contract basis. We continue to contract one teacher to the Hackettstown Regional Medical Center to provide instruction for youngsters enrolled in their counseling and addiction center's partial hospitalization program. However, at the end of the 2009-2010 school year due to a decrease in participation from area schools the district terminated the Counseling and Addiction Center's program.

During the 2009-2010 school-year, the district also discontinued its Outdoor Education Program. In addition to the school year program, the district also provides a 6 week, extended school year summer program. This educational program is supplemented with recreational field trips, thematic days, and special events, while maintaining a specialized educational and therapeutic program for each student.

The Warren County Special Services School District continues to be dedicated to serving the educational needs of the special education students of Warren County and the surrounding communities. With an ever-changing statutory and philosophical approach to meeting these needs it appears that increasing demands have been placed upon the district to provide coordinated related services and programs in addition to classroom instruction. The district manages the influx of contracted service requests through its Superintendent and Board Secretary.

**4. INTERNAL ACCOUNTING CONTROLS:** Management of the Warren County Special Services School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

As recipient of federal and state financial assistance, the Warren County Special Services School District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Warren County Special Services School District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

**5. BUDGETARY CONTROLS:** In addition to internal accounting controls, the Warren County Special Services School District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Freeholders of the county. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.

**6. ACCOUNTING SYSTEM AND REPORTS:** The Warren County Special Services School District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

The accounting system of the Warren County Special Services School District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

**7. FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Warren County Special Services School District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2010 and the amount and percentage of increases in relation to prior year revenues.

REVENUE SOURCES	AMOUNT 2010	% OF TOTAL	INCREASE/DECREASE FROM 2009	% OF INCREASE/DECREASE
LOCAL	\$ 2,505,751	93.29%	\$ 278,259	12.49%
STATE	180,101	6.71%	53,617	(22.94%)
FEDERAL	-0-	- 0 -	- 0 -	- 0 -
<b>TOTAL</b>	<b>\$ 2,685,852</b>	<b>100.00%</b>	<b>\$ 224,642</b>	<b>9.13%</b>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010 and the percentage of increases and decreases in relation to prior year amounts.

CURRENT EXPENDITURES	AMOUNT 2010	% OF TOTAL	INCREASE/DECREASE FROM 2009	% OF INCREASE/DECREASE
INSTRUCTION	\$ 778,970	28.58%	\$ (144,035)	(15.61%)
UNDISTRIBUTED	1,946,690	71.42%	11,086	0.57%
SPECIAL REVENUE			(155,201)	100.00%
<b>TOTAL</b>	<b>\$ 2,725,660</b>	<b>100.00%</b>	<b>\$ (288,150)</b>	<b>(9.56%)</b>

**8. DEBT ADMINISTRATION:** The Warren County Special Services School District has no debt obligations as of June 30, 2010.

**9. CASH MANAGEMENT:** The investment policy of the Warren County Special Services School District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The district has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**10. RISK MANAGEMENT:** The Board of Education carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds.

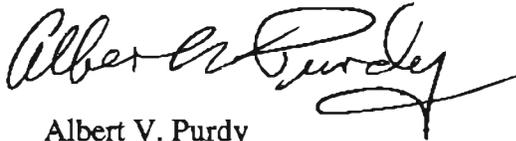
**11. OTHER INFORMATION:**

**A. INDEPENDENT AUDIT** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP Accountants and Auditors was selected by the Warren County Special Services Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB.

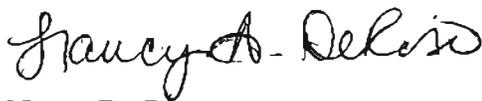
The auditor's report on the general-purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**12. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Warren County Special Services Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the Warren County Special Services School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

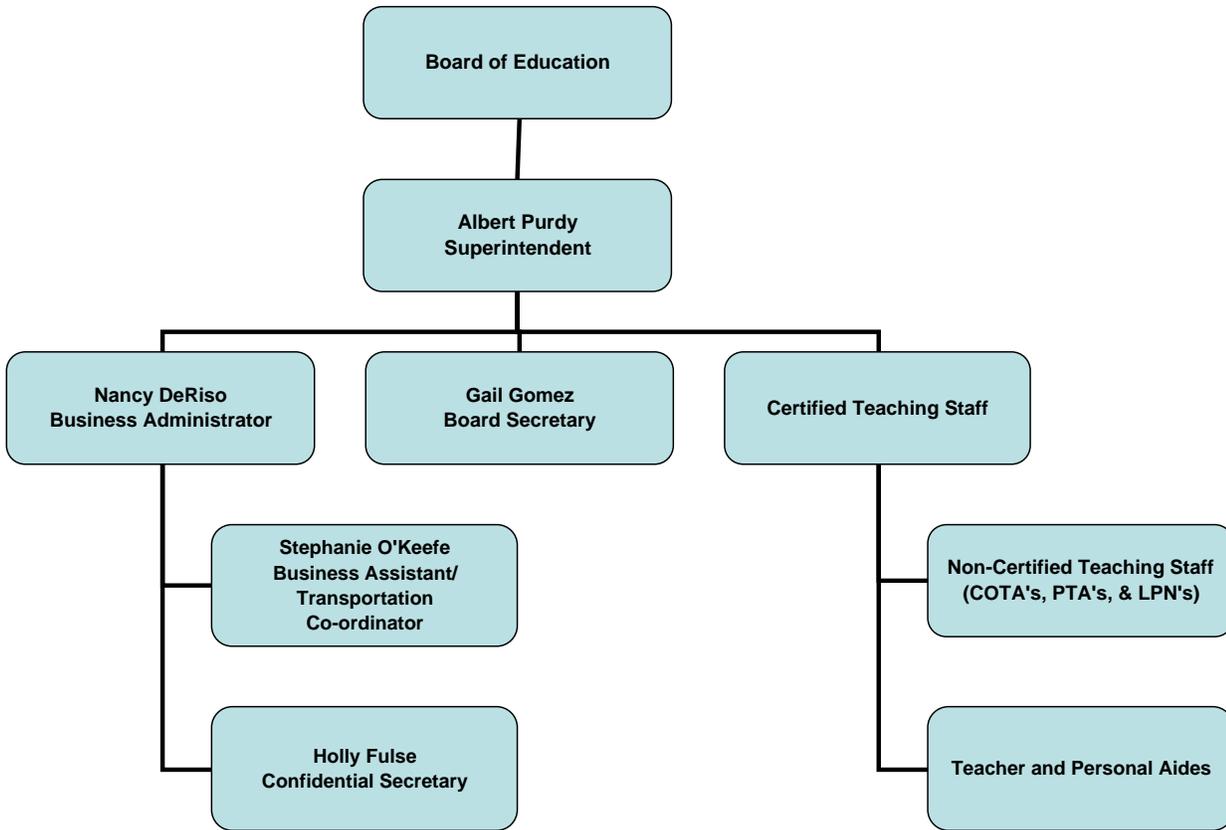


Albert V. Purdy  
Superintendent



Nancy De Riso  
School Business Administrator

**Warren County Special Services School District Organization Chart 2010/2011**



**WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**June 30, 2010**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Vacant, County Superintendent	-----
Mr. William Spencer, President	2013
Ms. Mary Lou Unangst, Vice-President	2011
Ms. Kathi Howell	2011
Dr. Kevin Brennan	2012
Mr. Robert Hopek	2013

**Other Officials**

Mr. Albert Purdy, *Superintendent*

Ms. Nancy De Riso, *Business Administrator*

Ms. Gail S. Gomez, *Board Secretary*

Mr. James Miller, *Treasurer*

**WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**Audit Firm**

**Ardito & Co., LLP**  
1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825

**Attorney**

**Florio, Perrucci, Steinhardt & Fader, LLC**  
235 Frost Ave.  
Phillipsburg, New Jersey 08865

**Official Depository**

**PNC Bank**  
413 Route 57  
Washington, New Jersey 07882

# Financial Section

# Independent Auditor's Report





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Anthony F. Ardito, PA, RMA, PSA

### **UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION- GOVERNMENTAL ENTITY**

#### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Warren County Special Services School District  
County of Warren  
Oxford, New Jersey 07862

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund and the aggregate remaining fund information of the Board of Education of the Warren County Special Services School District, a component unit of the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Warren County Special Services School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Warren County Special Services School District Board of Education, a component unit of the County of Warren, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2010, on our consideration of the Warren County Special Services School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 9 through 9.6, and 34 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warren County Special Services School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Date: October 31, 2010



Licensed Public School Accountant No. 2369  
ARDITO & CO., LLP

**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***





## **ARDITO & Co., LLP**

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

Honorable President and  
Members of the Board of Education  
Warren County Special Services School District  
County of Warren  
Oxford, New Jersey 07862

We have audited the financial statements of the Board of Education of the Warren County Special Services School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Warren County Special Services School Board of Education'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 Warren County Special Services School Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Warren County Special Services School Board of Education's internal control over financial reporting.

-Continued-

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Warren County Special Services School District Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Education of the Warren County Special Services School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 31, 2010.

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



Licensed Public School Accountant No.2369  
ARDITO & CO., LLP

Date: October 31, 2010

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**



WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED

The discussion and analysis of Warren County Special Services School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- ◆ In total, net assets decreased \$61,567, which represents an 8.1 percent decrease from 2009.
- ◆ General revenues accounted for \$199,058 in revenue or 4.0 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,771,866 or 96.0 percent of total revenues of \$4,970,924.
- ◆ Total assets of governmental and business type activities increased by \$54,960 as cash and cash equivalents increased by \$468,701, receivables decreased by \$394,466 and capital assets decreased by \$19,275.
- ◆ The School District had \$5,032,491 in expenses; \$4,771,866 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily county tax levy) of \$199,058 were adequate to provide for the remaining programs.
- ◆ Among major funds, the General Fund had \$1,765,327 in revenues and \$1,822,159 in expenditures. The General Fund's surplus balance decreased \$56,832 over 2009, which compares favorably to planned use of surplus of \$113,163.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warren County Special Services School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Warren County Special Services School District, the General Fund is the most significant fund.

## WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 UNAUDITED

#### **Reporting the School District as a Whole**

##### **Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Internal Service Fund for special needs transportation and special education related services is reported as a business activity.

#### **Reporting the School District's Most Significant Funds**

##### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund and Internal Service Fund.

##### **Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
 UNAUDITED

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

	<b>Table 1</b>	
	<b>Net Assets</b>	
	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current and Other Assets	\$1,123,811	\$1,049,576
Capital Assets	<u>22,964</u>	<u>42,239</u>
<b>Total Assets</b>	<u>1,146,775</u>	<u>1,091,815</u>
<b>Liabilities</b>		
Long-Term Liabilities		
Other Liabilities	<u>449,425</u>	<u>332,898</u>
<b>Total Liabilities</b>	<u>449,425</u>	<u>805,965</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	22,964	42,239
Restricted	-	-
Unrestricted	<u>674,386</u>	<u>716,678</u>
<b>Total Net Assets</b>	<u>\$ 697,350</u>	<u>\$ 758,917</u>

Table 2 shows the changes in net assets from fiscal year 2009.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED

**Table 2**  
**Changes in Net Assets**

<b>Revenues</b>	<u>2010</u>	<u>2009</u>
Program Revenues:		
Charges for Services - Business Type	\$ 3,204,704	\$ 4,363,950
Charges for Services - Governmental	1,422,090	2,283,670
Operating Grants and Contributions	145,072	180,101
General Revenues:		
Property Taxes	186,268	196,072
Other	<u>12,790</u>	<u>26,009</u>
<b>Total Revenues</b>	<u>4,970,924</u>	<u>7,049,802</u>
<b>Program Expenses</b>		
Instruction:		
Special Education	765,491	1,128,273
Support Services:		
Pupils and Instructional Staff	457,979	730,227
General Administration, School Administration, Business	475,347	603,386
Operations and Maintenance of Facilities	86,217	154,809
Pupil Transportation		6,892
Special Schools	57,293	121,348
Business-Type Activities	<u>3,190,164</u>	<u>4,014,820</u>
<b>Total Expenses</b>	<u>5,032,491</u>	<u>6,759,755</u>
Increase in Net Assets	<u>\$ (61,567)</u>	<u>\$ 290,047</u>

**Governmental and Business-Type Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Instruction:				
Special Education	\$ 765,491	\$ 93,433	\$ 1,128,273	\$ 68,729
Support Services:				
Pupils and Instructional Staff	457,979	55,898	730,227	44,482
General Administration, School Administration, Business	475,347	58,018	603,386	36,755
Operation and Maintenance of Facilities	86,217	10,523	154,809	9,431
Pupil Transportation	-		6,892	419
Special Schools	57,293	57,293	121,348	121,348
Business-Type Activities	<u>3,190,164</u>	<u>(14,540)</u>	<u>4,014,820</u>	<u>(349,130)</u>
<b>Total Expenses</b>	<u>\$ 5,032,491</u>	<u>\$ 260,625</u>	<u>\$ 6,759,755</u>	<u>\$ (67,966)</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED

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

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

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

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

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

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students transportation and student aides and related services.

**The School District's Funds**

Information about the School District's major funds starts on page 12 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$1,766,220 and expenditures of \$1,823,052. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$56,832. This decrease compares to a budgeted decrease of \$113,163, through utilization of available fund balance. The district was able to overachieve the budgeted decrease with the implementation of an aggressive expense saving plan. All business-type funds had revenues of \$3,204,704 and expenditures of \$3,190,164 for a net profit of \$14,540.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2010 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$1,630,374, \$513,210 over original budgeted estimates of \$2,143,584. This difference was due primarily to decreases in enrollment and accrual of future tuition adjustments.

The General fund revenues and other financing sources of the School District were less than expenditures by approximately \$56,832, as previously explained in "The School District's Funds" section above.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2010, the School District had \$22,964 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2010 balances compared to 2009.

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

	<u>2010</u>	<u>2009</u>
Machinery and Equipment	\$22,964	\$42,239
<b>Totals</b>	<u>\$22,964</u>	<u>\$42,239</u>

Overall capital assets decreased \$19,275 from fiscal year 2009 to fiscal year 2010 due to depreciation expenses for the year.

No major equipment was purchased during fiscal year 2010.

**Debt Administration**

The School District has no outstanding debt, as such debt issues are issued through the primary governmental unit (County of Warren).

**For the Future**

With the emphasis in special education, in addition to the increasingly tighter local district budgets, the district continues to face the prospect of a static or declining student population. Through an aggressive expense cutting plan, the district was able to generate surplus and generate profit through its internal service funds. As local districts seek to retain their special education students in district, it increases the Warren County Special Services School District's opportunities for providing contracted services to other school districts. In addition, we are always seeking to develop new initiatives in order to meet the unique needs of our county. For example, we are currently analyzing the county's need and desire for our district to operate an alternative middle/high school program as well as a program for students with auditory impairments. It is our hope that by remaining flexible and responsive, the district will continue to evolve in response to the needs of the educational community.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Nancy DeRiso, School Business Administrator at Warren County Special Services School District, 1500 Route 57, Suite 1, Washington, NJ 07882.

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2010

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$659,177	\$ 92,138	\$751,315
Receivables, Net	288,052	80,751	368,803
Interfund Receivables	3,693		3,693
Capital Assets, Net	22,964		22,964
<b>Total Assets</b>	<u>973,886</u>	<u>172,889</u>	<u>1,146,775</u>
<b>LIABILITIES</b>			
Accounts Payable	2,420	70,287	72,707
Interfund Payables			
Deferred Revenue	376,718		376,718
Noncurrent Liabilities (Note 7):			
Due Beyond One Year			
<b>Total Liabilities</b>	<u>379,138</u>	<u>70,287</u>	<u>449,425</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	22,964		22,964
Restricted			
Unrestricted	571,784	102,602	674,386
<b>Total Net Assets</b>	<u>\$594,748</u>	<u>\$102,602</u>	<u>\$697,350</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
Governmental Activities:							
Instruction:							
Special Education	\$ 765,491	609,846	62,212		\$ (93,433)		\$ (93,433)
Support Services:							
Student & Instruction Related Serv.	457,979	364,860	37,221		(55,898)		(55,898)
School Administrative Services	475,347	378,697	38,632		(58,018)		(58,018)
Plant Operations and Maintenance	86,217	68,687	7,007		(10,523)		(10,523)
Special Schools	57,293				(57,293)		(57,293)
Total Governmental Activities	1,842,327	1,422,090	145,072		(275,165)		(275,165)
Business-Type Activities:							
Internal Service	3,190,164	3,204,704				\$ 14,540	14,540
Total Business-Type Activities	3,190,164	3,204,704				14,540	14,540
Total Primary Government	\$ 5,032,491	\$ 4,626,794	145,072		\$ (275,165)	\$ 14,540	\$ (260,625)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 186,268		\$ 186,268
Investment Earnings					2,226		2,226
Miscellaneous Income					10,564		10,564
Total General Revenues, Special Items, Extraor. Items and Transfers					199,058		199,058
Change in Net Assets					(76,107)	14,540	(61,567)
Net Assets—Beginning(As Restated)					670,855	88,062	758,917
Net Assets—Ending					\$ 594,748	\$ 102,602	\$ 697,350

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

## **FUND FINANCIAL STATEMENTS**

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 657,822	\$ 1,355	\$ 659,177
Receivables, Net	800		800
Interfund Receivables	3,693		3,693
Receivables from Other Governments	287,252		287,252
<b>TOTAL ASSETS</b>	<u>\$ 949,567</u>	<u>\$ 1,355</u>	<u>\$ 950,922</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	2,420		2,420
Interfund Payable			
Deferred Revenue	375,363	1,355	376,718
<b>Total Liabilities</b>	<u>377,783</u>	<u>1,355</u>	<u>379,138</u>
<b>Fund Balances:</b>			
<b>Fund Balances:</b>			
Reserved for:			
Encumbrances	65,685		65,685
Unreserved, Reported in General Fund:			
Unreserved-Undesignated	506,099		506,099
<b>Total Fund Balances</b>	<u>571,784</u>		<u>571,784</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 949,567</u>	<u>\$ 1,355</u>	<u>\$ 950,922</u>

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$117,427 and the accumulated depreciation is \$94,463.

22,964

Net assets of governmental activities

\$ 594,748

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
<b>Local sources:</b>			
Local Tax Levy	\$ 186,268		\$ 186,268
Tuition Charges	1,411,290		1,411,290
Miscellaneous	22,697	\$ 893	23,590
<b>Total - Local Sources</b>	<u>1,620,255</u>	893	<u>1,621,148</u>
<b>State Sources</b>	134,953		134,953
<b>Federal Sources</b>	10,119		10,119
<b>Total Revenues</b>	<u>1,765,327</u>	893	<u>1,766,220</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Special Education Instruction	567,336	893	568,229
Support services and undistributed costs:			
Student and Instruction Related Services	351,492		351,492
School Administrative Services	364,822		364,822
Plant Operations and Maintenance	66,170		66,170
Pupil Transportation	-		-
Unallocated Benefits	415,046		415,046
<b>Special Schools</b>	57,293		57,293
<b>Total Expenditures</b>	<u>1,822,159</u>	893	<u>1,823,052</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(56,832)</u>		<u>(56,832)</u>
Net Change in Fund Balances	(56,832)		(56,832)
Fund Balance—July 1	628,616		628,616
<b>Fund Balance—June 30</b>	<u>\$ 571,784</u>		<u>\$ 571,784</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (56,832)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (19,275)	
Capital Outlays	_____ -	_____ (19,275)

**Change in Net Assets of Governmental Activities** \$ (76,107)

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS  
 PROPRIETARY FUNDS

June 30, 2010

		<b>Business-Type Activities - Enterprise Funds</b>	
		<b>Internal Service</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents		\$ 92,138	\$ 92,138
Accounts Receivable - Aides		19,443	19,443
Accounts Receivable - Transportation		29,485	29,485
Accounts Receivable - Hospital Counseling		7,775	7,775
Accounts Receivable - Aides/Related Services		18,850	18,850
Other Receivables		<u>5,198</u>	<u>5,198</u>
<b>Total Current Assets</b>		<u>172,889</u>	<u>172,889</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		92,323	92,323
Less Accumulated Depreciation		<u>(92,323)</u>	<u>(92,323)</u>
<b>Total Noncurrent Assets</b>		<u>-</u>	<u>-</u>
	<b>Total Assets</b>	<u><b>172,889</b></u>	<u><b>172,889</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable		<u>70,287</u>	<u>70,287</u>
<b>Total Current Liabilities</b>		<u>70,287</u>	<u>70,287</u>
	<b>Total Liabilities</b>	<u><b>70,287</b></u>	<u><b>70,287</b></u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt Unrestricted		<u>102,602</u>	<u>102,602</u>
	<b>Total Net Assets</b>	<u><b>\$ 102,602</b></u>	<u><b>\$ 102,602</b></u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<b>Business-type Activities - Enterprise Fund</b>	
	<b>Internal Service</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>		
Charges for Services:		
Transportation Fees from Other LEA's Within the State	\$ 1,463,767	\$ 1,463,767
Aides Reimburesment from Other LEA's Within State	1,581,432	1,581,432
Counseling (Hospital)	39,317	39,317
Related Service Reimbursement from Other LEA's Within State	120,088	120,088
Miscellaneous	100	100
<b>Total Operating Revenues</b>	<b><u>3,204,704</u></b>	<b><u>3,204,704</u></b>
<b>Operating Expenses:</b>		
Transportation- Contracted Services:		
Salaries	47,759	47,759
Benefits	19,895	19,895
Transportation - Fees	1,372,091	1,372,091
Transportation - Purc. Prof.Services	53	53
Transportation - Miscellaneous	<u>19,798</u>	<u>19,798</u>
<b>Total</b>	<b><u>1,459,596</u></b>	<b><u>1,459,596</u></b>
Personal Aides:		
Salaries	1,074,154	1,074,154
Other Purchased Services	8,000	8,000
Benefits	499,675	499,675
General and Administrative Salaries	<u>9,465</u>	<u>9,465</u>
<b>Total</b>	<b><u>1,591,294</u></b>	<b><u>1,591,294</u></b>
Counseling (Hospital):		
Salaries	38,407	38,407
Benefits	10,564	10,564
Other Expenses	<u>362</u>	<u>362</u>
<b>Total</b>	<b><u>49,333</u></b>	<b><u>49,333</u></b>
Related Services - Other Services:		
Salaries	70,222	70,222
Benefits	15,831	15,831
Other Expenses	<u>3,888</u>	<u>3,888</u>
<b>Total</b>	<b><u>89,941</u></b>	<b><u>89,941</u></b>
Depreciation		
<b>Total Operating Expenses</b>	<b><u>3,190,164</u></b>	<b><u>3,190,164</u></b>
Operating Income (Loss)	<u>14,540</u>	<u>14,540</u>
Change in Net Assets	14,540	14,540
Total Net Assets—Beginning	<u>88,062</u>	<u>88,062</u>
<b>Total Net Assets—Ending</b>	<b><u>\$ 102,602</u></b>	<b><u>\$ 102,602</u></b>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b>Internal Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 3,541,648	\$ 3,541,648
Payments to Employees	(1,167,720)	(1,167,720)
Payments for Employee Benefits	(545,965)	(545,965)
Payments to Suppliers	<u>(1,401,595)</u>	<u>(1,401,595)</u>
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>426,368</u>	<u>426,368</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Subsidies and Transfers to Other Funds	<u>(330,115)</u>	<u>(330,115)</u>
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>(330,115)</u>	<u>(330,115)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 96,253	 96,253
 Balances—Beginning of Year	 <u>          -</u>	 <u>          -</u>
 <b>Balances—End of Year</b>	 <u>96,253</u>	 <u>96,253</u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	<u>\$ 14,540</u>	<u>\$ 14,540</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization		
(Increase) Decrease in Accounts Receivable, Net	339,541	339,541
Increase (Decrease) in Accounts Payable	72,287	72,287
Total Adjustments	<u>411,828</u>	<u>411,828</u>
 Net Cash Provided by (used for) Operating Activities	 <u>\$ 426,368</u>	 <u>\$ 426,368</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2010

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>5,585</u>
<b>Total Assets</b>	<b>\$ <u>5,585</u></b>
<b>LIABILITIES</b>	
Payable to Student Groups	\$ 971
Interfund Payable	<u>4,614</u>
<b>Total Liabilities</b>	<b>\$ <u>5,585</u></b>

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

# Notes to Financial Statements

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Board of Education (Board) of the Warren County Special Services School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2009.

**A. Reporting Entity:**

The Warren County Special Services School District is a Type I district located in the County of Warren, State of New Jersey. As a Type I district, the School District functions independently through a Board of Education. The board is comprised of seven members of which six are appointed members and a representative of the state department of education. The District provides special education instructional programs for students with low incidence handicapping conditions. These include classes for preschool handicapped, multiply handicapped, emotionally disturbed, autistic and day training. Students ages three to twenty-one can be served by the district. Speech, occupational and physical therapies, as well as counseling, are provided as a regular part of the program.

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

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

As the School District has a fiscal dependency to the County of Warren by its' dependence to the county for the acquisition of major capital assets and the issuance of related debt, the School District is considered a component unit of the County of Warren.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

The School District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*District-wide Statements:* The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements:* During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

**GOVERNMENTAL FUNDS (Continued)**

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

**Internal Service Fund** - The Internal Service Fund accounts for all revenues and expenses pertaining to special education student transportation operations, related services costs coordinated by a special services school district and shared costs reimbursements provided to another Type II school district. The Internal Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services for the transportation and related services of special education students on a continuing basis are financed or recovered primarily through user charges.

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

Food Service Fund:	
Equipment	5 Years
Light Trucks and Vehicle	5 Years

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

Additionally, the District reports the following fund type:

**Fiduciary Funds** - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund and Payroll Agency Fund.

**Basis of Accounting**

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

*District-wide, Proprietary, and Fiduciary Fund Financial Statements:* The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before October 31, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

The enterprise (internal service) fund does not require a legal budget, but passes and utilizes a flexible budget as part of budgetary and management control.

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2010 and 2009, there were no reconciling differences between the budgetary basis and GAAP basis in the special revenue fund.

**D. Encumbrance Accounting:**

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

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Cash and Cash Equivalents:**

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market

**Interfund Transactions:**

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

**Allowance for Uncollectible Accounts:**

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

**Capital Assets:**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

**Net Assets:**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance Reserves:**

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

**Revenues—Exchange and Nonexchange Transactions**

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest and tuition.

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Management Estimates:**

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Deposits:**

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2010, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	<u>\$751,315</u>	<u>\$5,585</u>	<u>\$756,900</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$756,900 and the bank balance was \$959,522. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$709,522 was covered by collateral pool.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2010, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$ 4,451	\$ 4,451
Transportation		29,485
Aides/Related Services/Hospital Council		51,266
Other	800	800
Tuition Adjustments for FY 2007	282,801	282,801
Gross Receivable	<u>288,052</u>	<u>368,803</u>
Less: Allow. for Uncollectible	-	-
Total Receivables, Net	<u>\$ 288,052</u>	<u>\$368,803</u>

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to represent cash advances to the Enterprise (Internal Service) Fund in advance of receipt of special education and transportation service billings.

The following interfund balances remained on the fund financial statements at June 30, 2010:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,693	
Fiduciary Fund (Payroll)	<u>-</u>	<u>\$ 3,693</u>
	<u>\$ 3,693</u>	<u>\$ 3,693</u>

The General fund receivable relates to imprest cash balances in the payroll agency account.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 117,427			\$ 117,427
Total at Historical Cost	117,427	-		117,427
Less Accumulated Depreciation for:				
Equipment	(75,188)	\$ (19,275)		(94,463)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	(75,188)	(19,275)		(94,463)
<b>Government and Business-Type Activity</b>				
<b>Capital Assets, Net</b>	<b>\$ 42,239</b>	<b>\$ (19,275)</b>		<b>\$ 22,964</b>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Instruction	\$ 19,275
Pupil Transportation and Related Services	-
Total	<u>\$ 19,275</u>

**NOTE 7: LONG-TERM OBLIGATIONS**

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Balance <u>7/1/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/10</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences Payable	None			None	
<b>Total</b>	<u>None</u>			<u>None</u>	<u>\$0</u>

Compensated absences have been liquidated in the General Fund.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 7: OPERATING LEASES**

The District has commitments to lease classroom space for special education instructional needs from school districts located within various counties under operating leases which are one year lease terms, have a renewal option and contain date of notice to terminate for the next school year. Total lease payments made during the year ending June 30, 2010, were \$48,980.

**NOTE 8: PENSION PLANS**

**Description of Plans** - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

***Teachers' Pension and Annuity Fund (TPAF)*** - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A.18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

***Public Employees' Retirement System (PERS)*** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8: PENSION PLANS (Continued)**

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation** - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	\$12,117	100 %	-0-
6/30/2009	25,919	100	-0-
6/30/2008	27,000	100	-0-

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2010	-0-	100 %	-0-
6/30/2009	-0-	100	-0-
6/30/2008	-0-	100	-0-

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8: PENSION PLANS (Continued)**

During the fiscal year ended June 30, 2010, the State of New Jersey did contribute \$83,610 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$51,343 during the year ended June 30, 2010, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

**NOTE 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

**NOTE 10: DEFERRED COMPENSATION**

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Galic  
Oppenheimer  
Equitable

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**NOTE 12: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

The Board participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Board is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**LITIGATION**

The Board is not involved in claims or lawsuits incidental to its operations.

**NOTE 13: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$571,784 General Fund fund balance at June 30, 2010, \$65,685 is reserved for encumbrances; and \$506,099 is unreserved and undesignated.

**NOTE 14: TUITION ADJUSTMENTS**

The District calculates its tuition rates based on estimated costs, which are adjusted based on actual results by the third year subsequent to the estimated tuition year. The calculation for county special services tuition adjustments are based on the provisions of N.J.S.A 18A:46-31. The net 2006-2007 tuition adjustment of \$289,458 is receivable from the sending districts on June 30, 2010, and is reflected in the general fund operations for the 2010 fiscal year. Net liability accruals of \$375,363 are reflected in the general fund operations for the 2010 fiscal year for tuition adjustment amounts that can be estimated and are probable for subsequent years.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
County Tax Levy	\$ 186,268		\$ 186,268	\$ 186,268	
Tuition	1,799,900		1,799,900	1,295,560	\$ (504,340)
Other Tuition	129,416		129,416	115,730	(13,686)
Non-Resident Fees	16,000		16,000	10,800	(5,200)
Miscellaneous	4,000		4,000	11,897	7,897
<b>Total - Local Sources</b>	<u>2,135,584</u>		<u>2,135,584</u>	<u>1,620,255</u>	<u>(515,329)</u>
<b>State Sources:</b>					
TPAF Pension (On-Behalf - Non-Budgeted)				83,610	83,610
TPAF Social Security (Reimbursed - Non-Budgeted)				51,343	51,343
<b>Total State Sources</b>				<u>134,953</u>	<u>134,953</u>
<b>Federal Sources:</b>					
Medical Assistance Program (SEMI)	8,000		8,000	10,119	2,119
<b>Total Federal Sources</b>	<u>8,000</u>		<u>8,000</u>	<u>10,119</u>	<u>2,119</u>
<b>TOTAL REVENUES</b>	<u>2,143,584</u>		<u>2,143,584</u>	<u>1,765,327</u>	<u>(378,257)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Behavioral Disabilities:</b>					
Salaries of Teachers	177,000	4,112	181,112	114,814	66,298
Other Salaries for Instruction	56,775	6,125	62,900	45,301	17,599
Purchased Professional-Educational Services	42,660	(18,200)	24,460	24,460	
Purchased Technical Services		18,200	18,200	6,370	11,830
Other Purchased Services (400-500 series)	500		500		500
General Supplies	1,500	4,004	5,504	4,778	726
<b>Total Behavioral Disabilities</b>	<u>278,435</u>	<u>14,241</u>	<u>292,676</u>	<u>195,723</u>	<u>96,953</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Multiple Disabilities:</b>					
Salaries of Teachers	108,225	(11,876)	96,349	69,046	27,303
Other Salaries for Instruction	20,250	8,916	29,166	23,366	5,800
Purchased Professional-Educational Services	10,000		10,000	4,286	5,714
Purchased Technical Services		8,364	8,364	8,364	
Other Purchased Services (400-500 series)	500		500		500
General Supplies	3,000	13,024	16,024	16,024	
Other Objects	10,000	880	10,880	10,880	
Maintenance Facility	2,000		2,000	841	1,159
<b>Total Multiple Disabilities</b>	<b>153,975</b>	<b>19,308</b>	<b>173,283</b>	<b>132,807</b>	<b>40,476</b>
<b>Autism:</b>					
Salaries of Teachers	127,625	15,228	142,853	133,027	9,826
Other Salaries for Instruction	20,875	465	21,340	21,340	
Purchased Professional-Educational Services	9,350	(270)	9,080	9,080	
Purchased Technical Services		11,595	11,595	11,595	
Other Purchased Services (400-500 series)	500	(500)			
General Supplies	1,000	3,715	4,715	3,524	1,191
<b>Total Autism</b>	<b>159,350</b>	<b>30,233</b>	<b>189,583</b>	<b>178,566</b>	<b>11,017</b>
<b>Pre-School Disabilities Part Time:</b>					
<b>Cognitive - Severe:</b>					
Salaries of Teachers	110,800	(6,948)	103,852	51,691	52,161
Purchased Professional-Educational Services	8,549	(4,429)	4,120	4,120	
Purchased Technical Services		1,117	1,117	1,117	
Other Purchased Services (400-500 series)	500		500		500
General Supplies	1,000	4,429	5,429	3,312	2,117
<b>Total Cognitive - Severe</b>	<b>120,849</b>	<b>(5,831)</b>	<b>115,018</b>	<b>60,240</b>	<b>54,778</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>712,609</b>	<b>57,951</b>	<b>770,560</b>	<b>567,336</b>	<b>203,224</b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Attendance and Social Work:</b>					
Salaries	48,446	7,839	56,285	51,046	5,239
Other Purchased Services (400-500 series)	1,500		1,500	228	1,272
Supplies and Materials	500		500		500
<b>Total Attendance and Social Work</b>	<b>50,446</b>	<b>7,839</b>	<b>58,285</b>	<b>51,274</b>	<b>7,011</b>
<b>Health Services:</b>					
Salaries	2,000		2,000		2,000
Purchased Professional and Technical Services	1,500		1,500	1,340	160
<b>Total Health Services</b>	<b>3,500</b>		<b>3,500</b>	<b>1,340</b>	<b>2,160</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries of Other Professional Staff	282,585	33,756	316,341	233,772	82,569
Purchased Professional - Educational Services	58,000		58,000	37,766	20,234
Purchased Technical Services		17,585	17,585	17,585	
Supplies and Materials	10,400	(4,425)	5,975	5,536	439
<b>Total Other Supp. Services Students-Related Services</b>	<b>350,985</b>	<b>46,916</b>	<b>397,901</b>	<b>294,659</b>	<b>103,242</b>
<b>Instructional Staff Training Services:</b>					
Purchased Professional-Educational Services	1,000		1,000	1,000	
<b>Total Instructional Staff Training Services</b>	<b>1,000</b>		<b>1,000</b>	<b>1,000</b>	
<b>Instructional Staff Training Services:</b>					
Other Purchased Services (400-500 series)	12,000		12,000	3,219	8,781
<b>Total Instructional Staff Training Services</b>	<b>12,000</b>		<b>12,000</b>	<b>3,219</b>	<b>8,781</b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Supp. Services - General Administration:</b>					
Salaries	154,969	30,010	184,979	183,975	1,004
Legal Services	12,000	(3,851)	8,149	8,149	
Audit Fees	14,000		14,000	13,688	312
Other Purchased Professional Services	36,600	(10,000)	26,600	23,429	3,171
Communications/Telephone	25,650	(9,500)	16,150	15,269	881
Other Purchased Services (400-500 series)	33,501	(28,570)	4,931	4,757	174
General Supplies	2,000	9,157	11,157	11,157	
Miscellaneous Expenditures	8,755	(4,711)	4,044	4,044	
<b>Total Supp. Services - General Administration</b>	<b>287,475</b>	<b>(17,465)</b>	<b>270,010</b>	<b>264,468</b>	<b>5,542</b>
<b>Central Services</b>					
Salaries	48,200	(14,921)	33,279	33,277	2
Purchased Professional Services	300	65,850	66,150	66,150	
Misc. Purchased Services (400-500 series)	500	(500)			
Supplies and Materials	500	(312)	188	188	
Other Objects	1,389	(650)	739	739	
<b>Total Central Services</b>	<b>50,889</b>	<b>49,467</b>	<b>100,356</b>	<b>100,354</b>	<b>2</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries		4,500	4,500		4,500
Cleaning, Repair and Maintenance	11,000	215	11,215	5,268	5,947
Rental of Land & Bldg. Oather Than Lease Purchase Agreement	82,274	(2,298)	79,976	48,980	30,996
Insurance	11,500	6,858	18,358	11,922	6,436
<b>Total Other Operations and Maintenance of Plant</b>	<b>104,774</b>	<b>9,275</b>	<b>114,049</b>	<b>66,170</b>	<b>47,879</b>
<b>Student Transportation Services</b>					
Contract Services (Other than Between Home & School)-Vendors	2,000		2,000		2,000
<b>Total Student Transportation Services</b>	<b>2,000</b>		<b>2,000</b>		<b>2,000</b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	40,700	966	41,666	32,198	9,468
Other Retirement Contributions	21,900		21,900	12,117	9,783
Unemployment Compensation	5,525	447	5,972	4,888	1,084
Workmen's Compensation	9,000	3,868	12,868	12,868	
Health Benefits	342,000	(45,351)	296,649	210,690	85,959
Tuition Reimbursement	15,000		15,000	5,382	9,618
Other Benefits	2,700	(750)	1,950	1,950	
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>436,825</b>	<b>(40,820)</b>	<b>396,005</b>	<b>280,093</b>	<b>115,912</b>
On-behalf TPAF pension Contributions (non-budgeted)				83,610	(83,610)
Reimbursed TPAF Social Security Contributions (non-budgeted)				51,343	(51,343)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>134,953</b>	<b>(134,953)</b>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>	<b>436,825</b>	<b>(40,820)</b>	<b>396,005</b>	<b>415,046</b>	<b>(19,041)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>1,299,894</b>	<b>55,212</b>	<b>1,355,106</b>	<b>1,197,530</b>	<b>157,576</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>2,012,503</b>	<b>113,163</b>	<b>2,125,666</b>	<b>1,764,866</b>	<b>360,800</b>
<b>SPECIAL SCHOOLS</b>					
<b>Summer School - Instruction</b>					
Salaries of Teachers	61,575		61,575	42,283	19,292
Other Salaries for Instruction	28,000		28,000	2,318	25,682
General Supplies	6,500		6,500	4,741	1,759
<b>Total Summer School - Instruction</b>	<b>96,075</b>		<b>96,075</b>	<b>49,342</b>	<b>46,733</b>
<b>Summer School - Support Services</b>					
Salaries Support Services	5,200		5,200	929	4,271
Personal Services - Employee Benefits	19,806		19,806		19,806
Other Objects	10,000		10,000	7,022	2,978
	35,006		35,006	7,951	27,055
<b>Total Summer School</b>	<b>131,081</b>		<b>131,081</b>	<b>57,293</b>	<b>73,788</b>
<b>TOTAL SPECIAL SCHOOLS</b>	<b>131,081</b>		<b>131,081</b>	<b>57,293</b>	<b>73,788</b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
<b>TOTAL EXPENDITURES</b>	<b>2,143,584</b>	<b>113,163</b>	<b>2,256,747</b>	<b>1,822,159</b>	<b>434,588</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		(113,163)	(113,163)	(56,832)	56,331
<b>Fund Balance, July 1</b>	628,616		628,616	628,616	
<b>Fund Balance, June 30</b>	<b>\$ 628,616</b>	<b>\$ (113,163)</b>	<b>\$ 515,453</b>	<b>\$ 571,784</b>	<b>\$ 56,331</b>
<b>Recapitulation:</b>					
Encumbrances				65,685	
Unrestricted Fund Balance				506,099	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				<b>\$ 571,784</b>	

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2010

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Local Sources		\$ 1,175	\$ 1,175	\$ 893	\$ (282)
<b>Total Revenues</b>		<b>-</b>	<b>1,175</b>	<b>893</b>	<b>(282)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Supplies and Materials		1,175	1,175	893	282
<b>Total Instruction</b>		<b>1,175</b>	<b>1,175</b>	<b>893</b>	<b>282</b>
Total Expenditures		<b>1,175</b>	<b>1,175</b>	<b>893</b>	<b>282</b>
<b>Total Outflows</b>		<b>\$ 1,175</b>	<b>\$ 1,175</b>	<b>\$ 893</b>	<b>\$ 282</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2010

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 1,765,327	\$ 893
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	N/A	N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	\$ 1,765,327	\$ 893
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 1,822,159	\$ 893
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	\$ 1,822,159	\$ 893

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit E-1

**SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES -  
BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2010

	<b>WCSSD</b>	
	<b>Education</b>	
	<b>Foundation</b>	<b>Totals</b>
<b>REVENUES</b>		
Local Sources	\$ 893	\$ 893
<b>TOTAL REVENUES</b>	<b>\$ 893</b>	<b>\$ 893</b>
<b>EXPENDITURES:</b>		
<b>Instruction:</b>		
Supplies and Materials	\$ 893	\$ 893
<b>Total Instruction</b>	<b>893</b>	<b>893</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 893</b>	<b>\$ 893</b>
<b>Total Outflows</b>	<b>\$ 893</b>	<b>\$ 893</b>
<b>Excess (Deficiency) of Revenues Over(Under) Expenditures and Other Financing Sources (Uses)</b>		

<p style="text-align: center;"><b>PROPRIETARY FUND DETAIL STATEMENTS</b></p>
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Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

**Internal Service Fund - This fund provides for the operation of special education related services and transportation of special education students through user charges.**

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit G-4

STATEMENT OF PROPRIETARY NET ASSETS  
 PROPRIETARY FUNDS

June 30, 2010

		<u>Business-Type Activities-</u> <u>Enterprise Funds</u>	
		<u>Internal</u> <u>Service</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents	\$	92,138	\$ 92,138
Accounts Receivable - Aides		19,443	19,443
Accounts Receivable - Transportation		29,485	29,485
Accounts Receivable - Hospital Counseling		7,775	7,775
Accounts Receivable - Related Services		18,850	18,850
Other Receivables		<u>5,198</u>	<u>5,198</u>
<b>Total Current Assets</b>		<u>172,889</u>	<u>172,889</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		92,323	92,323
Less Accumulated Depreciation		<u>(92,323)</u>	<u>(92,323)</u>
<b>Total Noncurrent Assets</b>			
<b>Total Assets</b>		<b><u>172,889</u></b>	<b><u>172,889</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable		<u>70,287</u>	<u>70,287</u>
<b>Total Current Liabilities</b>		<u>70,287</u>	<u>70,287</u>
<b>Total Liabilities</b>		<b><u>70,287</u></b>	<b><u>70,287</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt			
Unrestricted		<u>102,602</u>	<u>102,602</u>
<b>Total Net Assets</b>		<b><u>\$ 102,602</u></b>	<b><u>\$ 102,602</u></b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit G-5

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	<b>Business-type Activities- Enterprise Fund</b>	
	<b>Internal Service</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>		
Charges for Services:		
Transportation Fees from Other LEA's Within the State	\$ 1,463,767	\$ 1,463,767
Aides Reimburesment from Other LEA's Within State	1,581,432	1,581,432
Counseling (Hospital)	39,317	39,317
Related Service Reimbursement from Other LEA's Within State	120,088	120,088
Miscellaneous	<u>100</u>	<u>100</u>
<b>Total Operating Revenues</b>	<b><u>3,204,704</u></b>	<b><u>3,204,704</u></b>
<b>Operating Expenses:</b>		
Transportation- Contracted Services:		
Salaries	47,759	47,759
Benefits	19,895	19,895
Transportation - Fees	1,372,091	1,372,091
Transportation - Purc. Prof.Services	53	53
Transportation - Miscellaneous	<u>19,798</u>	<u>19,798</u>
<b>Total</b>	<b><u>1,459,596</u></b>	<b><u>1,459,596</u></b>
Personal Aides:		
Salaries	1,074,154	1,074,154
Other Purchased Services	8,000	8,000
Benefits	499,675	499,675
General and Administrative Salaries	<u>9,465</u>	<u>9,465</u>
<b>Total</b>	<b><u>1,591,294</u></b>	<b><u>1,591,294</u></b>
Counseling (Hospital):		
Salaries	38,407	38,407
Benefits	10,564	10,564
Other Expenses	<u>362</u>	<u>362</u>
<b>Total</b>	<b><u>49,333</u></b>	<b><u>49,333</u></b>
Related Services - Other Services:		
Salaries	70,222	70,222
Benefits	15,831	15,831
Other Expenses	<u>3,888</u>	<u>3,888</u>
<b>Total</b>	<b><u>89,941</u></b>	<b><u>89,941</u></b>
Depreciation		
<b>Total Operating Expenses</b>	<b><u>3,190,164</u></b>	<b><u>3,190,164</u></b>
Operating Income (Loss)	<u>14,540</u>	<u>14,540</u>
Change in Net Assets	14,540	14,540
Total Net Assets—Beginning	<u>88,062</u>	<u>88,062</u>
<b>Total Net Assets—Ending</b>	<b><u>\$ 102,602</u></b>	<b><u>\$ 102,602</u></b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit G-6

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended June 30, 2010

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b>Internal Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 3,541,648	\$ 3,541,648
Payments to Employees	(1,167,720)	(1,167,720)
Payments for Employee Benefits	(545,965)	(545,965)
Payments to Suppliers	<u>(1,401,595)</u>	<u>(1,401,595)</u>
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>426,368</u>	<u>426,368</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Subsidies and Transfers to Other Funds	<u>(330,115)</u>	<u>(330,115)</u>
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>(330,115)</u>	<u>(330,115)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	96,253	96,253
Balances—Beginning of Year	_____ -	_____ -
<b>Balances—End of Year</b>	<u>96,253</u>	<u>96,253</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 14,540	\$ 14,540
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization		
(Increase) Decrease in Accounts Receivable, Net	339,541	339,541
Increase (Decrease) in Accounts Payable	<u>72,287</u>	<u>72,287</u>
Total Adjustments	<u>411,828</u>	<u>411,828</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 426,368</u>	<u>\$ 426,368</u>

<p style="text-align: center;"><b>FIDUCIARY FUND DETAIL STATEMENTS</b></p>
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Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

**Student Activity Fund** - This agency fund is used to account for student funds held at the schools.

**Payroll Fund** - This agency fund is used to account for the payroll transactions of the school district.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 971	\$ 4,614	\$ 5,585
<b>TOTAL ASSETS</b>	<b>\$ 971</b>	<b>\$ 4,614</b>	<b>\$ 5,585</b>
<b>LIABILITIES:</b>			
Liabilities:			
Payable to Student Groups	\$ 971		\$ 971
Interfund Payable	-	\$ 4,614	4,614
<b>Total Liabilities</b>	<b>\$ 971</b>	<b>\$ 4,614</b>	<b>\$ 5,585</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 971</b>	<b>\$ 4,614</b>	<b>\$ 5,585</b>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
School Jackets	\$2			\$2
K. Menke Class Funds	515			515
Miscellaneous/Donations	450	\$4		454
	<u>\$967</u>	<u>\$4</u>	<u>-</u>	<u>\$971</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$3,693	\$2,499,046	\$2,498,125	\$4,614
<b>Total Assets</b>	<u>\$3,693</u>	<u>2,499,046</u>	<u>2,498,125</u>	<u>\$4,614</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings		\$ 942,044	\$ 942,044	
Accrued Salaries and Wages		1,556,081	1,556,081	
Accounts Payable/Interfund	\$3,693	921		\$4,614
<b>Total Liabilities</b>	<u>\$3,693</u>	<u>\$2,499,046</u>	<u>\$2,498,125</u>	<u>\$4,614</u>

## **LONG-TERM DEBT SCHEDULES**

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

**N/A**

Warren County Special Services School District  
**Statistical Section**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	49-54
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	55-56
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	57-62

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Warren County Special Services School District  
Net Assets by Component,  
Last Eight Fiscal Years**

*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
	<b>N/A</b>							
Governmental activities								
Invested in capital assets, net of related debt		\$ 4,211	\$ 22,162	\$ 31,169	\$ 80,789	\$ 61,514	\$ 42,239	\$ 22,964
Reserved				816,501	689,508	285,235	-	-
Unrestricted		695,757	1,353,298	656,008	531,516	383,189	628,616	571,784
Total governmental activities net assets	-	<u>\$ 699,968</u>	<u>\$ 1,375,460</u>	<u>\$ 1,503,678</u>	<u>\$ 1,301,813</u>	<u>\$ 729,938</u>	<u>\$ 670,855</u>	<u>\$ 594,748</u>
Business-type activities								
Invested in capital assets, net of related debt	-	\$ 4,912	\$ 34,835	\$ 26,126	\$ 17,418	\$ 8,814	-	-
Unrestricted		(331,277)	(251,367)	(374,402)	(303,871)	(269,882)	\$ 88,062	\$ 102,602
Total business-type activities net assets	-	<u>\$ (326,365)</u>	<u>\$ (216,532)</u>	<u>\$ (348,276)</u>	<u>\$ (286,453)</u>	<u>\$ (261,068)</u>	<u>\$ 88,062</u>	<u>\$ 102,602</u>
District-wide								
Invested in capital assets, net of related debt	-	\$ 9,123	\$ 56,997	\$ 57,295	\$ 98,207	\$ 70,328	\$ 42,239	\$ 22,964
Reserved				816,501	689,508	285,235	-	-
Unrestricted	-	364,480	1,101,931	281,606	227,645	113,307	716,678	674,386
Total district net assets	-	<u>\$ 373,603</u>	<u>\$ 1,158,928</u>	<u>\$ 1,155,402</u>	<u>\$ 1,015,360</u>	<u>\$ 468,870</u>	<u>\$ 758,917</u>	<u>\$ 697,350</u>

Source: CAFR Schedule A-1

**Warren County Special Services School District**  
**Changes in Net Assets, Last Eight Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

			Fiscal Year Ending June 30,					
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>	<b>N/A</b>							
Governmental activities								
Instruction								
Special education		\$1,312,088	\$1,560,891	\$1,357,339	\$1,399,661	\$1,412,755	\$1,128,273	\$ 765,491
Support Services:								
Student & instruction related services		574,619	546,301	453,861	643,635	649,430	730,227	457,979
School administrative services		484,593	576,619	527,493	588,121	610,946	603,386	475,347
Plant operations and maintenance		165,988	200,845	194,844	216,752	202,777	154,809	86,217
Pupil transportation		6,622	15,093	6,672	3,149	2,976	6,892	
Special Schools		123,365	112,253	134,858	149,924	154,201	121,348	57,293
Total governmental activities expenses	-	2,667,275	3,012,002	2,675,067	3,001,242	3,033,085	2,744,935	1,842,327
Business-type activities:								
Internal Service		5,711,706	3,892,269	4,349,798	4,385,236	4,228,365	4,014,820	3,190,164
Total business-type activities expense	-	5,711,706	3,892,269	4,349,798	4,385,236	4,228,365	4,014,820	3,190,164
Total district expenses	-	\$8,378,981	\$6,904,271	\$7,024,865	\$7,386,478	\$7,261,450	\$6,759,755	\$ 5,032,491
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
Instruction (regular & special education)		\$1,450,991	\$1,876,694	\$1,383,703	\$1,262,721	\$1,108,548	\$1,059,544	\$ 672,058
Business and other support services		1,366,644	1,613,545	1,207,692	1,312,748	1,149,393	1,404,227	895,104
Operating grants and contributions								
Capital grants and contributions								
Total governmental activities program revenues	-	2,817,635	3,490,239	2,591,395	2,575,469	2,257,941	2,463,771	1,567,162
Business-type activities:								
Charges for services								
Food service								
Internal Service		5,382,072	4,002,102	4,218,054	4,447,059	4,253,750	4,363,950	3,204,704
Operating grants and contributions								
Capital grants and contributions		-	-	-	-	-	-	-
Total business type activities program revenues	-	5,382,072	4,002,102	4,218,054	4,447,059	4,253,750	4,363,950	3,204,704
Total district program revenues	-	\$8,199,707	\$7,492,341	\$6,809,449	\$7,022,528	\$6,511,691	\$6,827,721	\$ 4,771,866

**Warren County Special Services School District**  
**Changes in Net Assets, Last Eight Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2003	2004	2005	Fiscal Year Ending June 30,		2008	2009	2010
				2006	2007			
<b>Net (Expense)/Revenue</b>								
Governmental activities		\$ 150,360	\$ 478,237	\$ (83,672)	\$ (425,773)	\$ (775,144)	\$ (281,164)	\$ (275,165)
Business-type activities		(329,634)	109,833	(131,744)	61,823	25,385	349,130	14,540
Total district-wide net expense	-	<u>\$ (179,274)</u>	<u>\$ 588,070</u>	<u>\$ (215,416)</u>	<u>\$ (363,950)</u>	<u>\$ (749,759)</u>	<u>\$ 67,966</u>	<u>\$ (260,625)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Property taxes levied for general purposes, net		\$ 171,461	\$ 180,034	\$ 183,634	\$ 184,821	\$ 189,442	\$ 196,072	\$ 186,268
Investment earnings		1,571	1,571	21,060	11,976	6,420	9,772	2,226
Miscellaneous income		18,344	15,450	7,196	27,111	7,407	16,237	10,564
Transfers	-	(292,563)						
Total governmental activities	-	<u>(101,187)</u>	<u>197,055</u>	<u>211,890</u>	<u>223,908</u>	<u>203,269</u>	<u>222,081</u>	<u>199,058</u>
Business-type activities:								
Internal Service		-						-
Transfers		292,563						-
Total business-type activities	-	<u>292,563</u>	-	-	-	-	-	-
Total district-wide	-	<u>\$ 191,376</u>	<u>\$ 197,055</u>	<u>\$ 211,890</u>	<u>\$ 223,908</u>	<u>\$ 203,269</u>	<u>\$ 222,081</u>	<u>\$ 199,058</u>
<b>Change in Net Assets</b>								
Governmental activities		\$ 49,173	\$ 675,292	\$ 128,218	\$ (201,865)	\$ (571,875)	\$ (59,083)	\$ (76,107)
Business-type activities		(37,071)	109,833	(131,744)	61,823	25,385	349,130	14,540
Total district	-	<u>\$ 12,102</u>	<u>\$ 785,125</u>	<u>\$ (3,526)</u>	<u>\$ (140,042)</u>	<u>\$ (546,490)</u>	<u>\$ 290,047</u>	<u>\$ (61,567)</u>

Source: CAFR Schedule A-2

**Warren County Special Services School District**  
**Fund Balances, Governmental Funds,**  
**Last Eight Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year Ending June 30,</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>
				<u>2006</u>	<u>2007</u>			
General Fund								
Reserved				\$ 816,501	\$ 826,686	\$ 429,817	\$ 113,164	65,685
Unreserved	\$ 642,373	\$ 695,757	\$ 1,353,298	656,008	394,338	238,607	515,452	\$ 506,099
Total general fund	<u>\$ 642,373</u>	<u>\$ 695,757</u>	<u>\$ 1,353,298</u>	<u>\$ 1,472,509</u>	<u>\$ 1,221,024</u>	<u>\$ 668,424</u>	<u>\$ 628,616</u>	<u>\$ 571,784</u>
All Other Governmental Funds								
Reserved								
Unreserved, reported in:								
Special revenue fund								-
Capital projects fund								
Debt service fund								
Permanent fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: CAFR Schedule B-1

**Warren County Special Services School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

**Exhibit J-4**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Revenues</b>										
Tax levy	\$ 149,625	\$ 157,106	\$ 163,390	\$ 171,461	\$ 180,034	\$ 183,634	\$ 184,821	\$ 189,442	\$ 196,072	\$ 186,268
Tuition charges	1,884,221	2,317,630	2,195,827	2,360,560	3,110,989	2,235,472	2,147,618	1,814,258	2,134,260	1,411,290
Miscellaneous	338,553	402,206	424,552	333,873	238,546	227,946	199,812	223,792	175,419	23,590
State sources	130,911	153,434	159,645	143,117	157,725	156,053	267,126	233,718	180,101	134,953
Federal sources	620					180	-	-	-	10,119
Total revenue	<u>2,503,930</u>	<u>3,030,376</u>	<u>2,943,414</u>	<u>3,009,011</u>	<u>3,687,294</u>	<u>2,803,285</u>	<u>2,799,377</u>	<u>2,461,210</u>	<u>2,685,852</u>	<u>1,766,220</u>
<b>Expenditures</b>										
Instruction										
Special education instruction	970,750	1,064,511	1,051,191	973,739	1,051,314	944,118	890,810	924,005	778,970	568,229
Other special instruction										
Support Services:										
Student & instruction related services	618,184	671,739	511,751	428,286	370,819	318,295	413,223	433,617	516,630	351,492
General administrative services	198,031	259,774								
School Administrative services	93,253	80,167	316,610	361,186	391,398	369,934	377,582	474,933	426,891	364,822
Business administrative services	26,297	25,904								
Plant operations and maintenance	130,482	138,719	131,533	123,717	136,194	136,645	139,158	135,392	109,526	66,170
Pupil transportation	15,334	10,228	7,988	4,936	10,245	4,679	2,022	1,987	4,876	-
Unallocated employee benefits	507,968	568,027	447,791	647,835	931,390	758,746	1,020,731	889,675	767,419	415,046
Special Schools	107,202	146,518	173,520	123,365	112,253	134,858	149,924	154,201	121,348	57,293
Special Revenue	6,643	17,327								
Capital outlay	26,546				26,140	16,799	57,412			
Total expenditures	<u>2,700,690</u>	<u>2,982,914</u>	<u>2,640,384</u>	<u>2,663,064</u>	<u>3,029,753</u>	<u>2,684,074</u>	<u>3,050,862</u>	<u>3,013,810</u>	<u>2,725,660</u>	<u>1,823,052</u>
Excess (Deficiency) of revenues over (under) expenditures	(196,760)	47,462	303,030	345,947	657,541	119,211	(251,485)	(552,600)	(39,808)	(56,832)
<b>Other Financing Sources (uses)</b>										
Transfers in										-
Transfers out				(292,563)						-
Total other financing sources (uses)	-	-	-	(292,563)	-	-	-	-	-	-
Net change in fund balances	<u>\$ (196,760)</u>	<u>\$ 47,462</u>	<u>\$ 303,030</u>	<u>\$ 53,384</u>	<u>\$ 657,541</u>	<u>\$ 119,211</u>	<u>\$ (251,485)</u>	<u>\$ (552,600)</u>	<u>\$ (39,808)</u>	<u>\$ (56,832)</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Summer</u> <u>School</u> <u>Tuition</u>	<u>Extra</u> <u>Tuition</u>	<u>Non-</u> <u>Resident</u> <u>Fees</u>	<u>Personal</u> <u>Aide</u> <u>Reimburse.</u>	<u>Special</u> <u>Education</u> <u>Medicaid</u> <u>Init.</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 13,374	\$ 1,884,221	\$ 204,120	\$ 35,679	\$ 23,002	\$ 33,391	\$ 26,629	\$ 65	\$ 2,293	\$ 2,222,774
2002	528	2,317,630	245,855	33,642	19,314	70,826	25,442		6,599	2,719,836
2003	1,098	2,195,827	269,775	33,774	18,545	70,984	28,412		1,964	2,620,379
2004	1,571	2,360,560	201,202	21,962	11,760	79,034	11,022		7,322	2,694,433
2005	10,402	3,110,989	209,925		11,600		2,683		3,936	3,349,535
2006	21,060	2,235,472	194,490		5,200		2,911		4,285	2,463,418
2008	11,975	2,147,618	149,925		10,800		16,970	5,947	4,195	2,347,430
2008	6,420	1,814,258	188,505		21,460		9,055		(1,648)	2,038,050
2009	9,772	2,134,260	126,610		22,800		8,826		7,411	2,309,679
2010	2,226	1,295,560	115,730		10,800		10,119		9,671	1,444,106

SOURCE: District Records

**Warren County Special Services School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2001	102,958	\$ 3,415,528,692	\$33,174 R	3.6%
2002	105,319	\$ 3,564,521,555	\$33,845 R	5.3%
2003	106,955	\$ 3,691,551,825	\$34,515 R	5.3%
2004	108,349	\$ 3,854,840,722	\$35,578 R	4.3%
2005	108,748	\$ 4,010,843,736	\$36,882 R	4.2%
2006	109,167	\$ 4,306,419,816	\$39,448 R	4.1%
2007	109,450	\$ 4,589,019,600	\$41,928 R	3.7%
2008	109,684	\$ 4,705,114,548	\$42,897	5.0%
2009	109,897	\$ 4,714,251,609 *	\$42,897 *	8.8%
2010	109,638	\$ 4,703,141,286 *	\$42,897 *	8.8% *

**Source:**

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

<sup>b</sup> Personal Income provided by US Department of Commerce

<sup>c</sup> Per Capita provided by US department of Commerce

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

R =Revised

\* Current data unavailable

**Warren County Special Services School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

**Exhibit J-16**

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction										
Special education	17.6	20.0	18.6	19.1	16.6	16.0	18.6	15.0	9.0	7.0
Other special education	9.3	13.7	12.0	11.6	11.1	10.2	12.2	10.2	6.9	4.0
Support Services:										
General administrative services	5.0	5.0	4.0	2.5	2.5	3.5	3.7	3.7	3.0	2.4
School administrative services	2.2	3.0	3.0	3.0	2.2	2.2	1.0	1.0	1.0	1.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5	0.5	0.5
Pupil transportation	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	0.6	0.6
Total	<u>37.1</u>	<u>44.7</u>	<u>40.6</u>	<u>38.2</u>	<u>34.4</u>	<u>33.4</u>	<u>37.0</u>	<u>31.4</u>	<u>21.0</u>	<u>15.5</u>

**Source:** District Personnel Records

Warren County Special Services School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Special Services				
2001	120	2,685,336	22,378	24.15%	36	N/A	112.9	101.4	19.43%	89.81%
2002	97	2,982,914	30,752	37.42%	47	N/A	96.9	87.0	-16.55%	89.78%
2003	97	2,640,384	27,220	-11.48%	35	N/A	97.0	87.1	0.11%	89.79%
2004	90	2,663,064	29,590	8.70%	40	N/A	88.7	80.9	-7.66%	91.21%
2005	81	3,003,613	37,082	25.32%	35	N/A	81.0	73.6	-9.92%	90.86%
2006	62	2,667,275	43,021	16.02%	33	N/A	61.6	56.8	-29.58%	92.21%
2007	66	2,993,450	45,355	5.43%	22	N/A	63.2	57.7	1.56%	91.30%
2008	59	3,013,810	51,082	12.63%	15	N/A	58.4	53.4	-7.59%	91.44%
2009	54	2,725,660	50,475	-1.19%	9	N/A	51.8	46.9	-11.30%	90.54%
2010	39	1,823,052	46,745	-7.39%	11	N/A	37.4	33.5	-27.80%	89.57%

Sources: District records, ASSA and Schedules J-4

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Warren County Special Services School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>Hackettstown 1</u></b>										
Square Feet	800	800	800	800	800	800	800	800	800	800
Capacity (students)	12	12	12	12	12	12	12	12	12	12
Enrollment	6	4	6	4	3	3	5	7	6	
<b><u>Franklin Ed</u></b>										
Square Feet	770	770	770	770	770	770	770	770	770	770
Capacity (students)	12	12	12	12	12	12	12	12	12	12
Enrollment	5	5	6	6	4	6	7	5	6	4
<b><u>Franklin Aut</u></b>										
Square Feet	630	630	630	630	630	630	630	630	630	630
Capacity (students)	12	12	12	12	12	12	12	12	12	12
Enrollment	6	5	4	5	5	2	4	4	6	7
<b><u>Liberty MDP</u></b>										
Square Feet	812	812	812	812	812	812	812	812	812	
Capacity (students)	12	12	12	12	12	12	12	12	12	
Enrollment	5	7	5	6	4	3	5	2		
<b><u>Knowlton MHP MDP MDE</u></b>										
Square Feet	639	639	639	639	639	639	639	639	639	
Capacity (students)	12	12	12	12	12	12	12	12	12	
Enrollment	6	7	6	7	5	4	4	4		
<b><u>ARD 1 m</u></b>										
Square Feet					1,026	1,026	1,026	1,026	1,026	
Capacity (students)					12	12	12	12	12	
Enrollment					6	7	6	7	6	

**Warren County Special Services School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>WHR MDS</u></b>										
Square Feet	800	800	800	800						
Capacity (students)	12	12	12	12						
Enrollment	9	9	7	10						
<b><u>ARC 2 g</u></b>										
Square Feet					864	864	864	864	864	864
Capacity (students)					12	12	12	12	12	12
Enrollment					8	9	10	7	7	11
<b><u>WHR MDJ</u></b>										
Square Feet	800	800	800	800						
Capacity (students)	12	12	12	12						
Enrollment	8	8	8	5						
<b><u>GMR</u></b>										
Square Feet	960	960	960	960	960	960	960	960	960	960
Capacity (students)	12	12	12	12	12	12	12	12	12	12
Enrollment	8	7	4	5	5	4	4	5	5	6
<b><u>Oxford EDI</u></b>										
Square Feet				864	864	864	864	864		
Capacity (students)				12	12	12	12	12		
Enrollment				3	2	5	4	0		
<b><u>Pohatcong AUT</u></b>										
Square Feet								900	900	900
Capacity (students)								12	12	12
Enrollment								2	3	3
<b><u>Harmony MHP MDP</u></b>										
Square Feet	900	900	900							
Capacity (students)	12	12	12							
Enrollment	6	5	4							

**Warren County Special Services School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>Harmony MHE MDE</u></b>										
Square Feet	900	900	900	900	900	900	900	900		
Capacity (students)	12	12	12	12	12	12	12	12		
Enrollment	7	7	8	6	6	4	4	3		
<b><u>Harmony AUT</u></b>										
Square Feet	900	900	900	900						
Capacity (students)	12	12	12	12						
Enrollment	5	3	5	5						
<b><u>Belvidere</u></b>										
Square Feet	900	900	900	900	900	900	900	900	900	
Capacity (students)	12	12	12	12	12	12	12	12	12	
Enrollment	6	6	6	4	5	5	4	3	3	
<b><u>WC Tech EDS</u></b>										
Square Feet	522	522	522	522	522	522	522	522	522	522
Capacity (students)	12	12	12	12	12	12	12	12	12	12
Enrollment	8	10	8	6	9	10	9	10	12	8
<b><u>WC Tech 2</u></b>										
Square Feet	522									
Capacity (students)	12									
Enrollment	7									
<b><u>District Office WC Tech</u></b>										
Square Feet			2,765	2,765	2,765	2,765	2,765	2,765	1,100	1,100
Capacity (students)										
Enrollment										

**Source:** District records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit J-19

**GENERAL FUND**  
**SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES**  
 Last Five Fiscal Years Ending June 30, 2010

UNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES  
 11-000-261-xxx

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
N/A	N/A	NONE								
Total School Facilities		NONE								
Other Facilities		NONE								
<b>Grand Total</b>		NONE								

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit J-20

**INSURANCE SCHEDULE**  
**June 30, 2010**  
**UNAUDITED**

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>SCHOOL PACKAGE POLICY</b>		
Property-Blanket Contents	\$ 250,000,000*	
Comprehensive General Liability		
General Agggregate	5,000,000	
Occurrence Limit	5,000,000	
Comprehensive Automobile Liability	5,000,000	
<b>UMBRELLA LIABILITY-SELECTIVE</b>		
General Agggregate Limit	5,000,000	
Occurrence Limit	5,000,000	
<b>SCHOOL BOARD LEGAL LIABILITY</b>		
Directors and Officers Policy		
Limit each Loss	5,000,000	5,000
Limit each Policy Year	1,000,000	
<b>EXCESS SCHOOL BOARD LEGAL LIABILITY</b>		
Directors and Officers Policy		
Limit each Loss	5,000,000	
Limit each Policy Year	5,000,000	

\*Pooled Coverage (SAIF)

SOURCE: District Records