

**WARREN COUNTY
SPECIAL SERVICES
SCHOOL DISTRICT**

**Warren County Special Services School District
(a component unit of the County of Warren)
Oxford, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

**Comprehensive Annual
Financial Report**

of the

Warren County Special Services School District

Oxford, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Warren County Special Services School District
Finance Office**

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
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INTRODUCTORY SECTION

WCSSSD

Warren County Special Services School District

Joseph Flynn ~ Superintendent

September 17, 2012

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

Dear Board Members:

The comprehensive annual financial report of the Warren County Special Services School District (the "District") for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations 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 Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District may be required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information included in the single audit section, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and responses, 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 Governmental Accounting Standards Board ("GASB") in codification section 2100. Accordingly, the District is a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board's Codification Section 2100. All funds 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 students. 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 programs.

The Honorable President and Members of
the Board of Education
Warren County Special Services School District
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September 17, 2012

The following chart details the changes in the student enrollment of the District over the last nine years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2011-2012	31.1	-7.4%
2010-2011	33.6	-11.3%
2009-2010	37.9	-26.3%
2008-2009	51.4	-12.0%
2007-2008	58.4	-7.6%
2006-2007	63.2	2.6%
2005-2006	61.6	-23.9%
2004-2005	81.0	-10.0%
2003-2004	90.0	-0.08%

The District also provides coordinated transportation services, related special education services, and personal student aides both in the District's classrooms and other districts' classrooms.

2) ECONOMIC CONDITION AND OUTLOOK: The District continues to see a decrease in enrollment due to budgetary restrictions of the sending districts. However, the District has increased the contracted and shared services provided to local public school districts partially offsetting the decreasing tuition revenue. The Warren County Special Services School District has capitalized on opportunities to support local school districts in their attempt to include students with lower incidence disabilities in their home district for economic, social and legal reasons. 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 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 continues to exist, it is expected that the District will also continue to service students with disabilities as well as provide contracted and shared services in the areas of educational support services such as Child Study Team Personnel, CST Evaluations, Physical and Occupational Therapies, and Speech services. The District continues to increase the number of schools serviced through coordinated transportation bus routes and educational training services. The current emphasis in the District continues to be on the provision of staff training opportunities in the areas of special education, Alternate Proficiency Assessment, IEP writing, Technology, etc.

3) MAJOR INITIATIVES AND ACCOMPLISHMENTS: During the 2011-2012 school year, the Warren County Special Services School District operated seven special education instructional programs in classrooms leased from six local public school districts. Facilities planning of existing and potential classroom space is an annual initiative based on the classes planned for the upcoming year. Securing appropriate space at the high school level continues to be a challenge.

The county-wide coordinated transportation services offered by the District continue to grow as subscribing districts realize substantial savings by participating in this coordinated effort. The District also entered into an agreement to share a District owned van with another local school to assist that school with their transportation needs.

Special education related services offered continued to expand during 2011/2012 with the provision of a full child study team to another local school district. The District continues to see increases in requests for OT/PT and speech services as well. The number of personal student aides contracted by surrounding districts decreased this school year, and staffing was decreased accordingly to maintain an appropriate balance of expenses to revenue.

The Honorable President and Members of
 the Board of Education
 Warren County Special Services School District
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In addition to the school year program, the District offered a four-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 District continues to evolve to meet the ever changing needs of the surrounding school districts. The demand for special education related services continues to increase and contracting personnel to meet this demand was handled by the Business Administrator and Superintendent.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system 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 system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Superintendent. Annual appropriated budgets are adopted for the general fund. Project-length budgets would be 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitment and assignments at June 30, 2012.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: At June 30, 2012, the District has no outstanding bonded debt.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

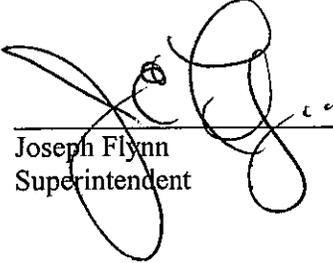
The Honorable President and Members of
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Warren County Special Services School District
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September 17, 2012

9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive, and umbrella liability. The School Alliance Insurance Fund oversees risk management for the District. The SAIF is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to their members. A schedule of insurance coverage is found on Exhibit J-20.

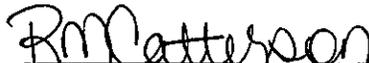
10) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Warren County Special Services School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the 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 the financial and accounting staff.

Respectfully submitted,

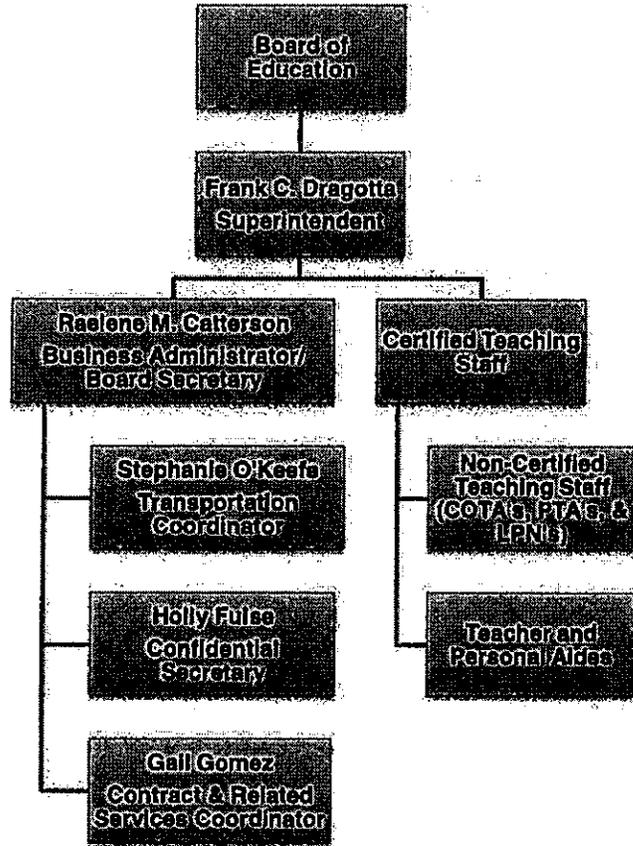


Joseph Flynn
Superintendent



Raelene Catterson
Business Administrator/Board Secretary

Warren County Special Services School District Organization Chart 2011/2012



**WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr. William Spencer, President	2013
Ms. Kathi Howell, Vice-President	2014
Dr. Kevin Brennan	2015
Ms. Mary Jane Deutsch	2014
Mr. Robert Hopek	2013
Ms. Kim Reitmeyer	2015

<u>Other Officers</u>	<u>Title</u>
Frank C. Dragotta	Superintendent
Raelene M. Catterson	Business Administrator/Board Secretary
Abigail Kutz	Treasurer of School Monies

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Consultants and Advisors
June 30, 2012

Audit Firm

Nisivoccia LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Attorneys

Florio, Perrucci, Steinhardt & Fader, LLC
235 Frost Ave.
Phillipsburg, NJ 08865

Official Depository

PNC Bank
413 Route 57
Washington, NJ 07882

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
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Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Warren County Special Services School District, a component unit of the County of Warren, as of and for the fiscal year ended June 30, 2012 which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 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 Office of School 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 the 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, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Warren County Special Services School District in the County of Sussex, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012, on our consideration of the Board of Education of the Warren County Special Services School District'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.

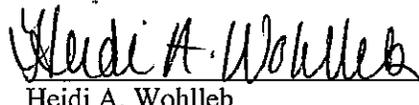
The Honorable President and Members
of the Board of Education
Warren County Special Services School District
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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 and C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Warren County Special Services School District's financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

September 17, 2012
Mount Arlington, New Jersey

NISIVOCCIA LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

**Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

This section of Warren County Special Services School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

Financial Highlights

- The District’s financial status declined on a district-wide basis.
- Overall revenue was \$4.98 million.
- Overall expenditures were \$5.07 million.
- Enrollment in the District has steadily decreased over the past several years, but cost per pupil has been increasing.

Overview of the Financial Statements

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as personal aides, transportation, related services, and in service.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the School District’s Financial Report

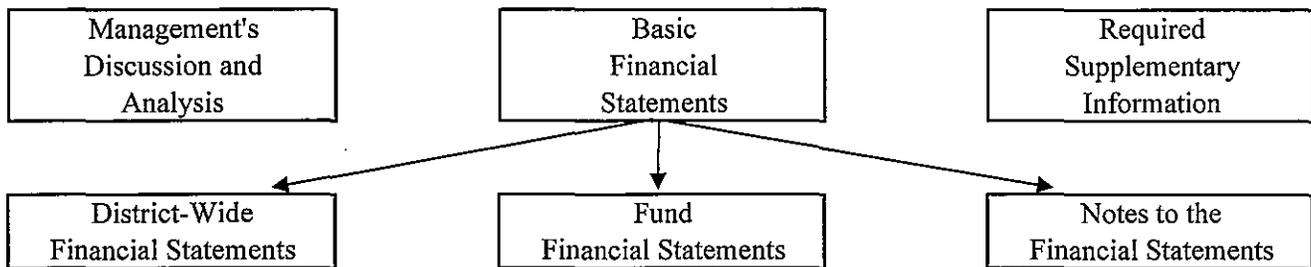


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: personal aides, transportation, related services, and in service	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. County taxes and tuition revenue finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's personal aides, transportation, related services, and in-service enterprise funds are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) are used to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The net assets from governmental activities decreased by \$159,213 and the net assets from business-type activities increased by \$72,468. Total combined net assets invested in capital assets decreased by \$11,482, restricted net assets decreased by \$10,309, and unrestricted net assets decreased by \$64,954.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change
	Governmental Activities		Business-Type Activities		Total School District		
	2011/12	As Restated 2010/11	2011/12	As Restated 2010/11	2011/12	As Restated 2010/11	
Current and Other Assets	\$ 677,255	\$ 1,059,293	\$ 191,706	\$ 141,788	\$ 868,961	\$ 1,201,081	-27.65%
Capital Assets, Net		11,482				11,482	-100.00%
Total Assets	<u>677,255</u>	<u>1,070,775</u>	<u>191,706</u>	<u>141,788</u>	<u>868,961</u>	<u>1,212,563</u>	-28.34%
Long-Term Liabilities	89,658	90,070	55,850	79,456	145,508	169,526	-14.17%
Other Liabilities	319,843	553,738	75,005	73,949	394,848	627,687	-37.09%
Total Liabilities	<u>409,501</u>	<u>643,808</u>	<u>130,855</u>	<u>153,405</u>	<u>540,356</u>	<u>797,213</u>	-32.22%
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt		11,482				11,482	-100.00%
Restricted		10,309				10,309	-100.00%
Unrestricted/(Deficit)	<u>267,754</u>	<u>405,176</u>	<u>60,851</u>	<u>(11,617)</u>	<u>328,605</u>	<u>393,559</u>	-16.50%
Total Net Assets	<u>\$ 267,754</u>	<u>\$ 426,967</u>	<u>\$ 60,851</u>	<u>\$ (11,617)</u>	<u>\$ 328,605</u>	<u>\$ 415,350</u>	-20.88%

- Changes in Net Assets.* The District's combined net assets were \$328,605 on June 30, 2012, a decrease of \$86,745 or 20.88% less than they were the year before. The decrease in governmental activities net assets is due to a significant decrease in tuition from other LEA's partially offset by a significant decrease in special education instructional expenses within the District. The increase in business-type activities net assets is due primarily to an excess in revenue over expenses in the Personal Aides and Related Services Enterprise Funds of approximately \$146,600 partially offset by a deficit in revenue under expenses in the Transportation Enterprise Fund of approximately \$11,400. Additionally, there was a budgeted transfer from the Personal Aides Enterprise Fund's net assets of approximately \$87,000 to the General Fund partially offset by a transfer from the General Fund to cover a deficit in net assets in the Hospital Fund Enterprise Fund of approximately \$21,000.

Figure A-4

Changes in Net Assets from Operating Results

	Governmental Activities	Business-Type Activities	As Restated		Total School District		Percentage Change 2011/12
			Governmental Activities	Business-Type Activities	As Restated		
			2011/12	2011/12	2010/11	2010/11	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,078,400	\$ 3,595,403	\$ 1,340,820	\$ 3,209,464	\$ 4,673,803	\$ 4,550,284	2.71%
Operating Grants/ Contributions	111,298		126,306		111,298	126,306	-11.88%
General Revenue:							
County Tax Levy	186,268		186,268		186,268	186,268	0.00%
Other	8,048	5	9,897	9	8,053	9,906	-18.71%
Total Revenue	1,384,014	3,595,408	1,663,291	3,209,473	4,979,422	4,872,764	2.19%
Expenses:							
Instruction	900,792		1,051,686		900,792	1,051,686	-14.35%
Pupil and Instruction Services	301,632		292,558		301,632	292,558	3.10%
Administrative and Business	294,783		268,527		294,783	268,527	9.78%
Maintenance and Operations	100,149		85,605		100,149	85,605	16.99%
Transportation	11,543		11,482		11,543	11,482	0.53%
Special Schools			946			946	-100.00%
Other		3,457,268		3,244,288	3,457,268	3,244,288	6.56%
Total Expenses	1,608,899	3,457,268	1,710,804	3,244,288	5,066,167	4,955,092	2.24%
Transfers	65,672	(65,672)					
Increase/(Decrease) in							
Net Assets	\$ (159,213)	\$ 72,468	\$ (47,513)	\$ (34,815)	\$ (86,745)	\$ (82,328)	235.09%

Revenue Sources. The District's total revenue for the 2011/12 school year was \$4,979,422. (See Figure A-4). The majority of the District's revenue was from Charges for Services - Tuition from Other LEA's in the governmental activities and Program Fees in the business-type activities, accounting for \$4,673,803 or 93.86 percent of total revenue. County tax levy accounted for approximately 3.74 percent of the total revenue. (See Figure A-5). Another 2.40 percent came from Operating Grants and Contributions and Other.

Figure A-5

Sources of Revenue for Fiscal Year:

Sources of Income:	2011/12	
	Amount	Percentage
Charges for Services	\$ 4,673,803	93.86%
Grants and Contributions	111,298	2.24%
Property Taxes	186,268	3.74%
Other	8,053	0.16%
	\$ 4,979,422	100.00%

The total cost of all programs and services was \$5,066,167. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and Enterprise Funds program activities (91.97 percent). (See Figure A-6). The District's administrative and business activities accounted for 5.82 percent of total costs.

Figure A-6

Expenses for Fiscal Year:

Expense Category:	2011/12	
	Amount	Percentage
Instruction	\$ 900,792	17.78%
Pupil and Instruction Services	301,632	5.95%
Administrative and Business	294,783	5.82%
Maintenance and Operations	100,149	1.98%
Transportation	11,543	0.23%
Other	3,457,268	68.24%
	<u>\$ 5,066,167</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, although the financial position of the District declined the District's financial position remains strong. However, maintaining existing programs with declining pupil enrollment and the provision of a multitude of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, places great demands on the District's resources. Careful management of expenses is essential for the District to maintain its financial health.

Among the many significant cost savings actions implemented have been:

- Continued participation in purchasing cooperative for certain office supplies.
- Maintenance of a decreased level of office staffing compared with prior years.

It is crucial that the District examine its expenditures carefully. Staff, parental and student demands for salary increases, activities, small class sizes and programs must be evaluated thoroughly. District resources are at their tightest level in a decade. Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and special schools. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District by each of these functions:

Figure A-7

	Net Cost of Governmental Activities			
	Total Cost of	As Restated	Net Cost of	As Restated
	Services	Total Cost of	Services	Net Cost of
	2011/12	Services	2011/12	Net Cost of
	2010/11	2010/11	2010/11	
Instruction	\$ 900,792	\$ 1,051,686	\$ 148,725	\$ 47,459
Pupil and Instruction Services	301,632	292,558	66,951	47,104
Administrative and Business	294,783	268,527	91,833	51,082
Maintenance and Operations	100,149	85,605	100,149	85,605
Transportation	11,543	11,482	11,543	11,482
Special Schools		946		946
	<u>\$ 1,608,899</u>	<u>\$ 1,710,804</u>	<u>\$ 419,201</u>	<u>\$ 243,678</u>

Business-Type Activities

Net assets from the District's business-type activities increased by \$72,468. (Refer to Figure A-4). The most significant factors contributing to these results is as follows:

- An excess in revenue over expenses in the Personal Aides and Related Services Enterprise Funds of approximately \$146,600 partially offset by a deficit in revenue under expenses in the Transportation Enterprise Fund of approximately \$11,400.
- There was a budgeted transfer from the Personal Aides Enterprise Fund's net assets of approximately \$87,000 to the General Fund partially offset by a transfer from the General Fund to cover a deficit in net assets in the Hospital Fund Enterprise Fund of approximately \$21,000.
- Revenue from program fees increased by \$385,935 while program costs only increased by \$212,980.

Financial Analysis of the District's Funds

The District's financial position decreased on a fund basis due to a decrease in revenue from tuition from other local school districts offset by the District's careful control over instructional expenses. To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are due to changes made within budgetary line items for changes in school-based needs for programs and supplies.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change
	Governmental Activities		Business-Type Activities		Total School District		
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	
Machinery and Equipment	\$ -0-	\$ 11,482	\$ -0-	\$ -0-	\$ -0-	\$ 11,482	-100.00%
Total Capital Assets, Net of Depreciation	<u>\$ -0-</u>	<u>\$ 11,482</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,482</u>	-100.00%

Figure A-9

Outstanding Long-Term Debt

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
		As Restated		As Restated		As Restated	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
Compensated Absences Payable	\$ 89,658	\$ 90,070	\$ 55,850	\$ 79,456	\$ 145,508	\$ 169,526	-14.17%
Total Long Term Liabilities	<u>\$ 89,658</u>	<u>\$ 90,070</u>	<u>\$ 55,850</u>	<u>\$ 79,456</u>	<u>\$ 145,508</u>	<u>\$ 169,526</u>	-14.17%

The decrease in compensated absences payable is due primarily to the retirement payout to one employee.

Factors Bearing on the District's Future Revenue/Expense Changes

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstance that could significantly affect its financial health in the future:

- Decreased state aid to sending districts will continue a trend in decreasing enrollment in the District's special education classes with less severely disabled students being served in their home districts. Conversely, this same factor may increase enrollment of students with more severe disabilities in the District's special education classes as they are moved from more expensive private schools into our programs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 682 Oxford Road, Oxford, NJ 07863.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 456,314	\$ 56,062	\$ 512,376
County Tax Levy Receivable	46,567		46,567
Internal Balances	(3,570)	3,570	
Interfund Receivable	2,744		2,744
Receivables From State Government	3,192		3,192
Receivables From Other Governments	172,008	132,074	304,082
Total Assets	<u>677,255</u>	<u>191,706</u>	<u>868,961</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	62,904	75,005	137,909
Payable to Other Governments	256,939		256,939
Non-Current Liabilities:			
Due Beyond One Year	89,658	55,850	145,508
Total Liabilities	<u>409,501</u>	<u>130,855</u>	<u>540,356</u>
NET ASSETS			
Unrestricted	<u>267,754</u>	<u>60,851</u>	<u>328,605</u>
Total Net Assets	<u>\$ 267,754</u>	<u>\$ 60,851</u>	<u>\$ 328,605</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Special Education	\$ 796,247	\$ 606,007	\$ 83,898	\$ (106,342)		\$ (106,342)
Other Special Instruction	104,545	56,068	6,094	(42,383)		(42,383)
Support Services:						
Student & Instruction Related Services	301,632	234,681		(66,951)		(66,951)
General Administrative Services	233,464	181,644	21,306	(30,514)		(30,514)
Central Services	61,319			(61,319)		(61,319)
Plant Operations and Maintenance	100,149			(100,149)		(100,149)
Pupil Transportation	11,543			(11,543)		(11,543)
Total Governmental Activities	1,608,899	1,078,400	111,298	(419,201)	\$ -0-	(419,201)
Business-Type Activities:						
Personal Aides	1,404,778	1,531,023			126,245	126,245
Transportation	1,724,544	1,713,165			(11,379)	(11,379)
Related Services	327,216	347,577			20,361	20,361
In Service	730	3,638			2,908	2,908
Total Business-Type Activities	3,457,268	3,595,403			138,135	138,135
Total Primary Government	5,066,167	4,673,803	111,298	(419,201)	138,135	(281,066)

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenue and Transfers:						
Taxes:						
County Tax Levy				\$ 186,268		\$ 186,268
Miscellaneous Income				8,048	\$ 5	8,053
				<u>65,672</u>	<u>(65,672)</u>	<u>-0-</u>
Total General Revenue and Transfers				<u>259,988</u>	<u>(65,667)</u>	<u>194,321</u>
Change in Net Assets				(159,213)	72,468	(86,745)
Net Assets/(Deficit) - Beginning as Restated				<u>426,967</u>	<u>(11,617)</u>	<u>415,350</u>
Net Assets - Ending				<u>\$ 267,754</u>	<u>\$ 60,851</u>	<u>\$ 328,605</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 456,314	\$ 456,314
County Tax Levy Receivable	46,567	46,567
Interfund Receivable		
Fiduciary Funds	2,744	2,744
Receivables From State Governments	3,192	3,192
Receivables From Other Governments	172,008	172,008
Total Assets	<u>\$ 680,825</u>	<u>\$ 680,825</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 62,904	\$ 62,904
Payable to Other Governments	256,939	256,939
Interfund Payable - Enterprise Funds	3,570	3,570
Total Liabilities	<u>323,413</u>	<u>323,413</u>
Fund Balances:		
Unassigned	<u>357,412</u>	<u>357,412</u>
Total Fund Balances	<u>357,412</u>	<u>357,412</u>
Total Liabilities and Fund Balances	<u>\$ 680,825</u>	

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:

Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.

(89,658)

Net Assets of Governmental Activities

\$ 267,754

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-2

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Total Governmental Funds
REVENUE:		
Local Sources:		
Local Tax Levy - County	\$ 186,268	\$ 186,268
Tuition from LEA's	1,010,400	1,010,400
Other Tuition	56,000	56,000
Non-Resident Fees	12,000	12,000
Miscellaneous	8,048	8,048
Total - Local Sources	1,272,716	1,272,716
State Sources	106,050	106,050
Federal Sources	5,248	5,248
Total Revenue	1,384,014	1,384,014
EXPENDITURES		
Current:		
Special Education Instruction	594,348	594,348
Other Special Instruction	78,269	78,269
Support Services and Undistributed Costs:		
Student & Instruction Related Services	253,030	253,030
General Administrative Services	184,400	184,400
Central Services	50,619	50,619
Plant Operations and Maintenance	100,149	100,149
Pupil Transportation	61	61
Unallocated Benefits	336,953	336,953
Total Expenditures	1,597,829	1,597,829
Deficit of Revenue under Expenditures	(213,815)	(213,815)
OTHER FINANCING SOURCES/(USES)		
Transfers	65,672	65,672
Total Other Financing Sources/(Uses)	65,672	65,672
Net Change in Fund Balances	(148,143)	(148,143)
Fund Balance—July 1	505,555	505,555
Fund Balance—June 30	\$ 357,412	\$ 357,412

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (148,143)

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 of depreciation in the period.

Depreciation Expense (11,482)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacation and sick time) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

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Change in Net Assets - Governmental Funds (Exhibit A-2) \$ (159,213)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Major Programs			Total
	Non-Major Programs	Personal Aides	Transportation	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 8,780	\$ 47,282		\$ 56,062
Intergovernmental Receivable - Other	44,034	15,714	\$ 72,326	132,074
Interfund Receivable	3,570			3,570
Intrafund Receivable		54,437		54,437
Total Current Assets	<u>56,384</u>	<u>117,433</u>	<u>72,326</u>	<u>246,143</u>
Non-Current Assets:				
Equipment			43,543	43,543
Less: Accumulated Depreciation			<u>(43,543)</u>	<u>(43,543)</u>
Total Non-Current Assets	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Assets	<u>56,384</u>	<u>117,433</u>	<u>72,326</u>	<u>246,143</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	19,947	53,437	1,621	75,005
Intrafund Payable	21,513		32,924	54,437
Total Current Liabilities	<u>41,460</u>	<u>53,437</u>	<u>34,545</u>	<u>129,442</u>
Long-Term Liabilities:				
Compensated Absences Payable		40,850	15,000	55,850
Total Long-Term Liabilities		<u>40,850</u>	<u>15,000</u>	<u>55,850</u>
Total Liabilities	<u>41,460</u>	<u>94,287</u>	<u>49,545</u>	<u>185,292</u>
NET ASSETS:				
Unrestricted	<u>14,924</u>	<u>23,146</u>	<u>22,781</u>	<u>60,851</u>
Total Net Assets	<u>\$ 14,924</u>	<u>\$ 23,146</u>	<u>\$ 22,781</u>	<u>\$ 60,851</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Total
	Non-Major Programs	Major Programs		
		Personal Aides	Transportation	
Operating Revenue				
Local Sources:				
Program Fees	\$ 351,215	\$ 1,531,023	\$ 1,713,165	\$ 3,595,403
Total Operating Revenue	351,215	1,531,023	1,713,165	3,595,403
Operating Expenses:				
Salaries	169,001	927,290	96,559	1,192,850
Transportation Services			1,582,806	1,582,806
Other Purchased Services	122,122	30	9,871	132,023
Supplies and Materials			8,463	8,463
Other Objects			487	487
Payroll Taxes	6,699	74,513	7,211	88,423
Employee Benefits	30,124	402,945	19,147	452,216
Total Operating Expenses	327,946	1,404,778	1,724,544	3,457,268
Operating Income/(Loss)	23,269	126,245	(11,379)	138,135
Non-operating Revenue:				
Interest Income	5			5
Total Non-operating Revenue	5			5
Change in Net Assets	23,274	126,245	(11,379)	138,140
Net Assets/(Deficit) - Beginning of Year as Restated	(29,758)	(16,019)	34,160	(11,617)
Transfers - General Fund	21,408	(87,080)		(65,672)
Net Assets - End of Year	\$ 14,924	\$ 23,146	\$ 22,781	\$ 60,851

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Non-Major Programs</u>	<u>Major Programs</u>		
		<u>Personal Aides</u>	<u>Transportation</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Interfund Advanced/Returned	\$ (27,550)			\$ (27,550)
Intrafund Advanced/Returned	(20,097)	\$ (8,468)	\$ 28,565	
Receipts from Customers	356,876	1,572,227	1,696,299	3,625,402
Payments to/for Employees	(203,435)	(1,429,367)	(123,237)	(1,756,039)
Payments to Suppliers	(122,042)	(30)	(1,601,627)	(1,723,699)
Net Cash Provided by/(Used for) Operating Activities	(16,248)	134,362		118,114
Cash Flows from Non-Capital Financing Activities:				
Residual Excess Transfer - General Fund	21,408	(87,080)		(65,672)
Net Cash Provided by/(Used for) Non-Capital Financing Activities	21,408	(87,080)		(65,672)
Cash Flows from Investing Activities:				
Interest Income	5			5
Net Cash Provided by Investing Activities	5			5
Net Increase in Cash and Cash Equivalents	5,165	47,282		52,447
Cash and Cash Equivalents, July 1	3,615			3,615
Cash and Cash Equivalents, June 30	<u>\$ 8,780</u>	<u>\$ 47,282</u>	<u>\$ -0-</u>	<u>\$ 56,062</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:				
Operating Income/(Loss)	\$ 23,269	\$ 126,245	\$ (11,379)	\$ 138,135
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:				
Changes in Assets and Liabilities:				
(Increase)/Decrease in Intergovernmental Receivable	9,300	41,204	(16,867)	33,637
(Decrease) in Compensated Absences Payable	(12,459)	(11,147)		(23,606)
Increase/(Decrease) in Accounts Payable	14,847	(13,472)	(319)	1,056
Decrease in Interfund Receivable	2,252			2,252
(Decrease) in Interfund Payable	(33,360)			(33,360)
(Increase) in Intrafund Receivable		(8,468)		(8,468)
Increase/(Decrease) in Intrafund Payable	(20,097)		28,565	8,468
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (16,248)</u>	<u>\$ 134,362</u>	<u>\$ -0-</u>	<u>\$ 118,114</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Student</u>	<u>Agency</u>	<u>Totals</u>
	<u>Activities</u>	<u>Payroll</u> <u>Agency</u>	<u>Totals</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 974	\$ 8,519	\$ 9,493
Total Assets	<u>\$ 974</u>	<u>\$ 8,519</u>	<u>\$ 9,493</u>
<u>LIABILITIES:</u>			
Payroll Deductions/Withholdings		\$ 5,775	\$ 5,775
Interfund Payable - General Fund		2,744	2,744
Due to Student Groups	<u>\$ 974</u>		<u>974</u>
Total Liabilities	<u>\$ 974</u>	<u>\$ 8,519</u>	<u>\$ 9,493</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Warren County Special Services School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Accordingly, the Warren County Special Services School District is a component unit of the County of Warren under the provisions of Governmental Accounting Standards Board's Codification Section 2100. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The financial statements include all funds of the District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria, other than the County of Warren.

B. Basis of Presentation

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenue identifies the extent to which each government function or business segment is self-financing or draws from the general revenue of the District.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

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.

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 and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes. There are no active grants in the current fiscal year.

Capital Projects Fund: This Fund does not apply to the Warren County Special Services School District.

Debt Service Fund: This Fund does not apply to the Warren County Special Services School District.

The District reports the following Proprietary Fund:

Enterprise Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's Enterprise Funds. The District operates several Enterprise Funds. The District's Enterprise Funds are comprised of the Personal Aides, Transportation, Related Services, and In Service. The Hospital Fund was discontinued during the fiscal year ended June 30, 2012. These Enterprise Funds are 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 to the students of local school districts on a continuing basis are financed or recovered primarily through user charges.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

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 the Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. 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. Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the District's Enterprise Funds are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general fund. The budgets are submitted to and approved by the County office. Budgets are prepared using the modified accrual basis of accounting. 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 made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

There is no difference between the budgetary and GAAP bases of accounting for the General Fund in the current fiscal year.

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash and cash in banks.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

N.J.S.A 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenue. 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 revenue/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned 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 revenue 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.

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

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

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premiums and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

M. Accrued Salaries and Wages

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year. Therefore, there were accrued salaries and wages of \$137,909 as of June 30, 2012. These earned but undisbursed amounts should be retained in a separate interest bearing account.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee agreements/contracts. Upon termination, employees are paid for accrued vacation. The District's various employee agreements/contracts permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's various employee agreements/contracts.

In the district-wide *Statement of Net Assets*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned.

P. Fund Balance Appropriated

General Fund: Of the \$357,412 General Fund fund balance at June 30, 2012, the entire amount is unassigned.

Calculation of Excess Surplus: The District is not subject to the calculation of excess surplus.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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.

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The District has no fund balance restrictions at June 30, 2012.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2012.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District did not have any assigned resources at June 30, 2012.

S. Revenue - 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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include county tax levies, grants, entitlements and donations. On the accrual basis, revenue from County taxes is recognized in the fiscal year for which the taxes are levied. 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: County tax levy, interest and tuition.

Operating revenues are those revenues that are generated directly from the primary activity of the respective Enterprise Fund. For the School District, these revenues are fees charged for services in various special programs run by the District. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the respective Enterprise Fund.

T. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

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. The school districts are also permitted to deposit 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.

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2012, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents
Checking Accounts	\$ 521,869

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$521,869 and the bank balance was \$701,621.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 117,427		\$ (21,054)	\$ 96,373
Total Capital Assets Being Depreciated	<u>117,427</u>		<u>(21,054)</u>	<u>96,373</u>
Governmental Activities Capital Assets	<u>117,427</u>		<u>(21,054)</u>	<u>96,373</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(105,945)</u>	\$ (11,482)	21,054	<u>(96,373)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,482</u>	<u>\$ (11,482)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 43,543			\$ 43,543
Less Accumulated Depreciation	<u>(43,543)</u>			<u>(43,543)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Depreciation expense was charged to governmental functions as follows:

Pupil Transportation	<u>\$ 11,482</u>
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NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the District-wide financial statements:

	(Restated) Balance 6/30/2011	Accrued	Retired	Balance 6/30/2012
Compensated Absences Payable	<u>\$ 169,526</u>	<u>\$ 12,488</u>	<u>\$ 36,506</u>	<u>\$ 145,508</u>

A. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term liability balance of compensated absences is \$89,658.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees in the current and long-term liabilities. As of June 30, 2012, a liability existed for compensated absences in the Enterprise Funds. The current portion of the compensated absences balance is \$-0- and the long-term liability balance of compensated absences is \$55,850.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

The General Fund and the Enterprise Funds will be used to liquidate their respective Compensated Absences Payable.

NOTE 6. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS are sponsored and administered by the State of New Jersey. The TPAF 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 Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the DCRP.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the TPAF and PERS systems and the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions of 5.5% for DCRP are matched by a 3% employer contribution.

District Contributions to PERS amounted to \$16,637, \$11,087 and \$12,117 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal years ended June 30, 2012, 2011 and 2010 the State of New Jersey contributed \$19,736, \$-0- and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

The employee and employer contributions for DCRP for the year ended June 30, 2011 were \$2,681 and \$1,965, respectively. There were no contributions in 2010 and 2012.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or 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, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$39,675, \$62,484, and \$79,383 for 2012, 2011 and 2010, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 8. 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. The District obtains their health benefit coverage through Horizon Blue Cross/Blue Shield of NJ and dental insurance coverage through Delta Dental Plan of NJ.

Property and Liability

The District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

The June 30, 2012 audit report for the fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2011 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 36,448,099
Net Assets	\$ 12,502,179
Total Revenue	\$ 29,577,140
Total Expenses	\$ 28,589,235
Change in Net Assets	\$ 987,905
Net Assets Distribution to Participating Members	\$ 1,223,485

Financial statements for the Fund are available at the Fund’s Executive Director’s Office:
Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NOTE 9. ECONOMIC DEPENDENCY

The primary source of the District’s revenue is tuition and program fees from local governments. A significant reduction in this revenue could have an effect on the Board of Education's programs and activities. The District also receives support, although it is not as significant as that from local governments from the County and state governments in the form of a County tax levy and on-behalf payments, respectively.

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 2,744	\$ 3,570
Proprietary Funds - Enterprise	3,570	
Fiduciary Fund - Agency		2,744
	\$ 6,314	\$ 6,314

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

The interfund receivable in the Enterprise Funds due from the General Fund is due to the net of \$3,650 of In-Service fees collected in the General Fund offset by \$80 of Inservice fees expenses paid by the General Fund. The interfund receivable in the General Fund due from the Payroll Agency Fund is comprised of an unallocated balance in the Payroll Agency account.

NOTE 11. ACCOUNTS PAYABLE

Payables as of June 30, 2012 were:

	Governmental Activities General Fund	Total Governmental Funds	Business-Type Activities Proprietary Funds
Accrued Salaries and Wages	\$ 62,904	\$ 62,904	\$ 75,005

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Life Assurance, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 13. TAX CALENDAR

Property taxes are levied by the County as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipalities and are remitted to the County who then disburses those funds to the District on a predetermined mutually agreed-upon schedule.

NOTE 14. CONTINGENT LIABILITIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to 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 District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 14. CONTINGENT LIABILITIES (Cont'd)Encumbrances

At June 30, 2012, the District had no encumbrances.

NOTE 15. PRIOR YEAR ADJUSTMENTS

The balances for Compensated Absences Payable reported as Noncurrent Liabilities on a District Wide basis in the Governmental Activities and Business-Type Activities and as Current and Long Term Liabilities in the Proprietary Funds. The restatement was necessary to correct the liability recorded for certain employees to the \$15,000 per employee maximum.

	<u>Balance 6/30/11</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/11</u> <u>as Restated</u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
<u>Liabilities:</u>			
<u>Noncurrent Liabilities:</u>			
Due Beyond One Year	\$ 107,425	\$ (17,355)	\$ 90,070
Total Liabilities	<u>\$ 661,163</u>	<u>(17,355)</u>	<u>643,808</u>
<u>Net Assets:</u>			
Unrestricted	387,821	17,355	405,176
Net Assets - Ending	<u>\$ 409,612</u>	<u>\$ 17,355</u>	<u>\$ 426,967</u>
<u>Business-Type Activities:</u>			
<u>Liabilities:</u>			
<u>Noncurrent Liabilities:</u>			
Due Within One Year	\$ 20,820	\$ (5,820)	\$ 15,000
Due Beyond One Year	66,797	(2,341)	64,456
Total Liabilities	<u>161,566</u>	<u>(8,161)</u>	<u>153,405</u>
<u>Net Assets:</u>			
Unrestricted/(Deficit)	(19,778)	8,161	(11,617)
Net Assets - Ending	<u>\$ (19,778)</u>	<u>\$ 8,161</u>	<u>\$ (11,617)</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 15. PRIOR YEAR ADJUSTMENTS (Cont'd)

	Balance 6/30/11 as Previously Reported	Retroactive Adjustments	Balance 6/30/11 as Restated
<u>Proprietary Funds:</u>			
<u>Current Liabilities:</u>			
Compensated Absences Payable:	\$ 20,820	\$ (5,820)	\$ 15,000
Total Current Liabilities	<u>122,307</u>	<u>(5,820)</u>	<u>116,487</u>
<u>Long-Term Liabilities:</u>			
Compensated Absences Payable:	66,797	(2,341)	64,456
Total Long-Term Liabilities	<u>66,797</u>	<u>(2,341)</u>	<u>64,456</u>
Total Liabilities	<u>189,104</u>	<u>(8,161)</u>	<u>180,943</u>
<u>Net Assets:</u>			
Unrestricted/(Deficit)	(19,778)	8,161	(11,617)
Net Assets - Ending	<u>\$ (19,778)</u>	<u>\$ 8,161</u>	<u>\$ (11,617)</u>

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
County Tax Levy	\$ 186,268		\$ 186,268	\$ 186,268	
Tuition from LEA's	1,024,600	\$ 122,090	1,146,690	1,010,400	\$ (136,290)
Other Tuition	105,920		105,920	56,000	(49,920)
Non-Resident Fees	8,000		8,000	12,000	4,000
Miscellaneous	37,000		37,000	8,048	(28,952)
Total - Local Sources	<u>1,361,788</u>	<u>122,090</u>	<u>1,483,878</u>	<u>1,272,716</u>	<u>(211,162)</u>
State Sources:					
On-behalf TPAF Pension Contributions (non-budgeted)				19,736	19,736
On-behalf TPAF Post Retirement Contributions (non-budgeted)				39,675	39,675
Reimbursed TPAF Social Security Contributions (non-budgeted)				46,639	46,639
Total State Sources				<u>106,050</u>	<u>106,050</u>
Federal Sources:					
Medicaid Reimbursement	2,000		2,000	5,248	3,248
TOTAL REVENUES	<u>1,363,788</u>	<u>122,090</u>	<u>1,485,878</u>	<u>1,384,014</u>	<u>(101,864)</u>
EXPENDITURES:					
CURRENT EXPENSE					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	85,921	90,613	176,534	127,299	49,235
Other Salaries for Instruction	21,310	22,725	44,035	44,035	
Purchased Professional - Educational Services	17,000	(3,130)	13,870	13,870	
Purchased Technical Services	1,500	(30)	1,470	1,470	
Other Purchased Services	100	50	150	150	
General Supplies	1,040	1,448	2,488	2,488	
Total Behavioral Disabilities	<u>126,871</u>	<u>111,676</u>	<u>238,547</u>	<u>189,312</u>	<u>49,235</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE: (Cont'd)					
Special Education - Instruction: (Cont'd)					
Multiple Disabilities:					
Salaries of Teachers	\$ 63,090	\$ 41	\$ 63,131	\$ 63,131	
Other Salaries for Instruction	22,205	1,312	23,517	23,517	
Purchased Professional - Educational Services		4,800	4,800	4,800	
Purchased Technical Services	1,500	(757)	743	743	
Other Purchased Services	3,900	(3,682)	218	218	
General Supplies	226	1,278	1,504	1,504	
Textbooks		230	230	230	
Other Objects	2,000	3,386	5,386	5,386	
Total Multiple Disabilities	<u>92,921</u>	<u>6,608</u>	<u>99,529</u>	<u>99,529</u>	
Autism:					
Salaries of Teachers	126,380	753	127,133	127,133	
Other Salaries for Instruction	23,525	(150)	23,375	23,375	
Purchased Technical Services	2,500	(183)	2,317	2,317	
Purchased Services (400-500 series)	100	1,441	1,541	1,541	
General Supplies	1,065	2,581	3,646	3,646	
Other Objects	1,000	(1,000)			
Total Autism	<u>154,570</u>	<u>14,376</u>	<u>168,946</u>	<u>168,946</u>	
Cognitive - Severe:					
Salaries of Teachers	119,783	2,232	122,015	122,015	
Purchased Professional - Educational Services		9,276	9,276	9,276	
Purchased Technical Services	1,500	(460)	1,040	1,040	
Other Purchased Services (400-500 series)	100	(51)	49	49	
General Supplies	4,350	(1,038)	3,312	3,312	
Other Objects	900	(31)	869	869	
Total Cognitive - Severe	<u>126,633</u>	<u>9,928</u>	<u>136,561</u>	<u>136,561</u>	

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE: (Cont'd)					
Total Special Education Instruction	\$ 500,995	\$ 142,588	\$ 643,583	\$ 594,348	\$ 49,235
Summer Program - Instruction:					
Salaries		44,484	44,484	41,784	2,700
Other Salaries for Instruction		32,664	32,664	32,664	
Supplies and Materials		3,175	3,175	2,931	244
Other Objects		6,744	6,744	890	5,854
Total Summer Program - Instruction		<u>87,067</u>	<u>87,067</u>	<u>78,269</u>	<u>8,798</u>
Total Instruction	<u>500,995</u>	<u>229,655</u>	<u>730,650</u>	<u>672,617</u>	<u>58,033</u>
Undistributed Expenditures:					
Attendance & Social Work:					
Salaries	72,708	(38,061)	34,647	32,658	1,989
Other Purchased Services (400-500 series)		500	500	140	360
Supplies and Materials		104	104	104	
Total Attendance & Social Work	<u>72,708</u>	<u>(37,457)</u>	<u>35,251</u>	<u>32,902</u>	<u>2,349</u>
Health Services:					
Purchased Professional and Technical Services	1,988	780	2,768	2,768	
Total Health Services	<u>1,988</u>	<u>780</u>	<u>2,768</u>	<u>2,768</u>	
Speech, OT, PT & Related Services:					
Salaries	210,081	(1,516)	208,565	208,503	62
Supplies and Materials	700	700	1,400	1,050	350
Other Objects	88	2,929	3,017	3,017	
Total Speech, OT, PT & Related Services	<u>210,869</u>	<u>2,113</u>	<u>212,982</u>	<u>212,570</u>	<u>412</u>
Improvement of Instructional Services:					
Purchased Professional - Educational Services		500	500	500	
Total Improvement of Instructional Services		<u>500</u>	<u>500</u>	<u>500</u>	

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)		\$ 4,300	\$ 4,300	\$ 4,290	\$ 10
Total Instructional Staff Training Services		4,300	4,300	4,290	10
General Administration:					
Salaries	\$ 160,556	(41,475)	119,081	119,081	
Legal Services	500	3,733	4,233	3,339	894
Audit Fee	13,500	500	14,000	14,000	
Other Purchased Professional Services	37,740	(2,531)	35,209	19,833	15,376
Communications/Telephone	13,847	(2,250)	11,597	11,597	
Miscellaneous Purchased Services (400-500 series)	2,543	3,251	5,794	4,153	1,641
General Supplies	5,375	5,500	10,875	8,646	2,229
Miscellaneous Expenditures	786	175	961	961	
BOE Membership Dues and Fees	4,400	(1,503)	2,897	2,790	107
Total General Administration	239,247	(34,600)	204,647	184,400	20,247
Central Services:					
Salaries	1,050	44,851	45,901	45,900	1
Purchased Professional Services	300	4,253	4,553	4,553	
Miscellaneous Expenditures	500	(334)	166	166	
Total Central Services	1,850	48,770	50,620	50,619	1
Custodial Services:					
Cleaning, Repair and Maintenance Services	4,130	4,227	8,357	2,740	5,617
Rental of Land and Bldgs. Other Than Lease Purchase Agreement	66,832	(10,136)	56,696	53,696	3,000
Insurance	46,900	(6,324)	40,576	40,273	303
Energy (Electricity)	4,500		4,500	3,440	1,060
Total Custodial Services	122,362	(12,233)	110,129	100,149	9,980

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services					
Contracted Services (Other than Between Home & Schools) - Vendors	\$ 350		\$ 350	\$ 61	\$ 289
Total Student Transportation Services	350		350	61	289
Unallocated Benefits:					
Social Security Contributions	51,134	\$ (16,780)	34,354	34,354	
Other Retirement Contributions - PERS	17,460	(823)	16,637	16,637	
Unemployment Compensation		5,173	5,173	5,173	
Health Benefits	139,680	34,162	173,842	173,675	167
Other Employee Benefits	563	501	1,064	1,064	
Total Unallocated Benefits	208,837	22,233	231,070	230,903	167
On-behalf Payments:					
On-behalf TPAF Pension Contributions (non-budgeted)				19,736	(19,736)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				39,675	(39,675)
Reimbursed TPAF Social Security Contributions (non-budgeted)				46,639	(46,639)
Total On-behalf Payments				106,050	(106,050)
Total Undistributed Expenses	858,211	(5,594)	852,617	925,212	(72,595)
TOTAL GENERAL CURRENT EXPENSE	1,359,206	224,061	1,583,267	1,597,829	(14,562)
SPECIAL SCHOOLS:					
Summer Schools:					
Instruction:					
Salaries of Teachers	33,477	(33,477)			
Other Salaries for Instruction	39,324	(39,324)			
Total Summer Schools Instruction	72,801	(72,801)			

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
SPECIAL SCHOOLS:					
Summer Schools:					
Support Services:					
Supplies and Materials	\$ 2,000	(2,000)			
Other Objects	27,170	(27,170)			
Total Summer Schools Support Services	29,170	(29,170)			
TOTAL SPECIAL SCHOOLS	101,971	(101,971)			
TOTAL EXPENDITURES	1,461,177	122,090	\$ 1,583,267	\$ 1,597,829	\$ (14,562)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(97,389)		(97,389)	(213,815)	(116,426)
Other Financing Sources/(Uses):					
Transfer of Net Assets from Personal Aides Fund	87,080		87,080	87,080	
Transfer to Hospital Fund to Cover Deficit in Net Assets				(21,408)	(21,408)
Total Other Financing Sources/(Uses)	87,080		87,080	65,672	(21,408)
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(10,309)		(10,309)	(148,143)	(137,834)
Fund Balance, July 1	505,555		505,555	505,555	
Fund Balance, June 30	\$ 495,246	\$ -0-	\$ 495,246	\$ 357,412	\$ (137,834)
<u>Recapitulation:</u>					
Unassigned				\$ 357,412	
Fund Balance per Governmental Funds - Budgetary and GAAP				\$ 357,412	

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND
(NOT APPLICABLE)

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Major Programs</u>		<u>Non-Major Programs</u>		<u>Total</u>
	<u>Personal Aides</u>	<u>Transportation</u>	<u>Related Services</u>	<u>In-Service</u>	
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 47,282			\$ 8,780	\$ 56,062
Intergovernmental Receivable - Other	15,714	\$ 72,326	\$ 44,034		132,074
Interfund Receivable				3,570	3,570
Intrafund Receivable	54,437				54,437
Total Current Assets	<u>117,433</u>	<u>72,326</u>	<u>44,034</u>	<u>12,350</u>	<u>246,143</u>
Non-Current Assets:					
Equipment		43,543			43,543
Less: Accumulated Depreciation		<u>(43,543)</u>			<u>(43,543)</u>
Total Non-Current Assets					<u>-0-</u>
Total Assets	<u>117,433</u>	<u>72,326</u>	<u>44,034</u>	<u>12,350</u>	<u>246,143</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	53,437	1,621	19,947		75,005
Intrafund Payable		32,924	21,513		54,437
Total Current Liabilities	<u>53,437</u>	<u>34,545</u>	<u>41,460</u>		<u>129,442</u>
Long-Term Liabilities:					
Compensated Absences Payable	40,850	15,000			55,850
Total Long-Term Liabilities	<u>40,850</u>	<u>15,000</u>			<u>55,850</u>
Total Liabilities	<u>94,287</u>	<u>49,545</u>	<u>41,460</u>		<u>185,292</u>
NET ASSETS:					
Unrestricted	23,146	22,781	2,574	12,350	60,851
Total Net Assets	<u>\$ 23,146</u>	<u>\$ 22,781</u>	<u>\$ 2,574</u>	<u>\$ 12,350</u>	<u>\$ 60,851</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Major Programs		Non-Major Programs			Total
	Personal Aides	Transportation	Hospital	Related Services	In-Service	
Operating Revenue:						
Local Sources:						
Program Fees	\$ 1,531,023	\$ 1,713,165		\$ 347,577	\$ 3,638	\$ 3,595,403
Total Operating Revenue	1,531,023	1,713,165		347,577	3,638	3,595,403
Operating Expenses:						
Salaries	927,290	96,559		169,001		1,192,850
Transportation Services		1,582,806				1,582,806
Other Purchased Services	30	9,871		121,392	\$ 730	132,023
Supplies and Materials		8,463				8,463
Other Objects		487				487
Payroll Taxes	74,513	7,211		6,699		88,423
Employee Benefits	402,945	19,147		30,124		452,216
Total Operating Expenses	1,404,778	1,724,544		327,216	730	3,457,268
Operating Income/(Loss)	126,245	(11,379)		20,361	2,908	138,135
Non-operating revenue:						
Interest income					5	5
Total non-operating revenue					5	5
Change in Net Assets	126,245	(11,379)		20,361	2,913	138,140
Net Assets/(Deficit) - Beginning of Year as Restated	(16,019)	34,160	\$ (21,408)	(17,787)	9,437	(11,617)
Transfers (to)/from General Fund	(87,080)		21,408			(65,672)
Net Assets - End of Year	\$ 23,146	\$ 22,781	\$ -0-	\$ 2,574	\$ 12,350	\$ 60,851

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Major Programs</u>		<u>Non-Major Programs</u>			<u>Total</u>
	<u>Personal Aides</u>	<u>Transportation</u>	<u>Hospital</u>	<u>Related Services</u>	<u>In-Service</u>	
Cash Flows from Operating Activities:						
Intrafund Advanced/Returned	\$ (8,468)	\$ 28,565	\$ (21,408)	\$ 1,311		\$ -0-
Interfund Returned/Advanced				(33,360)	\$ 5,810	(27,550)
Receipts from Customers	1,572,227	1,696,299		356,876		3,625,402
Payments to/for Employees	(1,429,367)	(123,237)		(203,435)		(1,756,039)
Payments to Suppliers	(30)	(1,601,627)		(121,392)	(650)	(1,723,699)
Net Cash Provided by/(Used for) Operating Activities	<u>134,362</u>		<u>(21,408)</u>		<u>5,160</u>	<u>118,114</u>
Cash Flows from Non-Capital Financing Activities:						
Residual Excess Transfer - General Fund	(87,080)		21,408			(65,672)
Net Cash Provided by/(Used for) Non-Capital Financing Activities	<u>(87,080)</u>		<u>21,408</u>			<u>(65,672)</u>
Cash Flows from Investing Activities:						
Interest Income					5	5
Net Cash Provided by Investing Activities					<u>5</u>	<u>5</u>
Net Increase in Cash and Cash Equivalents	47,282				5,165	52,447
Cash and Cash Equivalents, July 1					3,615	3,615
Cash and Cash Equivalents, June 30	<u>\$ 47,282</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,780</u>	<u>\$ 56,062</u>
Reconciliation of Operating Income/(Loss)						
to Net Cash Provided by/(Used for) Operating Activities:						
Operating Income/(Loss)	\$ 126,245	\$ (11,379)		\$ 20,361	\$ 2,908	138,135
Adjustment to Reconcile Operating Income/(Loss) to Cash Provided by/(Used for) Operating Activities:						
Changes in Assets and Liabilities:						
(Increase)/Decrease in Intergovernmental Receivable	41,204	(16,867)		9,300		33,637
(Decrease) in Compensated Absences Payable	(11,147)			(12,459)		(23,606)
Increase/(Decrease) in Accounts Payable	(13,472)	(319)		14,847		1,056
Increase in Interfund Receivable					2,252	2,252
(Decrease) in Interfund Payable				(33,360)		(33,360)
(Increase) in Intrafund Receivable	(8,468)					(8,468)
Increase/(Decrease) in Intrafund Payable		28,565	\$ (21,408)	1,311		8,468
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 134,362</u>	<u>\$ -0-</u>	<u>\$ (21,408)</u>	<u>\$ -0-</u>	<u>\$ 5,160</u>	<u>\$ 118,114</u>

FIDUCIARY FUNDS

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency</u>		<u>Totals</u>
	<u>Student</u> <u>Activities</u>	<u>Payroll</u> <u>Agency</u>	
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 974	\$ 8,519	\$ 9,493
Total Assets	<u>\$ 974</u>	<u>\$ 8,519</u>	<u>\$ 9,493</u>
<u>LIABILITIES:</u>			
Payroll Deductions/Withholdings		\$ 5,775	\$ 5,775
Interfund Payable - General Fund		2,744	2,744
Due to Student Groups	\$ 974		974
Total Liabilities	<u>\$ 974</u>	<u>\$ 8,519</u>	<u>\$ 9,493</u>

Exhibit H-2

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 973	\$ 1		\$ 974
Total Assets	<u>\$ 973</u>	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 974</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 973	\$ 1	\$ -0-	\$ 974
Total Liabilities	<u>\$ 973</u>	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 974</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
School Jackets	\$ 2			\$ 2
K. Menke Class Funds	515			515
Miscellaneous/Donations	<u>456</u>	<u>\$ 1</u>		<u>457</u>
	<u>\$ 973</u>	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 974</u>

Exhibit H-5

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 2,713	\$ 2,630,801	\$ 2,624,995	\$ 8,519
Total Assets	<u>\$ 2,713</u>	<u>\$ 2,630,801</u>	<u>\$ 2,624,995</u>	<u>\$ 8,519</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings/(Deficit)	\$ (43)	\$ 2,630,801	\$ 2,624,983	\$ 5,775
Interfund Payable - General Fund	<u>2,756</u>		<u>12</u>	<u>2,744</u>
Total Liabilities	<u>\$ 2,713</u>	<u>\$ 2,630,801</u>	<u>\$ 2,624,995</u>	<u>\$ 8,519</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity - Not Applicable</p> <p>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.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	As Restated 2011	2012
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 4,211	\$ 22,162	\$ 31,169	\$ 80,789	\$ 61,514	\$ 42,239	\$ 22,964	\$ 11,482	
Restricted			816,501	689,508	285,235			10,309	
Unrestricted	<u>695,757</u>	<u>1,353,298</u>	<u>656,008</u>	<u>531,516</u>	<u>383,189</u>	<u>628,616</u>	<u>451,516</u>	<u>405,176</u>	<u>\$ 267,754</u>
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>\$ 474,480</u>	<u>\$ 426,967</u>	<u>\$ 267,754</u>
Business- Type Activities									
Invested in Capital Assets, Net of Related Debt	\$ 4,912	\$ 34,835	\$ 26,126	\$ 17,418	\$ 8,814				
Unrestricted/(Deficit)	<u>(331,277)</u>	<u>(251,367)</u>	<u>(374,402)</u>	<u>(303,871)</u>	<u>(269,882)</u>	<u>\$ 88,062</u>	<u>\$ 23,198</u>	<u>\$ (11,617)</u>	<u>\$ 60,851</u>
Total Business-Type Activities Net Assets/(Deficit)	<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>\$ 23,198</u>	<u>\$ (11,617)</u>	<u>\$ 60,851</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	\$ 11,482	
Reserved			816,501	689,508	285,235			10,309	
Unrestricted	<u>364,480</u>	<u>1,101,931</u>	<u>281,606</u>	<u>227,645</u>	<u>113,307</u>	<u>716,678</u>	<u>474,714</u>	<u>393,559</u>	<u>\$ 328,605</u>
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>\$ 497,678</u>	<u>\$ 415,350</u>	<u>\$ 328,605</u>

This Schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,							As Restated	
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:									
Governmental activities:									
Instruction:									
Special Education	\$ 1,312,088	\$ 1,560,891	\$ 1,357,339	\$ 1,399,661	\$ 1,412,755	\$ 1,128,273	\$ 885,759	\$ 962,863	\$ 796,247
Other Special Instruction								88,823	104,545
Support Services:									
Student & Instruction Related Services	574,619	546,301	453,861	643,635	649,430	730,227	457,979	292,558	301,632
School Administrative Services	484,593	576,619	527,493	588,121	610,946	603,386	475,347	236,533	233,464
Central Services								31,994	61,319
Plant Operations and Maintenance	165,988	200,845	194,844	216,752	202,777	154,809	86,217	85,605	100,149
Pupil Transportation	6,622	15,093	6,672	3,149	2,976	6,892		11,482	11,543
Special Schools	123,365	112,253	134,858	149,924	154,201	121,348	57,293	946	
Total Governmental Activities Expenses	<u>2,667,275</u>	<u>3,012,002</u>	<u>2,675,067</u>	<u>3,001,242</u>	<u>3,033,085</u>	<u>2,744,935</u>	<u>1,962,595</u>	<u>1,710,804</u>	<u>1,608,899</u>
Business-Type Activities:									
Enterprise Funds	5,711,706	3,892,269	4,349,798	4,385,236	4,228,365	4,014,820	3,273,401		
Personal Aides								1,374,704	1,404,778
Transportation								1,489,334	1,724,544
Related Services								377,549	327,216
In Service								225	730
Total Business-Type Activities Expense	<u>5,711,706</u>	<u>3,892,269</u>	<u>4,349,798</u>	<u>4,385,236</u>	<u>4,228,365</u>	<u>4,014,820</u>	<u>3,273,401</u>	<u>3,241,812</u>	<u>3,457,268</u>
Total District Expenses	<u>\$ 8,378,981</u>	<u>\$ 6,904,271</u>	<u>\$ 7,024,865</u>	<u>\$ 7,386,478</u>	<u>\$ 7,261,450</u>	<u>\$ 6,759,755</u>	<u>\$ 5,235,996</u>	<u>\$ 4,952,616</u>	<u>\$ 5,066,167</u>
Program Revenues:									
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		
Special Education								\$ 1,340,820	\$ 1,078,400
Operating Grants and Contributions								126,306	111,298
Total Governmental Activities Program Revenues	<u>2,817,635</u>	<u>3,490,239</u>	<u>2,591,395</u>	<u>2,575,469</u>	<u>2,257,941</u>	<u>2,463,771</u>	<u>1,567,162</u>	<u>1,467,126</u>	<u>1,189,698</u>
Business-Type Activities:									
Charges for Services:									
Enterprise Funds	5,382,072	4,002,102	4,218,054	4,447,059	4,253,750	4,363,950	3,208,537		
Personal Aides								1,334,524	1,531,023
Transportation								1,529,827	1,713,165
Hospital								660	
Related Services								338,631	347,577
In Service								5,822	3,638
Total Business-Type Activities Revenue	<u>5,382,072</u>	<u>4,002,102</u>	<u>4,218,054</u>	<u>4,447,059</u>	<u>4,253,750</u>	<u>4,363,950</u>	<u>3,208,537</u>	<u>3,209,464</u>	<u>3,595,403</u>
Total District Revenue	<u>\$ 8,199,707</u>	<u>\$ 7,492,341</u>	<u>\$ 6,809,449</u>	<u>\$ 7,022,528</u>	<u>\$ 6,511,691</u>	<u>\$ 6,827,721</u>	<u>\$ 4,775,699</u>	<u>\$ 4,676,590</u>	<u>\$ 4,785,101</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN NET ASSETS, LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	As Restated 2011	2012
Net (Expense)/Revenue									
Governmental Activities Net Expense	\$ 150,360	\$ 478,237	\$ (83,672)	\$ (425,773)	\$ (775,144)	\$ (281,164)	\$ (395,433)	\$ (243,678)	\$ (419,201)
Business-Type Activities	(329,634)	109,833	(131,744)	61,823	25,385	349,130	(64,864)	(32,348)	138,135
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>\$ (460,297)</u>	<u>\$ (276,026)</u>	<u>\$ (281,066)</u>
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
County Tax Levy	\$ 171,461	\$ 180,034	\$ 183,634	\$ 184,821	\$ 189,442	\$ 196,072	\$ 186,268	\$ 186,268	\$ 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	9,897	8,048
Transfers	(292,563)								65,672
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>	<u>196,165</u>	<u>259,988</u>
Business-Type Activities:									
Transfers	292,563								(65,672)
Investment Earnings								9	5
Cancellation of Prior Year's Receivable								(2,476)	
Total Business-Type Activities	<u>292,563</u>							<u>(2,467)</u>	<u>(65,667)</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>	<u>\$ 193,698</u>	<u>\$ 194,321</u>
Change in Net Assets									
Total Governmental Activities	\$ 49,173	\$ 675,292	\$ 128,218	\$ (201,865)	\$ (571,875)	\$ (59,083)	\$ (196,375)	\$ (47,513)	\$ (159,213)
Business-Type Activities		109,833	(131,744)	61,823	25,385	349,130	(64,864)	(34,815)	72,468
Total District-Wide	<u>\$ 49,173</u>	<u>\$ 785,125</u>	<u>\$ (3,526)</u>	<u>\$ (140,042)</u>	<u>\$ (546,490)</u>	<u>\$ 290,047</u>	<u>\$ (261,239)</u>	<u>\$ (82,328)</u>	<u>\$ (86,745)</u>

This Schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	June 30,								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:									
Reserved			\$ 816,501	\$ 826,686	\$ 429,817	\$ 113,164	\$ 65,685		
Assigned								\$ 10,309	
Unreserved	\$ 695,757	\$ 1,353,298	656,008	394,338	238,607	515,452	506,099		
Unassigned								495,246	\$ 357,412
Total General Fund	<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>	<u>\$ 505,555</u>	<u>\$ 357,412</u>

This Schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:									
County Tax Levy	\$ 171,461	\$ 180,034	\$ 183,634	\$ 184,821	\$ 189,442	\$ 196,072	\$ 186,268	\$ 186,268	\$ 186,268
Tuition from LEA's	2,360,560	3,110,989	2,235,472	2,147,618	1,814,258	2,134,260	1,411,290	1,332,820	1,010,400
Other Tuition									56,000
Non Resident Fees								8,000	12,000
Miscellaneous								9,897	8,048
State Sources	143,117	157,725	156,053	267,126	233,718	180,101	134,953	118,998	106,050
Federal Sources			180				10,119	7,308	5,248
Total Revenue	<u>2,675,138</u>	<u>3,448,748</u>	<u>2,575,339</u>	<u>2,599,565</u>	<u>2,237,418</u>	<u>2,510,433</u>	<u>1,742,630</u>	<u>1,663,291</u>	<u>1,384,014</u>
Expenditures:									
Instruction:									
Special Education Instruction	973,739	1,051,314	944,118	890,810	924,005	778,970	568,229	732,917	594,348
Other Special Instruction								63,851	78,269
Support Services:									
Student & Instruction Related Services	428,286	370,819	318,295	413,223	433,617	516,630	351,492	249,154	253,030
General Administrative Services								186,828	184,400
School Administrative Services	361,186	391,398	369,934	377,582	474,933	426,891	364,822		
Central Services								25,750	50,619
Plant Operations and Maintenance	123,717	136,194	136,645	139,158	135,392	109,526	66,170	85,605	100,149
Pupil Transportation	4,936	10,245	4,679	2,022	1,987	4,876			61
Unallocated Employee Benefits	647,835	931,390	758,746	1,020,731	889,675	767,419	415,046	384,469	336,953
Special Schools	123,365	112,253	134,858	149,924	154,201	121,348	57,293	946	
Capital Outlay		26,140	16,799	57,412					
Total Expenditures	<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>	<u>1,729,520</u>	<u>1,597,829</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 12,074	\$ 418,995	\$ (108,735)	\$ (451,297)	\$ (776,392)	\$ (215,227)	\$ (80,422)	\$ (66,229)	\$ (213,815)
Other Financing Sources (Uses):									
Transfers In									87,080
Transfers Out									(21,408)
Total Other Financing Sources (Uses)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	65,672
Net Change in Fund Balances	<u>\$ 12,074</u>	<u>\$ 418,995</u>	<u>\$ (108,735)</u>	<u>\$ (451,297)</u>	<u>\$ (776,392)</u>	<u>\$ (215,227)</u>	<u>\$ (80,422)</u>	<u>\$ (66,229)</u>	<u>\$ (148,143)</u>
Debt Service as a Percentage of Noncapital Expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not Applicable

This Schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District Financial Records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Summer School</u> <u>Tuition</u>	<u>Other/Extra</u> <u>Tuition</u>	<u>Non-Resident</u> <u>Fees</u>	<u>Personal Aide</u> <u>Reimbursement</u>	<u>Special</u> <u>Education</u> <u>Medicaid Init.</u>	<u>Refund Prior</u> <u>Year</u> <u>Expenditures</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2007	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
2011	1,650	1,218,720	114,100		8,000				8,247	1,350,717
2012	851	1,010,400	56,000		12,000				7,197	1,086,448

Source: School District Financial Records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY, COUNTY OF WARREN
LAST EIGHT YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate	Estimated Actual (County Equalized Value)
2004	\$ 207,230,690	\$ 6,016,228,382	\$ 467,130,000	\$ 40,152,530	\$ 891,030,023	\$ 651,062,110	\$ 173,632,300	\$ 8,446,466,035	\$ 36,602,382	\$ 8,483,068,417	\$ 847,878,951	N/A	\$ 9,199,142,917
2005	198,332,890	6,420,991,477	488,899,000	39,276,620	919,463,503	664,085,450	173,404,000	8,904,452,940	32,631,543	8,937,084,483	872,977,611	N/A	10,332,405,733
2006	253,936,027	6,871,265,889	509,228,050	38,329,719	965,061,249	624,897,950	179,114,600	9,441,833,484	28,331,232	9,470,164,716	930,856,098	N/A	11,733,999,903
2007	278,142,627	7,534,209,311	590,326,550	38,050,682	1,040,506,204	621,086,750	177,534,200	10,279,856,324	28,455,816	10,308,312,140	1,046,965,438	N/A	13,059,781,320
2008	270,791,087	7,619,896,271	600,590,000	37,064,433	1,050,424,784	620,088,900	175,541,000	10,374,396,475	28,271,444	10,402,667,919	1,060,788,164	N/A	13,822,543,191
2009	256,865,167	7,654,844,051	615,471,500	38,747,232	1,060,704,897	550,840,850	176,048,900	10,353,522,597	27,217,257	10,380,739,854	1,097,260,750	N/A	13,368,469,742
2010	251,516,967	8,168,300,057	618,799,900	38,129,997	1,251,803,552	644,499,200	223,769,200	11,196,818,873	32,138,774	11,228,957,647	1,255,927,713	N/A	13,469,104,644
2011	226,612,417	8,074,315,307	594,783,500	37,505,720	1,236,692,452	627,479,200	218,177,404	11,015,566,000	30,259,289	11,045,825,289	1,240,646,048	N/A	12,821,727,118

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

N/A Not Applicable

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Warren County Tax Assessor

Exhibit J-8

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS, COUNTY OF WARREN
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Taxpayer</u>	<u>2011</u>		<u>% of Total County Net Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	

INFORMATION IS NOT AVAILABLE

<u>Taxpayer</u>	<u>2002</u>		<u>% of Total District Net Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	

INFORMATION IS NOT AVAILABLE

Exhibit J-14

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Warren County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2003	108,349	\$ 3,743,891,346	\$ 34,554	5.30%
2004	108,748	3,872,625,028	35,611	4.30%
2005	109,167	4,032,956,481	36,943	4.20%
2006	109,450	4,322,399,400	39,492	4.10%
2007	109,684	4,591,810,976	41,864	3.70%
2008	109,897	4,816,455,819	43,827	5.00%
2009	109,638	4,722,218,298	43,071	8.80%
2010	108,671	4,801,410,793	44,183	9.10%
2011	108,339	4,786,742,037	44,183 *	8.40%
2012	108,339 **	4,786,742,037 ***	44,183 *	N/A

* - Latest Warren County per capita personal income available (2010) was used for calculation purposes.

** - Latest population data available (2011) was used for calculation purposes.

*** - Latest Warren County personal income and population data available (2011) was used for calculation purposes.

N/A - Information unavailable.

Source: ^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income has been estimated based upon the County population and per capita personal income presented.

^c Per Capita personal income by County estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF WARREN
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>Employees</u>	<u>2011</u>	
		<u>Rank</u> <u>(Optional)</u>	<u>Percentage of</u> <u>Total</u> <u>Employment</u>

INFORMATION IS NOT AVAILABLE

<u>Employer</u>	<u>Employees</u>	<u>2002</u>	
		<u>Rank</u> <u>(Optional)</u>	<u>Percentage of</u> <u>Total</u> <u>Employment</u>

INFORMATION IS NOT AVAILABLE

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:						
Special Education	18.6	15.0	9.0	7.0	7.5	8.0
Other Special Education	12.2	10.2	6.9	4.0	5.0	8.4
Support Services:						
General Administrative Services	3.7	3.7	3.0	2.4	2.4	3.0
School Administrative Services	1.0	1.0	1.0	1.0	1.0	
Business Administrative Services	0.5	0.5	0.5	0.5	0.5	0.6
Pupil Transportation	1.0	1.0	0.6	0.6	0.6	
Total	<u>37.0</u>	<u>31.4</u>	<u>21.0</u>	<u>15.5</u>	<u>17.0</u>	<u>20.0</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
OPERATING STATISTICS
LAST SIX FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^d</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Special School</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	66	\$ 2,993,450	\$ 45,355	5.43%	22.00	N/A	63.20	57.70	2.60%	87.42%
2008	59	3,013,810	51,082	12.63%	15.00	N/A	58.40	53.40	-7.59%	90.51%
2009	54	2,725,660	50,475	-1.19%	9.00	N/A	51.40	46.90	-11.99%	86.85%
2010	39	1,823,052	46,745	-7.39%	11.00	N/A	37.90	33.50	-26.26%	85.90%
2011	34	1,729,520	50,868	8.82%	12.50	N/A	33.59	34.00	-11.37%	100.00%
2012	31	1,597,829	51,543	1.33%	12.40	N/A	31.10	28.10	-7.41%	90.65%

N/A - Not Available

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Note: Enrollment based on annual October district count and is for the Special Children's School only.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- 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).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculation.

Sources: Warren County Special Services School District records.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED

<u>District Buildings</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>HACKETTSTOWN 1</u>						
Square Feet	800	800	800	N/A	N/A	N/A
Capacity (students)	12	12	12	N/A	N/A	N/A
Enrollment	5	7	6	N/A	N/A	N/A
<u>FRANKLIN ED</u>						
Square Feet	770	770	770	770	770	N/A
Capacity (students)	12	12	12	12	12	N/A
Enrollment	7	5	6	4	1	N/A
<u>FRANKLIN AUT.</u>						
Square Feet	630	630	630	630	630	630
Capacity (students)	12	12	12	12	12	12
Enrollment	4	4	6	7	5	5
<u>LIBERTY MDP</u>						
Square Feet	812	812	N/A	N/A	N/A	N/A
Capacity (students)	15	12	N/A	N/A	N/A	N/A
Enrollment	5	2	N/A	N/A	N/A	N/A
<u>KNOWLTON MHP MDP MDE</u>						
Square Feet	639	639	N/A	N/A	N/A	N/A
Capacity (students)	12	12	N/A	N/A	N/A	N/A
Enrollment	4	4	N/A	N/A	N/A	N/A
<u>ARD 1 m</u>						
Square Feet	1,026	1,026	1,026	N/A	N/A	N/A
Capacity (students)	12	12	12	N/A	N/A	N/A
Enrollment	6	7	6	N/A	N/A	N/A

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED
(Continued)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Buildings</u>						
<u>ARC 2 g</u>						
Square Feet	864	864	864	864	864	N/A
Capacity (students)	12	12	12	12	12	N/A
Enrollment	10	7	7	11	10	N/A
<u>GMR</u>						
Square Feet	960	960	960	960	960	960
Capacity (students)	12	12	12	12	12	12
Enrollment	4	5	5	6	5	4
<u>OXFORD EDI</u>						
Square Feet	864	864	N/A	N/A	N/A	N/A
Capacity (students)	12	12	N/A	N/A	N/A	N/A
Enrollment	4	-0-	N/A	N/A	N/A	N/A
<u>POHATCONG EDI</u>						
Square Feet	N/A	900	900	900	900	900
Capacity (students)	N/A	12	12	12	12	12
Enrollment	N/A	2	3	3	5	6
<u>HARMONY MHE MDE</u>						
Square Feet	900	900	N/A	N/A	N/A	N/A
Capacity (students)	12	12	N/A	N/A	N/A	N/A
Enrollment	4	3	N/A	N/A	N/A	N/A
<u>BELVIDERE</u>						
Square Feet	900	900	900	N/A	N/A	N/A
Capacity (students)	12	12	12	N/A	N/A	N/A
Enrollment	4	3	3	N/A	N/A	N/A

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SIX FISCAL YEARS
UNAUDITED
(Continued)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Buildings</u>						
<u>WC TECH EDS</u>						
Square Feet	522	522	522	522	522	522
Capacity (students)	12	12	12	12	12	12
Enrollment	9	10	12	8	2	3
<u>ALLAMUCHY BD</u>						
Square Feet	N/A	N/A	N/A	N/A	N/A	1,146
Capacity (students)	N/A	N/A	N/A	N/A	N/A	12
Enrollment	N/A	N/A	N/A	N/A	N/A	3
<u>WHR-MD</u>						
Square Feet	N/A	N/A	N/A	N/A	N/A	1,350
Capacity (students)	N/A	N/A	N/A	N/A	N/A	12
Enrollment	N/A	N/A	N/A	N/A	N/A	5
<u>WHR-CS</u>						
Square Feet	N/A	N/A	N/A	N/A	N/A	1,350
Capacity (students)	N/A	N/A	N/A	N/A	N/A	12
Enrollment	N/A	N/A	N/A	N/A	N/A	3
<u>DISTRICT OFFICE WC TECH</u>						
Square Feet	2,765	2,765	1,100	1,100	1,102	1,102
Capacity (students)	N/A	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not Applicable

Note: Classrooms are rented from various local school districts. The District does not own any of these buildings. Enrollment is based on the annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District records.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
School Alliance Insurance Fund:		
Property - Blanket Buildings and Content Including (Pooled Coverage)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability		
General Aggregate	5,000,000	
Occurrence Limit	5,000,000	
Comprehensive Automobile Liability	5,000,000	
 Umbrella Liability		
General Aggregate Limit	5,000,000	
Occurance Limit	5,000,000	
 School Board Legal Liability		
Directors and Officers Policy		
Limit each Loss	5,000,000	5,000
Limit each Policy Year	1,000,000	
 Excess School Board Legal Liability		
Directors and Officers Policy		
Limit each Loss	5,000,000	
Limit each Policy Year	5,000,000	
 Official Bonds - Selective Insurance:		
Business Administrator	130,000	
Treasurer of School Monies	166,000	

Source: District Records

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Warren County Special Services School District, in the County of Warren (the "Board"), a component unit of the County of Warren, as of, and for the fiscal year ended, June 30, 2012, and have issued our report thereon dated September 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as Finding 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable President and Members
of the Board of Education
Warren County Special Services School District
Page 2

Compliance and Other Matters

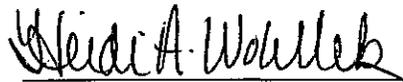
As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Office of Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in separate report, the *Auditors' Management Report on Administrative Findings – Financial, Compliance, and Performance*, dated September 17, 2012.

The Board's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

September 17, 2012
Mount Arlington, NJ

NISIVOCIA LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2011		Cash Received	Budgetary Expendi- tures	Balance, June 30, 2012	
					Deferred Revenue	(Accounts Receivable)			Deferred Revenue	(Accounts Receivable)
<u>U.S. Department of Health and Human Services</u> Medicaid Assistance Program (SEMI)	93.778	N/A	07/1/11-06/30/12	\$ 5,248			\$ 5,248	\$ (5,248)		
Total U.S. Department of Education							5,248	(5,248)		
Total Federal Awards					\$ -0-	\$ -0-	\$ 5,248	\$ (5,248)	\$ -0-	\$ -0-

N/A - Not Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance (Accounts Receivable) June 30, 2011	Cash Received	Budgetary Expenditures	Balance June 30, 2012		Memo	
							Deferred Revenue	GAAP Receivable	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:										
General Fund State Aid:										
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	07/1/11-06/30/12	\$ 46,639		\$ 43,447	\$ (46,639)		\$ (3,192)	\$ (3,192)	\$ 46,639
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	07/1/10-06/30/11	53,572	\$ (3,258)	3,258					53,572
Total General Fund State Aid				(3,258)	46,705	(46,639)		(3,192)	(3,192)	100,211
Total State Awards				\$ (3,258)	\$ 46,705	\$ (46,639)	\$ -0-	\$ (3,192)	\$ (3,192)	\$ 100,211

N/A - Not Available

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Warren County Special Services School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Board's basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the General Fund. The schedule of expenditures of state awards does not include the on-behalf TPAF Post Retirement Pension Contributions revenue of \$39,675 and \$19,736, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 5,248	\$ 106,050	\$ 111,298
Total Financial Assistance	<u>\$ 5,248</u>	<u>\$ 106,050</u>	<u>\$ 111,298</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2012.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* for the fiscal year ended June 30, 2012 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards, except as follows:

Finding 2012-01

Segregation of Duties

Although the results of our audit procedures revealed that the District's payroll records were maintained in a good condition, we did note that the District does not maintain an adequate segregation of duties with respect to the preparation of payroll which is performed by one person, the Business Administrator. This is due to the limited number of personnel in the Business Office of the District. Accordingly, management and the Board of Education should be aware of this situation and realize that the concentration of payroll duties and responsibilities to one employee, the Business Administrator, is not desirable from a control point of view.

Management's Response

The District will review the payroll duties and determine whether any of these duties may be assigned to other District personnel.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable since state expenditures were below the single audit threshold.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.