

**WARREN COUNTY SPECIAL SERVICES
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2008**

Comprehensive Annual

Financial Report

of the

Warren County Special Services School District

Board of Education

Washington, New Jersey

For the Fiscal Year Ending June 30, 2008

Prepared by

Warren County Special Services School District

Board of Education

Finance Department

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Introductory Section

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Heather Spitzer
Business Administrator
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Honorable President and
Members of the Board of Education
Warren County Special Services School District
1500 Route 57, Suite 1
Washington, New Jersey 07882
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Warren County Special Services School District for the fiscal year ending June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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

The district completed the 2007-2008 fiscal year with an enrollment of 58 students. The following details the enrollment over the past five (6) years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2007-2008	58.4	(0.08%)
2006-2007	63.2	2.6%
2005-2006	61.6	(23.95%)
2004-2005	81.0	(.10%)
2003-2004	90.0	(.08%)
2002-2003	97.0	.01%

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT PAGE 3

The current emphasis is on the provision of staff training opportunities in the area of special education.

3. MAJOR INITIATIVES: During the 2007-2008 school-year, the Warren County Special Services School District operated 12 special education instructional programs in classrooms, which were leased from 8 local public school districts. The district began operating in 1990 on a space-available basis. Participation in the facilities planning of existing and potential host schools is now part of an ongoing initiative, however, space at the high school level has become impossible to find. Therefore, we continue to rent commercial space for two high school level classes, while retaining our relationship with the local high school for the provision of all necessary ancillary services.

Beginning in the 1993-1994 school-year the district embarked upon a county wide coordinated transportation program. Many school districts in Warren County, as well as several from outside the county, participate in this coordinated effort. The subscribing districts have realized substantial savings through increased efficiency. The district also provides child study team services, occupational therapy, physical therapy, speech therapy, counseling, and teacher aides to subscribing districts on a contract basis. The district continues to provide teachers and an aide on a contracted basis to the County of Warren for the purpose of providing the educational component for the Warren Acres Juvenile Detention Center, however, it is expected that Warren Acres will be closed as of January 1, 2009. In addition, we contract one teacher to the Hackettstown Regional Medical Center to provide instruction for youngsters enrolled in their counseling and addiction center's partial hospitalization program.

During the 2007-2008 school-year, the district continued its Outdoor Education Program for the benefit of students with and without disabilities throughout the Warren County area. Through a cooperative effort with The Arc of Warren County, the district offers field trip experiences at Camp Warren in Knowlton, New Jersey. The program offers instruction built upon the core curriculum content standards in the areas of science, social studies and visual and performing arts. This program also creates another opportunity for students with and without disabilities to interact with each other in an inclusive setting.

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

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2008.

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

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the Warren County Special Services School District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2008 and the amount and percentage of increases in relation to prior year revenues.

REVENUE SOURCES	AMOUNT 2008	% OF TOTAL	INCREASE/DECREASE AMOUNT	% OF INCREASE/DECREASE
LOCAL	\$ 2,227,492	90.50%	\$ (304,759)	(12.04%)
STATE	233,718	9.50%	(33,408)	(12.51%)
FEDERAL	-0-	- 0 -	- 0 -	- 0 -
TOTAL	\$ 2,461,210	100.00%	\$ (338,167)	(12.08%)

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2008 and the percentage of increases and decreases in relation to prior year amounts.

CURRENT EXPENDITURES	AMOUNT 2008	% OF TOTAL	INCREASE/DECREASE FROM 2007	% OF INCREASE/DECREASE
INSTRUCTION	\$ 923,005	30.63%	\$ 33,195	3.73%
UNDISTRIBUTED	1,935,604	64.22%	(12,958)	(0.67%)
CAPITAL OUTLAY			(57,412)	(100.00%)
SPECIAL SCHOOLS	155,201	5.15%	123	0.08%
TOTAL	\$ 3,013,810	100.00%	\$ (37,052)	(1.21%)

8. DEBT ADMINISTRATION: The Warren County Special Services School District has no debt obligations as of June 30, 2008.

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

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

11. OTHER INFORMATION:

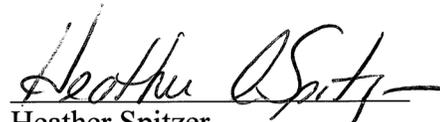
A. INDEPENDENT AUDIT - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Co., LLP Accountants and Auditors was selected by the Warren County Special Services Board of Education. In addition to meeting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

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

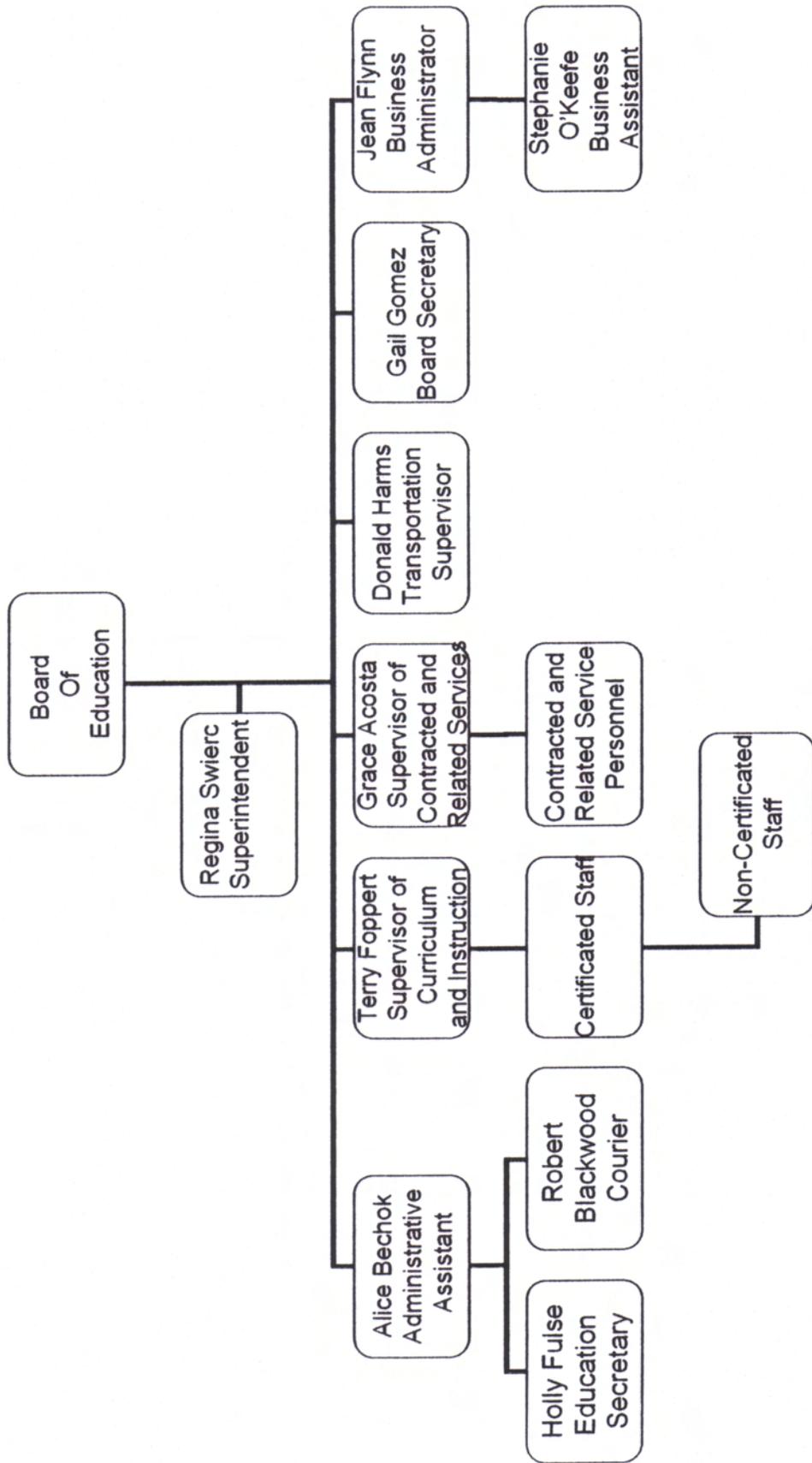
12. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Warren County Special Services Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the Warren County Special Services School District and thereby contributing their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

Respectfully submitted,


Regina M. Swierc
Superintendent


Heather Spitzer
Business Administrator

Warren County Special Services School District Organizational Chart



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

ROSTER OF OFFICIALS

June 30, 2008

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr. Thomas Gross, Interim County Superintendent	-----
Mr. William Spencer, President	2010
Ms. Mary Lou Unangst, Vice-President	2011
Mr. Thomas Gross	2009
Ms. Kathi Howell	2011
Mr. Joseph Delesky	2009
Mr. Robert Hopek	2010

Other Officials

Ms. Regina M. Swierc, *Superintendent*

Ms. Jean Flynn, *Business Administrator*

Ms. Gail S. Gomez, *Board Secretary*

Ms. Patricia Mac Kenzie, *Treasurer*

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

CONSULTANTS AND ADVISORS

Audit Firm

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1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

Attorney

Schwartz, Simon, Edelsein Celco & Kessler, LLC
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Official Depository

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Financial Section

Independent Auditor's Report



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**UNQUALIFIED OPINIONS ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS
AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY**

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Warren County Special Services School District
County of Warren
Washington, New Jersey 07882

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund and the aggregate remaining fund information of the Board of Education of the Warren County Special Services School District, a component unit of the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Warren County Special Services School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Warren County Special Services School District Board of Education, a component unit of the County of Warren, State of New Jersey, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2008, on our consideration of the Warren County Special Services School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 9 through 9.6, and 34 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warren County Special Services School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Date: November 3, 2008



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

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



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Douglas R. Williams, CPA, RMA, PSA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable President and
Members of the Board of Education
Warren County Special Services School District
County of Warren
Washington, New Jersey 07882

We have audited the financial statements of the Board of Education of the Warren County Special Services School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

-Continued-

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Education of the Warren County Special Services School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated November 3, 2008.

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



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

Date: November 3, 2008

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The discussion and analysis of Warren County Special Services School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- ◆ In total, net assets decreased \$546,490, which represents a 54 percent decrease from 2007.
- ◆ General revenues accounted for \$203,269 in revenue or 3.0 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,511,691 or 97 percent of total revenues of \$6,714,960.
- ◆ Total assets of governmental and business type activities decreased by \$429,844 as cash and cash equivalents decreased by \$92,043, receivables decreased by \$309,922 and capital assets decreased by \$27,879. The asset decrease was due to the budgeted utilization of fund balance (i.e. cash resources) to balance the 2008 budget.
- ◆ The School District had \$7,261,450 in expenses; \$6,511,691 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily county tax levy) of \$203,269 fell short to provide for the remaining programs.
- ◆ Among major funds, the General Fund had \$2,460,210 in revenues and \$3,012,810 in expenditures. The General Fund's surplus balance decreased \$552,600 over 2007, due to planned use of surplus of \$689,508 to balance the 2008 budget.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2008 UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

	Table 1	
	Net Assets	
	<u>2008</u>	<u>2007</u>
Assets		
Current and Other Assets	\$1,010,249	\$ 1,808,207
Capital Assets	<u>70,328</u>	<u>98,207</u>
Total Assets	<u>1,080,577</u>	<u>1,906,414</u>
Liabilities		
Long-Term Liabilities		
Other Liabilities	<u>611,707</u>	<u>891,054</u>
Total Liabilities	<u>611,707</u>	<u>805,965</u>
Net Assets		
Invested in Capital Assets, Net of Debt	70,328	98,207
Restricted	285,235	689,508
Unrestricted	<u>113,307</u>	<u>227,645</u>
Total Net Assets	<u>\$ 468,870</u>	<u>\$ 1,015,360</u>

Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$114,338 due to utilization of fund balance in the 2008 budget.

Table 2 shows the changes in net assets from fiscal year 2007.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Table 2
Changes in Net Assets

Revenues	<u>2008</u>	<u>2007</u>
Program Revenues:		
Charges for Services - Business Type	\$4,253,750	\$4,447,059
Charges for Services - Governmental		
Operating Grants and Contributions	2,257,941	2,575,469
General Revenues:		
Property Taxes	189,442	184,821
Other	<u>13,827</u>	<u>39,087</u>
Total Revenues	<u>6,714,960</u>	<u>7,246,436</u>
Program Expenses		
Instruction:		
Special Education	1,412,755	1,399,661
Support Services:		
Pupils and Instructional Staff	649,430	643,635
General Administration, School Administration, Business	610,946	588,121
Operations and Maintenance of Facilities	202,777	216,752
Pupil Transportation	2,976	3,149
Special Schools	154,201	149,924
Business-Type Activities	<u>4,228,365</u>	<u>4,385,236</u>
Total Expenses	<u>7,261,450</u>	<u>7,386,478</u>
Increase in Net Assets	<u>\$ (546,490)</u>	<u>\$ (140,042)</u>

Governmental and Business-Type Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Instruction:				
Special Education	\$ 1,412,755	\$ 304,207	\$ 1,399,661	\$ 136,940
Support Services:				
Pupils and Instructional Staff	649,430	140,300	643,635	59,277
General Administration, School Administration, Business	610,946	131,986	588,121	57,961
Operation and Maintenance of Facilities	202,777	43,807	216,752	21,361
Pupil Transportation	2,976	643	3,149	310
Special Schools	154,201	154,201	149,924	149,924
Business-Type Activities	<u>4,228,365</u>	<u>(25,385)</u>	<u>4,385,236</u>	<u>(61,823)</u>
Total Expenses	<u>\$ 7,261,450</u>	<u>\$ 749,759</u>	<u>\$ 7,386,478</u>	<u>\$ 363,950</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

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

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

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

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

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

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

The School District's Funds

Information about the School District's major funds starts on page 12 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,461,210 and expenditures of \$3,013,810. The net change in fund balance for the year was most significant in the General Fund, an decrease of \$552,600. This decrease compares to a budgeted decrease of \$689,508, through utilization of available fund balance. The district was able to overachieve the budgeted decrease with the realization of additional revenues and expense savings. All business-type funds had revenues of \$4,253,750 and expenditures of \$4,228,365 for a net profit of \$25,385.

General Fund Budgeting Highlights

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

During the course of the fiscal 2008 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$2,227,492, \$91,791 over original budgeted estimates of \$2,135,701. This difference was due primarily to summer school revenue.

The General fund revenues and other financing sources of the School District were less than expenditures by approximately \$552,600, as previously explained in "The School District's Funds" section above.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Capital Assets

At the end of the fiscal year 2008, the School District had \$70,328 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2008 balances compared to 2007.

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

	<u>2008</u>	<u>2007</u>
Machinery and Equipment	\$70,328	\$98,207
Totals	<u>\$70,328</u>	<u>\$98,207</u>

Overall capital assets decreased \$27,879 from fiscal year 2007 to fiscal year 2008. Increases in capital assets (primarily machinery and equipment) were offset by depreciation expenses for the year.

No major equipment was purchased during fiscal year 2008.

Debt Administration

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

For the Future

With the emphasis in special education, in addition to the increasingly tighter local district budgets, the district continues to face the prospect of a static or declining student population. The district will not be able to continue to utilize current levels of surplus as anticipated revenue in operating budgets beyond 2010, without decreasing operating expenditures or identifying additional sources of revenue. However, as local districts seek to retain their special education students in district, it increases the Warren County Special Services School District's opportunities for providing contracted services to other school districts. In addition, we are always seeking to develop new initiatives in order to meet the unique needs of our county. For example, we are currently analyzing the county's need and desire for our district to operate an alternative middle/high school program as well as a program for students with auditory impairments. It is our hope that by remaining flexible and responsive, the district will continue to evolve in response to the needs of the educational community.

Contacting the School District's Financial Management

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

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$225,696		\$225,696
Receivables, Net	65,594	\$227,240	292,834
Interfund Receivables	491,719		491,719
Capital Assets, Net	61,514	8,814	70,328
Total Assets	<u>844,523</u>	<u>236,054</u>	<u>1,080,577</u>
LIABILITIES			
Accounts Payable	113,512	5,403	118,915
Interfund Payables		491,719	491,719
Deferred Revenue	1,073		1,073
Noncurrent Liabilities (Note 7): Due Beyond One Year			
Total Liabilities	<u>114,585</u>	<u>497,122</u>	<u>611,707</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	61,514	8,814	70,328
Restricted	285,235		285,235
Unrestricted	383,189	(269,882)	113,307
Total Net Assets	<u>\$729,938</u>	<u>(\$261,068)</u>	<u>\$468,870</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Functions/Programs						
Governmental Activities:						
Instruction:						
Special Education	\$ 1,412,755	1,108,548			\$ (304,207)	\$ (304,207)
Support Services:						
Student & Instruction Related Serv.	649,430	509,130			(140,300)	(140,300)
School Administrative Services	610,946	478,960			(131,986)	(131,986)
Plant Operations and Maintenance	202,777	158,970			(43,807)	(43,807)
Pupil Transportation	2,976	2,333			(643)	(643)
Special Schools	154,201				(154,201)	(154,201)
Total Governmental Activities	<u>3,033,085</u>	<u>2,257,941</u>			<u>(775,144)</u>	<u>(775,144)</u>
Business-Type Activities:						
Internal Service	4,228,365	4,253,750			\$ 25,385	25,385
Total Business-Type Activities	<u>4,228,365</u>	<u>4,253,750</u>			<u>25,385</u>	<u>25,385</u>
Total Primary Government	<u>\$ 7,261,450</u>	<u>\$ 6,511,691</u>			<u>\$ (775,144)</u>	<u>\$ 25,385</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net					\$ 189,442	\$ 189,442
Investment Earnings					6,420	6,420
Miscellaneous Income					7,407	7,407
Total General Revenues, Special Items, Extraor. Items and Transfers					<u>203,269</u>	<u>203,269</u>
Change in Net Assets					(571,875)	25,385 (546,490)
Net Assets—Beginning(As Restated)					<u>1,301,813</u>	<u>(286,453)</u>
Net Assets—Ending					<u>\$ 729,938</u>	<u>\$ (261,068)</u>

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

FUND FINANCIAL STATEMENTS

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 224,623	\$ 1,073	\$ 225,696
Receivables, Net			
Interfund Receivables	491,719		491,719
Receivables from Other Governments	65,594		65,594
TOTAL ASSETS	<u>\$ 781,936</u>	<u>\$ 1,073</u>	<u>\$ 783,009</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	113,512		113,512
Deferred Revenue		1,073	1,073
Total Liabilities	<u>113,512</u>	<u>1,073</u>	<u>114,585</u>
Fund Balances:			
Reserved for:			
Encumbrances	144,582		144,582
Unreserved, Reported in General Fund:			
Unreserved-Designated for Subsequent Yr's Expenditures	285,235		285,235
Unreserved-Undesignated	238,607		238,607
Total Fund Balances	<u>668,424</u>		<u>668,424</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 781,936</u>	<u>\$ 1,073</u>	<u>\$ 783,009</u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$117,427 and the accumulated depreciation is \$55,913.

\$ 61,514

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).

-

Net assets of governmental activities

\$ 729,938

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Local Tax Levy	\$ 189,442		\$ 189,442
Tuition Charges	1,814,258		1,814,258
Miscellaneous	223,792		223,792
Total - Local Sources	<u>2,227,492</u>		<u>2,227,492</u>
State Sources	232,718	\$ 1,000	233,718
Total Revenues	<u>2,460,210</u>	<u>1,000</u>	<u>2,461,210</u>
EXPENDITURES			
Current:			
Special Education Instruction	923,005	1,000	924,005
Support services and undistributed costs:			
Student and Instruction Related Services	433,617		433,617
School Administrative Services	407,922		407,922
Plant Operations and Maintenance	135,392		135,392
Pupil Transportation	1,987		1,987
Unallocated Benefits	956,686		956,686
Special Schools	154,201		154,201
Total Expenditures	<u>3,012,810</u>	<u>1,000</u>	<u>3,013,810</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(552,600)</u>		<u>(552,600)</u>
Net Change in Fund Balances	(552,600)		(552,600)
Fund Balance—July 1	1,221,024		1,221,024
Fund Balance—June 30	<u>\$ 668,424</u>		<u>\$ 668,424</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (552,600)

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

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

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

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned.

_____ -

Change in Net Assets of Governmental Activities \$ (571,875)

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2008

	Business-Type Activities - Enterprise Funds	
	<u>Internal Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Accounts Receivable - Aides	\$ 57,207	\$ 57,207
Accounts Receivable - Transportation	125,429	125,429
Accounts Receivable - Hospital Counseling	13,936	13,936
Accounts Receivable - Aides/Related Services	<u>30,668</u>	<u>30,668</u>
Total Current Assets	<u>227,240</u>	<u>227,240</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	92,323	92,323
Less Accumulated Depreciation	<u>(83,509)</u>	<u>(83,509)</u>
Total Noncurrent Assets	<u>8,814</u>	<u>8,814</u>
Total Assets	<u>236,054</u>	<u>236,054</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	5,403	5,403
Interfund Payable	<u>491,719</u>	<u>491,719</u>
Total Current Liabilities	<u>497,122</u>	<u>497,122</u>
Total Liabilities	<u>497,122</u>	<u>497,122</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	8,814	8,814
Unrestricted	<u>(269,882)</u>	<u>(269,882)</u>
Total Net Assets	<u>\$ (261,068)</u>	<u>\$ (261,068)</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Fund	
	Internal Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Transportation Fees from Other LEA's Within the State	\$ 1,719,148	\$ 1,719,148
Aides Reimbursement from Other LEA's Within State	2,067,387	2,067,387
Warren Acres	109,167	109,167
Counseling (Hospital)	74,510	74,510
Related Service Reimbursement from Other LEA's Within State	<u>283,538</u>	<u>283,538</u>
Total Operating Revenues	<u>4,253,750</u>	<u>4,253,750</u>
Operating Expenses:		
Transportation- Contracted Services:		
Salaries	68,840	68,840
Benefits	11,085	11,085
Transportation - Fees	1,640,452	1,640,452
Transportation - Purc. Prof.Services	11,219	11,219
Transportation - Miscellaneous	<u>9,238</u>	<u>9,238</u>
Total	<u>1,740,834</u>	<u>1,740,834</u>
Personal Aides:		
Salaries	1,193,928	1,193,928
Benefits	778,712	778,712
General and Administrative Salaries	<u>72,814</u>	<u>72,814</u>
Total	<u>2,045,454</u>	<u>2,045,454</u>
Warren Acres:		
Salaries	74,153	74,153
Benefits	17,865	17,865
Other Expenses	<u>868</u>	<u>868</u>
Total	<u>92,886</u>	<u>92,886</u>
Counseling (Hospital):		
Salaries	73,012	73,012
Benefits	8,765	8,765
Other Expenses	<u>2,911</u>	<u>2,911</u>
Total	<u>84,688</u>	<u>84,688</u>
Related Services - Other Services:		
Salaries	176,441	176,441
Benefits	47,886	47,886
Other Expenses	<u>31,467</u>	<u>31,467</u>
Total	<u>255,794</u>	<u>255,794</u>
Depreciation		
	<u>8,709</u>	<u>8,709</u>
Total Operating Expenses	<u>4,228,365</u>	<u>4,228,365</u>
Operating Income (Loss)	<u>25,385</u>	<u>25,385</u>
Change in Net Assets	25,385	25,385
Total Net Assets—Beginning	<u>(286,453)</u>	<u>(286,453)</u>
Total Net Assets—Ending	<u>\$ (261,068)</u>	<u>\$ (261,068)</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds	
	<u>Internal Service</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 4,612,620	\$ 4,612,620
Payments to Employees	(1,659,188)	(1,659,188)
Payments for Employee Benefits	(864,313)	(864,313)
Payments to Suppliers	<u>(1,690,752)</u>	<u>(1,690,752)</u>
Net Cash Provided by (used for) Operating Activities	<u>398,367</u>	<u>398,367</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers to Other Funds	<u>(398,367)</u>	<u>(398,367)</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>(398,367)</u>	<u>(398,367)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 -	 -
 Balances—Beginning of Year	 _____ -	 _____ -
 Balances—End of Year	 <u>_____ -</u>	 <u>_____ -</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	<u>\$ 25,385</u>	<u>\$ 25,385</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	8,709	8,709
(Increase) Decrease in Accounts Receivable, Net	358,870	358,870
Increase (Decrease) in Accounts Payable	5,403	5,403
Total Adjustments	<u>372,982</u>	<u>372,982</u>
 Net Cash Provided by (used for) Operating Activities	 <u>\$ 398,367</u>	 <u>\$ 398,367</u>

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>77</u>
Total Assets	\$ <u>77</u>
LIABILITIES	
Payable to Student Groups	\$ 1,055
Accounts Payable	<u>(978)</u>
Total Liabilities	\$ <u>77</u>

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

Notes to Financial Statements

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2007.

A. Reporting Entity:

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

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

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2008 and 2007, there were no reconciling differences between the budgetary basis and GAAP basis in the special revenue fund.

D. Encumbrance Accounting:

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

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

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

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

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2008, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2008, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	<u>\$225,696</u>	<u>\$77</u>	<u>\$225,773</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The carrying amount of the Board's cash and cash equivalents at June 30, 2008, was \$225,773 and the bank balance was \$549,471. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$100,000 was covered by federal depository insurances and \$449,471 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$ 8,635	\$ 8,635
Transportation		125,429
Aides/Related Services/Hospital Counc.		101,811
Non-Resident Fees/Summer Sch.	56,959	56,959
Gross Receivable	<u>65,594</u>	<u>292,834</u>
Less: Allow. for Uncollectible	-	-
Total Receivables, Net	<u>\$ 65,594</u>	<u>\$292,834</u>

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2008:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 491,719	
Enterprise Fund	<u>-</u>	<u>\$ 491,719</u>
	<u>\$ 491,719</u>	<u>\$ 491,719</u>

The General fund receivable relates to cumulative cash advances to the enterprise fund in order to fund the cash deficit as of June 30, 2008.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 117,427			\$ 117,427
Total at Historical Cost	43,216	-		117,427
Less Accumulated Depreciation for:				
Equipment	(36,638)	\$ (19,275)		(55,913)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	(21,054)	(19,275)		(55,913)
Government and Business-Type Activity				
Capital Assets, Net	\$ 22,162	\$ (19,275)		\$ 61,514

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

Depreciation expense was charged to functions as follows:

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

NOTE 7: LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2008, are as follows:

	Balance <u>7/1/07</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/08</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	None			None	
Total	<u>None</u>			<u>None</u>	<u>\$0</u>

Compensated absences have been liquidated in the General Fund.

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7: OPERATING LEASES

The District has commitments to lease classroom space for special education instructional needs from ten school districts located within various counties under operating leases which are one year lease terms, have a renewal option and contain date of notice to terminate for the next school year. Total lease payments made during the year ending June 30, 2008, were \$125,903.

NOTE 8: PENSION PLANS

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

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

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8: PENSION PLANS (Continued)

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

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

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

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2008	\$27,000	100 %	-0-
6/30/2007	13,435	100	-0-
6/30/2006	23,109	100	-0-

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2008	-0-	100 %	-0-
6/30/2007	-0-	100	-0-
6/30/2006	-0-	100	-0-

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8: PENSION PLANS (Continued)

During the fiscal year ended June 30, 2008, the State of New Jersey did contribute \$136,308 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$96,410 during the year ended June 30, 2008, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 9: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve by one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2007.

The State is also responsible for the cost attributable to P.L.1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education of county college with 25 years of service. The State paid \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in Fiscal Year 2007.

NOTE 10: DEFERRED COMPENSATION

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

Galic
Oppenheimer
Equitable

NOTE 11: RISK MANAGEMENT

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 13: FUND BALANCE APPROPRIATED

General Fund - Of the \$668,424 General Fund fund balance at June 30, 2008, \$144,582 is reserved for encumbrances; \$285,235 has been appropriated and included as anticipated revenue in the fiscal year ending June 30, 2009; and \$238,607 is unreserved and undesignated.

NOTE 14: DEFICIT FUND BALANCES

The District has a deficit unrestricted net asset balance of (\$261,068) in the Internal Service Fund. This deficit is a result of expenses exceeding revenues in prior year's operations. The District plans to liquidate such deficit in subsequent year's operations.

NOTE 15: TUITION ADJUSTMENTS

The District calculates its tuition rates based on estimated costs, which are adjusted based on actual results by the third year subsequent to the estimated tuition year. The calculation for county special services tuition adjustments are based on the provisions of N.J.S.A 18A:46-31. The net 2004-2005 tuition adjustment of \$205,296 is payable to the sending districts on June 30, 2008, and is reflected in the general fund operations for the 2008 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
County Tax Levy	\$ 189,442		\$ 189,442	\$ 189,442	
Tuition	1,813,759		1,813,759	1,814,258	\$ 499
Miscellaneous	132,500		132,500	223,792	91,292
Total - Local Sources	2,135,701		2,135,701	2,227,492	91,791
State Sources:					
TPAF Pension (On-Behalf - Non-Budgeted)				136,308	136,308
TPAF Social Security (Reimbursed - Non-Budgeted)				96,410	96,410
Total State Sources				232,718	232,718
TOTAL REVENUES	2,135,701		2,135,701	2,460,210	324,509
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION					
Behavioral Disabilities:					
Salaries of Teachers	164,449	21,885	186,334	166,989	19,345
Other Salaries for Instruction	76,510	2,734	79,244	73,207	6,037
Purchased Professional-Educational Services	21,000		21,000	20,323	677
Purchased Technical Services	1,800		1,800	1,260	540
Other Purchased Services (400-500 series)	500		500		500
General Supplies	8,000	2,400	10,400	7,700	2,700
Textbooks	2,500		2,500	924	1,576
Total Behavioral Disabilities	274,759	27,019	301,778	270,403	31,375

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Multiple Disabilities:					
Salaries of Teachers	269,486	30,835	300,321	271,375	28,946
Other Salaries for Instruction	99,425	(12,306)	87,119	59,029	28,090
Purchased Professional-Educational Services	22,600		22,600	21,845	755
Purchased Technical Services	10,000	152	10,152	7,768	2,384
Purchased Technical Services	3,000	1,028	4,028	3,465	563
Other Purchased Services (400-500 series)	450		450	319	131
General Supplies	23,000	(1,855)	21,145	15,623	5,522
Textbooks	850		850		850
Other Objects		21,600	21,600	21,600	
Maintenance Facility	2,000		2,000	1,575	425
Total Multiple Disabilities	430,811	39,454	470,265	402,599	67,666
Autism:					
Salaries of Teachers	115,630	20,272	135,902	116,990	18,912
Other Salaries for Instruction	43,000	(37,149)	5,851	3,374	2,477
Purchased Professional-Educational Services	12,000		12,000	8,546	3,454
Purchased Technical Services	1,200		1,200	210	990
Other Purchased Services (400-500 series)	500		500	418	82
General Supplies	9,000	(1,271)	7,729	4,083	3,646
Total Autism	181,330	(18,148)	163,182	133,621	29,561
Pre-School Disabilities Part Time:					
Cognitive - Severe:					
Salaries of Teachers	103,630	7,515	111,145	103,282	7,863
Purchased Professional-Educational Services	8,505		8,505	8,220	285
Purchased Technical Services	1,200		1,200	525	675
Other Purchased Services (400-500 series)	500		500	150	350
General Supplies	7,000		7,000	4,205	2,795
Total Cognitive - Severe	120,835	7,515	128,350	116,382	11,968
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,007,735	55,840	1,063,575	923,005	140,570

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Attendance and Social Work:					
Salaries	64,050	(27,876)	36,174	36,174	
Other Purchased Services (400-500 series)	1,800		1,800	1,236	564
Supplies and Materials	550		550		550
Total Attendance and Social Work	66,400	(27,876)	38,524	37,410	1,114
Health Services:					
Salaries	1,800	100	1,900	1,200	700
Purchased Professional and Technical Services	3,800		3,800	1,385	2,415
Total Health Services	5,600	100	5,700	2,585	3,115
Other Supp. Services Students-Related Services:					
Salaries of Other Professional Staff	305,245	63,446	368,691	317,104	51,587
Purchased Professional - Educational Services	10,000	(9,518)	482		482
Purchased Technical Services		735	735	735	
Other Purchased Services (400-500 series)	5,000	12,421	17,421	17,421	
Supplies and Materials	9,500	(658)	8,842	5,544	3,298
Total Other Supp. Services Students-Related Services	329,745	66,426	396,171	340,804	55,367
Instructional Staff Training Services:					
Salaries - Supervisor of Instruction	38,741	375	39,116	32,659	6,457
Purchased Professional-Educational Services		1,000	1,000	1,000	
Supplies and Materials	5,000	2,485	7,485	7,482	3
Total Instructional Staff Training Services	43,741	3,860	47,601	41,141	6,460
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	17,000	(5,323)	11,677	11,677	
Total Instructional Staff Training Services	17,000	(5,323)	11,677	11,677	

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	210,958	288	211,246	237,675	(26,429)
Legal Services	20,000	(11,032)	8,968	8,968	
Audit Fees	12,500	249	12,749	12,749	
Other Purchased Professional Services	64,500	3,265	67,765	68,011	(246)
Communications/Telephone	31,000	(3,969)	27,031	27,197	(166)
Other Purchased Services (400-500 series)	28,500	2,450	30,950	30,900	50
General Supplies	7,800	5,074	12,874	12,585	289
Miscellaneous Expenditures	15,500	(5,570)	9,930	9,837	93
Total Supp. Services - General Administration	390,758	(9,245)	381,513	407,922	(26,409)
Central Services					
Salaries	53,630	12,405	66,035	66,035	
Purchased Professional Services	3,000	(2,800)	200	195	5
Misc. Purchased Services (400-500 series)	500	(500)			
Supplies and Materials	3,000	(2,219)	781	781	
Other Objects	2,000	(1,709)	291		291
Total Central Services	62,130	5,177	67,307	67,011	296
Other Operations and Maintenance of Plant:					
Rental of Land & Bldg. Oather Than Lease Purchase Agreement	140,000	(14,097)	125,903	125,903	
Insurance	6,500	2,989	9,489	9,489	
Total Other Operations and Maintenance of Plant	146,500	(11,108)	135,392	135,392	
Student Transportation Services					
Contract Services (Other than Between Home & School)-Vendors	7,000	(5,013)	1,987	1,987	
Total Student Transportation Services	7,000	(5,013)	1,987	1,987	

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS					
Social Security Contributions	28,000	35,405	63,405	63,405	
Other Retirement Contributions	28,000	(1,000)	27,000	27,000	
Unemployment Compensation	6,600	(400)	6,200	5,912	288
Workmen's Compensation	8,000	(525)	7,475	13,080	(5,605)
Health Benefits	488,000	8,570	496,570	496,570	
Tuition Reimbursement	51,500	(10,982)	40,518	40,518	
Other Benefits	6,000	4,472	10,472	10,472	
TOTAL UNALLOCATED BENEFITS	616,100	35,540	651,640	656,957	(5,317)
On-behalf TPAF pension Contributions (non-budgeted)				136,308	(136,308)
Reimbursed TPAF Social Security Contributions (non-budgeted)				96,410	(96,410)
TOTAL ON-BEHALF CONTRIBUTIONS				232,718	(232,718)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	616,100	35,540	651,640	889,675	(238,035)
TOTAL UNDISTRIBUTED EXPENDITURES	1,684,974	52,538	1,737,512	1,935,604	(198,092)
TOTAL GENERAL CURRENT EXPENSE	2,692,709	108,378	2,801,087	2,858,609	(57,522)
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	90,000	(6,586)	83,414	82,141	1,273
Other Salaries for Instruction	25,000		25,000	20,621	4,379
General Supplies	5,500		5,500	5,324	176
Other Objects	12,000		12,000	10,729	1,271
Total Summer School - Instruction	132,500	(6,586)	125,914	118,815	7,099
Summer School - Support Services					
Salaries Support Services		28,800	28,800	28,800	
Personal Services - Employee Benefits		6,586	6,586	6,586	
		35,386	35,386	35,386	
Total Summer School	132,500	28,800	161,300	154,201	7,099
TOTAL SPECIAL SCHOOLS	132,500	28,800	161,300	154,201	7,099

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
TOTAL EXPENDITURES	2,825,209	137,178	2,962,387	3,012,810	(50,423)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(689,508)	(137,178)	(826,686)	(552,600)	274,086
Fund Balance, July 1	1,221,024		1,221,024	1,221,024	
Fund Balance, June 30	\$ 531,516	\$ (137,178)	\$ 394,338	\$ 668,424	\$ 274,086
Recapitulation:					
Designated for Subsequent Year's Expenditures				\$ 285,235	
Reserved for Encumbrances				144,582	
Unrestricted Fund Balance				238,607	
Fund Balance per Governmental Funds(Budgetary Basis)				\$ 668,424	

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources		-			-
State Sources		1,000	1,000	1,000	\$ -
Total Revenues	-	1,000	1,000	1,000	-
EXPENDITURES:					
Instruction:					
Supplies and Materials		1,000	1,000	1,000	
Total Instruction		1,000	1,000	1,000	-
Total Expenditures		1,000	1,000	1,000	-
Total Outflows		1,000	1,000	1,000	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					

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

For the Fiscal Year Ended June 30, 2008

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

	General Fund	Special Revenue Fund
	<hr/>	<hr/>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$2,460,210	\$ 1,000
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<hr/> N/A	<hr/> N/A
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$2,460,210</u>	<u>\$ 1,000</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$3,012,810	\$ 1,000
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	<hr/> N/A	<hr/> N/A
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$3,012,810</u>	<u>\$1,000</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2008

	County	
	Prof. Dev.	
	Grant	Totals
	<hr/>	
REVENUES		
State Sources	\$ 1,000	\$ 1,000
TOTAL REVENUES	\$ 1,000	\$ 1,000
	<hr/>	
EXPENDITURES:		
Instruction:		
Supplies and Materials	\$ 1,000	\$ 1,000
Total Instruction	1,000	1,000
	<hr/>	
TOTAL EXPENDITURES	\$ 1,000	\$ 1,000
	<hr/>	
Total Outflows	\$ 1,000	\$ 1,000
	<hr/>	
Excess (Deficiency) of Revenues Over(Under) Expenditures and Other Financing Sources (Uses)		
	<hr/> <hr/>	

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit G-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2008

		Business-Type Activities- Enterprise Funds	
		<u>Internal Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Accounts Receivable - Aides		\$ 57,207	\$ 57,207
Accounts Receivable - Transportation		125,429	125,429
Accounts Receivable - Hospital Counseling		13,936	13,936
Accounts Receivable - Aides/Related Services		30,668	30,668
Total Current Assets		<u>227,240</u>	<u>227,240</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		92,323	92,323
Less Accumulated Depreciation		<u>(83,509)</u>	<u>(83,509)</u>
Total Noncurrent Assets		<u>8,814</u>	<u>8,814</u>
	Total Assets	<u>236,054</u>	<u>236,054</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		5,403	5,403
Interfund Payable		<u>491,719</u>	<u>491,719</u>
Total Current Liabilities		<u>497,122</u>	<u>497,122</u>
	Total Liabilities	<u>497,122</u>	<u>497,122</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt		8,814	8,814
Unrestricted		<u>(269,882)</u>	<u>(269,882)</u>
	Total Net Assets	<u>\$ (261,068)</u>	<u>\$ (261,068)</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit G-5

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities- Enterprise Fund	
	Internal Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Transportation Fees from Other LEA's Within the State	\$ 1,719,148	\$ 1,719,148
Aides Reimbursement from Other LEA's Within State	2,067,387	2,067,387
Warren Acres	109,167	109,167
Counseling (Hospital)	74,510	74,510
Related Service Reimbursement from Other LEA's Within State	<u>283,538</u>	<u>283,538</u>
Total Operating Revenues	<u>4,253,750</u>	<u>4,253,750</u>
Operating Expenses:		
Transportation- Contracted Services:		
Salaries	68,840	68,840
Benefits	11,085	11,085
Transportation - Fees	1,640,452	1,640,452
Transportation - Purc. Prof.Services	11,219	11,219
Transportation - Miscellaneous	<u>9,238</u>	<u>9,238</u>
Total	<u>1,740,834</u>	<u>1,740,834</u>
Personal Aides:		
Salaries	1,193,928	1,193,928
Benefits	778,712	778,712
General and Administrative Salaries	<u>72,814</u>	<u>72,814</u>
Total	<u>2,045,454</u>	<u>2,045,454</u>
Warren Acres:		
Salaries	74,153	74,153
Benefits	17,865	17,865
Other Expenses	<u>868</u>	<u>868</u>
Total	<u>92,886</u>	<u>92,886</u>
Counseling (Hospital):		
Salaries	73,012	73,012
Benefits	8,765	8,765
Other Expenses	<u>2,911</u>	<u>2,911</u>
Total	<u>84,688</u>	<u>84,688</u>
Related Services - Other Services:		
Salaries	176,441	176,441
Benefits	47,886	47,886
Other Expenses	<u>31,467</u>	<u>31,467</u>
Total	<u>255,794</u>	<u>255,794</u>
Depreciation	<u>8,709</u>	<u>8,709</u>
Total Operating Expenses	<u>4,228,365</u>	<u>4,228,365</u>
Operating Income (Loss)	<u>25,385</u>	<u>25,385</u>
Change in Net Assets	25,385	25,385
Total Net Assets—Beginning	<u>(286,453)</u>	<u>(286,453)</u>
Total Net Assets—Ending	<u>\$ (261,068)</u>	<u>\$ (261,068)</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit G-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds	
	Internal Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 4,612,620	\$ 4,612,620
Payments to Employees	(1,659,188)	(1,659,188)
Payments for Employee Benefits	(864,313)	(864,313)
Payments to Suppliers	<u>(1,690,752)</u>	<u>(1,690,752)</u>
Net Cash Provided by (used for) Operating Activities	<u>398,367</u>	<u>398,367</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers to Other Funds	<u>(398,367)</u>	<u>(398,367)</u>
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>(398,367)</u>	<u>(398,367)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Balances—Beginning of Year	-	-
Balances—End of Year	<u>-</u>	<u>-</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ 25,385	\$ 25,385
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	8,709	8,709
(Increase) Decrease in Accounts Receivable, Net	358,870	358,870
Increase (Decrease) in Accounts Payable	<u>5,403</u>	<u>5,403</u>
Total Adjustments	<u>372,982</u>	<u>372,982</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ 398,367</u>	<u>\$ 398,367</u>

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

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

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,055	\$ (978)	\$ 77
TOTAL ASSETS	<u>\$ 1,055</u>	<u>\$ (978)</u>	<u>\$ 77</u>
LIABILITIES:			
Liabilities:			
Payable to Student Groups	\$ 1,055		\$ 1,055
Accounts Payable	-	\$ (978)	(978)
Total Liabilities	<u>\$ 1,055</u>	<u>\$ (978)</u>	<u>\$ 77</u>
TOTAL LIABILITIES	<u>\$ 1,055</u>	<u>\$ (978)</u>	<u>\$ 77</u>

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
School Jackets	\$2			\$2
K. Menke Class Funds	515			515
Miscellaneous/Donations	531	\$7	-	538
	<u>\$1,048</u>	<u>\$7</u>	<u>-</u>	<u>\$1,055</u>

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
ASSETS:				
Cash and Cash Equivalents	\$1,468	\$3,697,761	\$3,700,207	(\$978)
Total Assets	<u>\$1,468</u>	<u>3,697,761</u>	<u>3,700,207</u>	<u>(\$978)</u>
LIABILITIES:				
Payroll Deductions and Withholdings		\$ 1,366,619	\$ 1,366,619	
Accrued Salaries and Wages		2,331,142	2,331,142	
Accounts Payable	\$1,468		2,446	(\$978)
Total Liabilities	<u>\$1,468</u>	<u>\$3,697,761</u>	<u>\$3,700,207</u>	<u>(\$978)</u>

LONG-TERM DEBT SCHEDULES

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

N/A

Warren County Special Services School District
Statistical Section

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

Sources:

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

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

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,					
	2003	2004	2005	2006	2007	2008
	N/A					
Governmental activities						
Invested in capital assets, net of related debt		\$ 4,211	\$ 22,162	\$ 31,169	\$ 80,789	\$ 61,514
Reserved				816,501	689,508	285,235
Unrestricted		695,757	1,353,298	656,008	531,516	383,189
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>
Business-type activities						
Invested in capital assets, net of related debt	-	\$ 4,912	\$ 34,835	\$ 26,126	\$ 17,418	\$ 8,814
Unrestricted		(331,277)	(251,367)	(374,402)	(303,871)	(269,882)
Total business-type activities net assets	-	<u>\$ (326,365)</u>	<u>\$ (216,532)</u>	<u>\$ (348,276)</u>	<u>\$ (286,453)</u>	<u>\$ (261,068)</u>
District-wide						
Invested in capital assets, net of related debt	-	\$ 9,123	\$ 56,997	\$ 57,295	\$ 98,207	\$ 70,328
Reserved				816,501	689,508	285,235
Unrestricted	-	364,480	1,101,931	281,606	227,645	113,307
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>

Source: CAFR Schedule A-1

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

Exhibit J-2

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year Ending June 30,</u>		<u>2007</u>	<u>2008</u>
	<u>N/A</u>		<u>2005</u>	<u>2006</u>		
Expenses						
Governmental activities						
Instruction						
Special education		\$ 1,312,088	\$ 1,560,891	\$ 1,357,339	\$ 1,399,661	\$ 1,412,755
Support Services:						
Student & instruction related services		574,619	546,301	453,861	643,635	649,430
School administrative services		484,593	576,619	527,493	588,121	610,946
Plant operations and maintenance		165,988	200,745	194,844	216,752	202,777
Pupil transportation		6,622	15,093	6,672	3,149	2,976
Special Schools		123,365	112,253	134,858	149,924	154,201
Total governmental activities expenses	<u>-</u>	<u>2,667,275</u>	<u>3,011,902</u>	<u>2,675,067</u>	<u>3,001,242</u>	<u>3,033,085</u>
Business-type activities:						
Internal Service		5,711,706	3,892,269	4,349,798	4,385,236	4,228,365
Total business-type activities expense	<u>-</u>	<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>
Total district expenses	<u>-</u>	<u>\$ 8,378,981</u>	<u>\$ 6,904,171</u>	<u>\$ 7,024,865</u>	<u>\$ 7,386,478</u>	<u>\$ 7,261,450</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
Business and other support services		1,366,644	1,613,545	1,207,692	1,312,748	1,149,393
Operating grants and contributions						
Capital grants and contributions						
Total governmental activities program revenues	<u>-</u>	<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>

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

Exhibit J-2

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year Ending June 30,</u>		<u>2007</u>	<u>2008</u>
			<u>2005</u>	<u>2006</u>		
Business-type activities:						
Charges for services						
Food service						
Internal Service		5,382,072	4,002,102	4,218,054	4,447,059	4,253,750
Operating grants and contributions						
Capital grants and contributions		-	-	-	-	
Total business type activities program revenues	-	<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>
Total district program revenues	-	<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>
Net (Expense)/Revenue						
Governmental activities		\$ 150,360	\$ 478,337	\$ (83,672)	\$ (425,773)	\$ (775,144)
Business-type activities		(329,634)	109,833	(131,744)	61,823	25,385
Total district-wide net expense	-	<u>\$ (179,274)</u>	<u>\$ 588,170</u>	<u>\$ (215,416)</u>	<u>\$ (363,950)</u>	<u>\$ (749,759)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes levied for general purposes, net		\$ 171,461	\$ 180,034	\$ 183,634	\$ 184,821	\$ 189,442
Investment earnings		1,571	1,571	21,060	11,976	6,420
Miscellaneous income		18,344	15,450	7,196	27,111	7,407
Transfers	-	(292,563)				
Total governmental activities	-	<u>(101,187)</u>	<u>197,055</u>	<u>211,890</u>	<u>223,908</u>	<u>203,269</u>
Business-type activities:						
Internal Service		-				-
Transfers		292,563				-
Total business-type activities	-	<u>292,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	-	<u>\$ 191,376</u>	<u>\$ 197,055</u>	<u>\$ 211,890</u>	<u>\$ 223,908</u>	<u>\$ 203,269</u>
Change in Net Assets						
Governmental activities		\$ 49,173	\$ 675,392	\$ 128,218	\$ (201,865)	\$ (571,875)
Business-type activities		(37,071)	109,833	(131,744)	61,823	25,385
Total district	-	<u>\$ 12,102</u>	<u>\$ 785,225</u>	<u>\$ (3,526)</u>	<u>\$ (140,042)</u>	<u>\$ (546,490)</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

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

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues										
Tax levy	\$ 142,500	\$ 142,500	\$ 149,625	\$ 157,106	\$ 163,390	\$ 171,461	\$ 180,034	\$ 183,634	\$ 184,821	\$ 189,442
Tuition charges	1,888,557	1,526,237	1,884,221	2,317,630	2,195,827	2,360,560	3,110,989	2,235,472	2,147,618	1,814,258
Miscellaneous	183,403	299,562	338,553	402,206	424,552	333,873	238,546	227,946	199,812	223,792
State sources	145,063	282,642	130,911	153,434	159,645	143,117	157,725	156,053	267,126	233,718
Federal sources	830	829	620					180	-	
Total revenue	2,360,353	2,251,770	2,503,930	3,030,376	2,943,414	3,009,011	3,687,294	2,803,285	2,799,377	2,461,210
Expenditures										
Instruction										
Special education instruction	797,674	837,619	970,750	1,064,511	1,051,191	973,739	1,051,314	944,118	890,810	924,005
Other special instruction										
Support Services:										
Student & instruction related services	605,158	576,353	618,184	671,739	511,751	428,286	370,819	318,295	413,223	433,617
General administrative services	186,935	196,049	198,031	259,774						
School Administrative services			93,253	80,167	316,610	361,186	391,398	369,934	377,582	407,922
Business administrative services	18,734	18,570	26,297	25,904						
Plant operations and maintenance	121,568	119,455	130,482	138,719	131,533	123,717	136,194	136,645	139,158	135,392
Pupil transportation	6,830	8,624	15,334	10,228	7,988	4,936	10,245	4,679	2,022	1,987
Unallocated employee benefits	462,211	447,009	507,968	568,027	447,791	647,835	931,390	758,746	1,020,731	956,686
Special Schools	98,283	123,762	107,202	146,518	173,520	123,365	112,253	134,858	149,924	154,201
Special Revenue	2,866	829	6,643	17,327						
Capital outlay	41,256	27,299	26,546				26,140	16,799	57,412	
Total expenditures	2,341,515	2,355,569	2,700,690	2,982,914	2,640,384	2,663,064	3,029,753	2,684,074	3,050,862	3,013,810
Excess (Deficiency) of revenues over (under) expenditures	18,838	(103,799)	(196,760)	47,462	303,030	345,947	657,541	119,211	(251,485)	(552,600)
Other Financing Sources (uses)										
Transfers in										-
Transfers out						(292,563)				-
Total other financing sources (uses)	-	-	-	-	-	(292,563)	-	-	-	-
Net change in fund balances	\$ 18,838	\$ (103,799)	\$ (196,760)	\$ 47,462	\$ 303,030	\$ 53,384	\$ 657,541	\$ 119,211	\$ (251,485)	\$ (552,600)
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Summer</u> <u>School</u> <u>Tuition</u>	<u>Extra</u> <u>Tuition</u>	<u>Non-</u> <u>Resident</u> <u>Fees</u>	<u>Personal</u> <u>Aide</u> <u>Reimburse.</u>	<u>Special</u> <u>Education</u> <u>Medicaid</u> <u>Init.</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Special</u> <u>Schools</u> <u>Revenue</u>	<u>Miscellaneous</u>	<u>Total</u>
1999	\$ 32,909	\$ 1,828,697	\$ 157,495	\$ 59,860	\$ 23,013	\$ (51,266)	\$ 20,495			\$ 757	\$ 2,071,960
2000	\$ 20,307	\$ 1,526,237	\$ 192,595	\$ 15,647	\$ 17,690	\$ 23,696	\$ 18,617	\$ 5,908		\$ 5,102	\$ 1,825,799
2001	\$ 13,374	\$ 1,884,221	\$ 204,120	\$ 35,679	\$ 23,002	\$ 33,391	\$ 26,629	\$ 65		\$ 2,293	\$ 2,222,774
2002	\$ 528	\$ 2,317,630	\$ 245,855	\$ 33,642	\$ 19,314	\$ 70,826	\$ 25,442			\$ 6,599	\$ 2,719,836
2003	\$ 1,098	\$ 2,195,827	\$ 269,775	\$ 33,774	\$ 18,545	\$ 70,984	\$ 28,412			\$ 1,964	\$ 2,620,379
2004	\$ 1,571	\$ 2,360,560	\$ 201,202	\$ 21,962	\$ 11,760	\$ 79,034	\$ 11,022			\$ 7,322	\$ 2,694,433
2005	\$ 10,402	\$ 3,110,989	\$ 209,925		\$ 11,600		\$ 2,683			\$ 3,936	\$ 3,349,535
2006	\$ 21,060	\$ 2,235,472	\$ 194,490		\$ 5,200		\$ 2,911			\$ 4,285	\$ 2,463,418
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

SOURCE: District Records

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
1999	102,433	\$ 2,985,409,785	\$29,145	4.2%
2000	102,948	\$ 3,141,767,064	\$30,518	3.1%
2001	105,307	\$ 3,443,012,365	\$32,695 R	3.6%
2002	106,953	\$ 3,472,015,239	\$32,463 R	5.3%
2003	108,333	\$ 3,612,255,552	\$33,344 R	5.3%
2004	108,738	\$ 3,671,103,618	\$33,761 R	4.3%
2005	109,148	\$ 3,814,831,748	\$34,951 R	4.2%
2006	109,431	\$ 3,990,510,846	\$36,466 R	4.1%
2007	109,737	\$ 4,256,917,704	\$38,792 R	3.7%
2008	109,737 *	\$ 4,256,917,704 *	\$38,792 *	3.7% *

Source:

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

^b Personal Income provided by US Department of Commerce

^c Per Capita provided by US department of Commerce

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

R =Revised

* Current data unavailable

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

Exhibit J-16

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Instruction										
Special education	17.0	17.4	17.6	20.0	18.6	19.1	16.6	16.0	18.6	15.0
Other special education	9.6	10.0	9.3	13.7	12.0	11.6	11.1	10.2	12.2	10.2
Support Services:										
General administrative services	4.0	4.0	5.0	5.0	4.0	2.5	2.5	3.5	3.7	3.7
School administrative services	2.0	2.0	2.2	3.0	3.0	3.0	2.2	2.2	1.0	1.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5
Pupil transportation	1.0	1.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0
Total	<u>34.6</u>	<u>35.4</u>	<u>37.1</u>	<u>44.7</u>	<u>40.6</u>	<u>38.2</u>	<u>34.4</u>	<u>33.4</u>	<u>37.0</u>	<u>31.4</u>

Source: District Personnel Records

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Special Services				
1999	116	2,315,259	19,959	1.57%	39	N/A	108	98.0	14.95%	90.41%
2000	130	2,343,270	18,025	-9.69%	40	N/A	90.2	81.7	-19.95%	90.58%
2001	120	2,685,336	22,378	24.15%	36	N/A	112.9	101.4	19.43%	89.81%
2002	97	2,982,914	30,752	37.42%	47	N/A	96.9	87.0	-16.55%	89.78%
2003	97	2,640,384	27,220	-11.48%	35	N/A	97.0	87.1	0.11%	89.79%
2004	90	2,663,064	29,590	8.70%	40	N/A	88.7	80.9	-7.66%	91.21%
2005	81	3,003,613	37,082	25.32%	35	N/A	81.0	73.6	-9.92%	90.86%
2006	62	2,667,275	43,021	16.02%	33	N/A	61.6	56.8	-29.58%	92.21%
2007	66	2,993,450	45,355	5.43%	22	N/A	63.2	57.7	1.56%	91.30%
2008	59	3,013,810	51,082	12.63%	15	N/A	58.4	53.4	-7.59%	91.44%

Sources: District records, ASSA and Schedules J-4

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
<u>Hackettstown 2</u>											
Square Feet		800	800								
Capacity (students)		12	12								
Enrollment		4	6								
<u>Hackettstown 1</u>											
Square Feet		800	800	800	800	800	800	800	800	800	800
Capacity (students)		12	12	12	12	12	12	12	12	12	12
Enrollment		5	7	6	4	6	4	3	3	5	7
<u>Franklin Ed</u>											
Square Feet	770	770	770	770	770	770	770	770	770	770	770
Capacity (students)	12	12	12	12	12	12	12	12	12	12	12
Enrollment	3	6	6	5	5	6	6	4	6	7	5
<u>Franklin Aut</u>											
Square Feet	630	630	630	630	630	630	630	630	630	630	630
Capacity (students)	12	12	12	12	12	12	12	12	12	12	12
Enrollment	4	6	6	6	5	4	5	5	2	4	4
<u>Liberty MDP</u>											
Square Feet		812	812	812	812	812	812	812	812	812	812
Capacity (students)		12	12	12	12	12	12	12	12	12	12
Enrollment		7	7	5	7	5	6	4	3	5	2
<u>Knowlton MHP MDP MDE</u>											
Square Feet	639		639	639	639	639	639	639	639	639	639
Capacity (students)	12		12	12	12	12	12	12	12	12	12
Enrollment	8		6	6	7	6	7	5	4	4	4
<u>Knowlton MHE MDE</u>											
Square Feet	639	639									
Capacity (students)	12	12									
Enrollment	8	6									

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

Exhibit J-18

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
<u>ARD 1 m</u>											
Square Feet								1,026	1,026	1,026	1,026
Capacity (students)								12	12	12	12
Enrollment								6	7	6	7
<u>WHR MDS</u>											
Square Feet	800	800	800	800	800	800	800				
Capacity (students)	12	12	12	12	12	12	12				
Enrollment	9	6	7	9	9	7	10				
<u>ARC 2 g</u>											
Square Feet								864	864	864	864
Capacity (students)								12	12	12	12
Enrollment								8	9	10	7
<u>WHR MDJ</u>											
Square Feet	800	800	800	800	800	800	800				
Capacity (students)	12	12	12	12	12	12	12				
Enrollment	8	9	7	8	8	8	5				
<u>GMR</u>											
Square Feet	960	960	960	960	960	960	960	960	960	960	960
Capacity (students)	12	12	12	12	12	12	12	12	12	12	12
Enrollment	5	5	6	8	7	4	5	5	4	4	5
<u>Oxford EDI</u>											
Square Feet	864						864	864	864	864	864
Capacity (students)	12						12	12	12	12	12
Enrollment	5						3	2	5	4	0
<u>Pohatcong AUT</u>											
Square Feet											900
Capacity (students)											12
Enrollment											2
<u>Harmony MHP MDP</u>											
Square Feet	900	900	900	900	900	900					
Capacity (students)	12	12	12	12	12	12					
Enrollment	8	6	9	6	5	4					

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

Exhibit J-18

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
<u>Harmony MHE MDE</u>											
Square Feet	900	900	900	900	900	900	900	900	900	900	900
Capacity (students)	12	12	12	12	12	12	12	12	12	12	12
Enrollment	10	7	7	7	7	8	6	6	4	4	3
<u>Harmony AUT</u>											
Square Feet				900	900	900	900				
Capacity (students)				12	12	12	12				
Enrollment				5	3	5	5				
<u>Belvidere</u>											
Square Feet	900	900	900	900	900	900	900	900	900	900	900
Capacity (students)	12	12	12	12	12	12	12	12	12	12	12
Enrollment	7	5	5	6	6	6	4	5	5	4	3
<u>WC Tech EDS</u>											
Square Feet	522	522	522	522	522	522	522	522	522	522	522
Capacity (students)	12	12	12	12	12	12	12	12	12	12	12
Enrollment	7	10	10	8	10	8	6	9	10	9	10
<u>WC Tech 2</u>											
Square Feet				522							
Capacity (students)				12							
Enrollment				7							
<u>District Office WC Tech</u>											
Square Feet							2,765	2,765	2,765	2,765	2,765
Capacity (students)											
Enrollment											

Source: District records

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit J-19

**GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Five Fiscal Years Ending June 30, 2008**

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

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

WARREN COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Exhibit J-20

INSURANCE SCHEDULE
June 30, 2008
UNAUDITED

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY		
Property-Blanket Contents	6,800,000,000*	
Comprehensive General Liability		
General Agggregate	5,000,000	
Occurrence Limit	5,000,000	
Comprehensive Automobile Liability	5,000,000	
UMBRELLA LIABILITY-SELECTIVE		
General Agggregate Limit	5,000,000	
Occurrence 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	

*Pooled Coverage (SAIF)

SOURCE: District Records