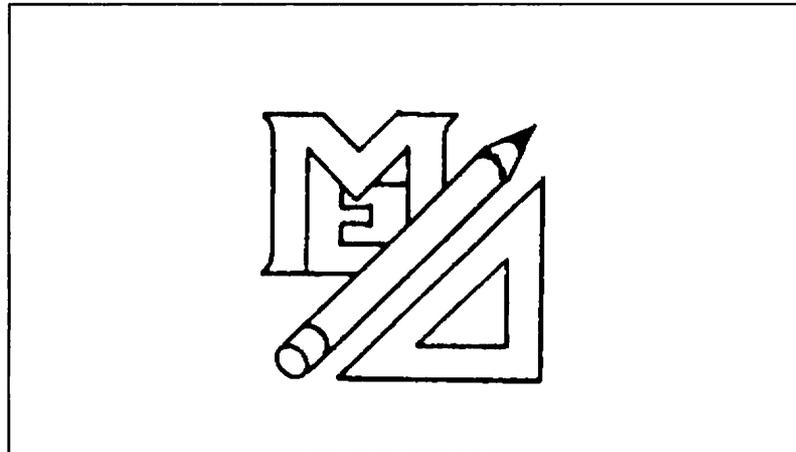


SCHOOL DISTRICT  
OF  
**MOUNT EPHRAIM**



Mount Ephraim Board of Education  
Mount Ephraim, New Jersey

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011

**Comprehensive Annual  
Financial Report**

**of the**

**Mount Ephraim Board of Education**

**Mount Ephraim, New Jersey**

**For the Fiscal Year Ended June 30, 2011**

**Prepared by  
Mount Ephraim Board of Education  
Finance Department**

# MOUNT EPHRAIM SCHOOL DISTRICT

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**Introductory Section**



## MOUNT EPHRAIM PUBLIC SCHOOLS

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MOUNT EPHRAIM, NJ 08059  
website:mtephraimschools.org

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Supervisor of Curriculum & Instruction*  
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**MELISSA E. RAYWOOD**

*Business Administrator/Board Secretary*  
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**AMY K. FRANCIS**  
*Supervisor of Special Services*  
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September 12, 2011

Honorable President and  
Members of the Board of Education  
Mt. Ephraim School District  
Mt. Ephraim, New Jersey 08059

Dear Board Members:

The Comprehensive Annual Financial Report of the Mt. Ephraim School District for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Mt. Ephraim 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 the various funds and account groups of the District. All disclosures necessary to readily 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 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," 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 Mt. Ephraim School District is an independent reporting entity within the criteria adopted by GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Mt. Ephraim Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through twelve. The District sends its grade nine through twelve students to the Audubon School District where these students attend Audubon High School. Included in the Pre-K through twelve program are regular and vocational, as well as special education for handicapped youngsters.

The District completed the 2010-2011 school year with an enrollment of 472 students; 21 students less than the previous year's enrollment in district, with an additional 187 high school students attending various programs out of District. The following details the changes in the student enrollment of the District over the last twelve years:

**Average Daily Enrollment**

<b><u>Fiscal Year</u></b>	<b><u>Student Enrollment</u></b>	<b><u>Percent Change</u></b>
2010-2011	464.2	(3.191)
2009-2010	479.5	3.008
2008-2009	465.5	4.442
2007-2008	445.7	0.632
2006-2007	442.9	(5.181)
2005-2006	467.1	3.962
2004-2005	449.3	0.698
2003-2004	446.2	3.671
2002-2003	430.4	0.443
2001-2002	428.5	(0.070)
2000-2001	428.8	(3.030)
1999-2000	442.2	(2.276)

Mt. Ephraim Schools maintained clubs and after-school activities during the 2010-2011 school year in student council, national junior honor society, safety patrol and yearbook. Seventh and eighth graders participated in the junior high after-school programs at Audubon High School.

The District sponsors a peer leadership program for students in grades seven and eight, as well as parent training programs in parent effectiveness and child abuse prevention.

Student leadership activities are also provided in the form of a safety patrol and student government. A chapter of the Junior National Honor Society functions at the R.W. Kershaw School.

- 2) **ECONOMIC CONDITION AND OUTLOOK:** The Borough of Mt. Ephraim's financial situation is reflective of the state of the economy within New Jersey. The construction of 38 townhouses completed its final phase. Revitalization efforts continue along the Kings Highway section of town as well as along the Black Horse Pike. Enrollment is expected to grow due to the district's approval as a Choice School District as well as the completion of the new townhouses and the consolidation/closing of parochial schools in the area.

The Board of Education continues its commitment to the Mt. Ephraim Community and will continue to seek alternative funding for school programs to alleviate the burden on the local tax rate.

- 3) **INTERNAL ACCOUNT CONTROLS:** Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are also subject to periodic evaluation by the District management.

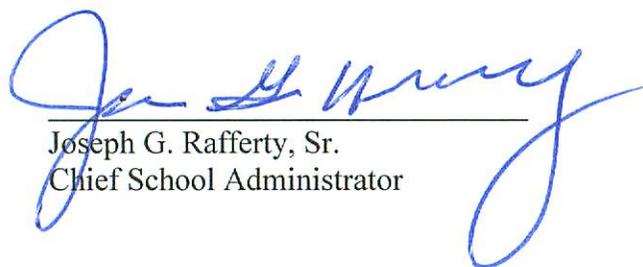
As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

- 4) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the 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.
- 5) **ACCOUNTING SYSTEM AND REPORTS:** The district's accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system for the 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.

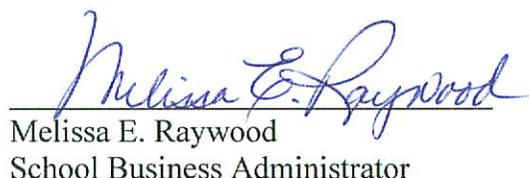
**CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Financial Statements,” Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the 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.

- 6) **OTHER INFORMATION:** Independent Audit – State statutes require an annual audit by independent certified accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, CPA and RMA, was appointed by the Board at their annual organization meeting. 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 1984 and the related OMB Circular A 128 and State Treasury Circular Letter 04-04 OMB. The auditor’s report on the general purpose financial statements and individual fund statements and schedules is included in the financial section of this report. The auditor’s report, related specifically to the single audit, is included in the single audit section of this report.
- 7) **ACKNOWLEDGEMENT:** We would like to express our appreciation to the members of the Mt. Ephraim Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and, thereby, contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

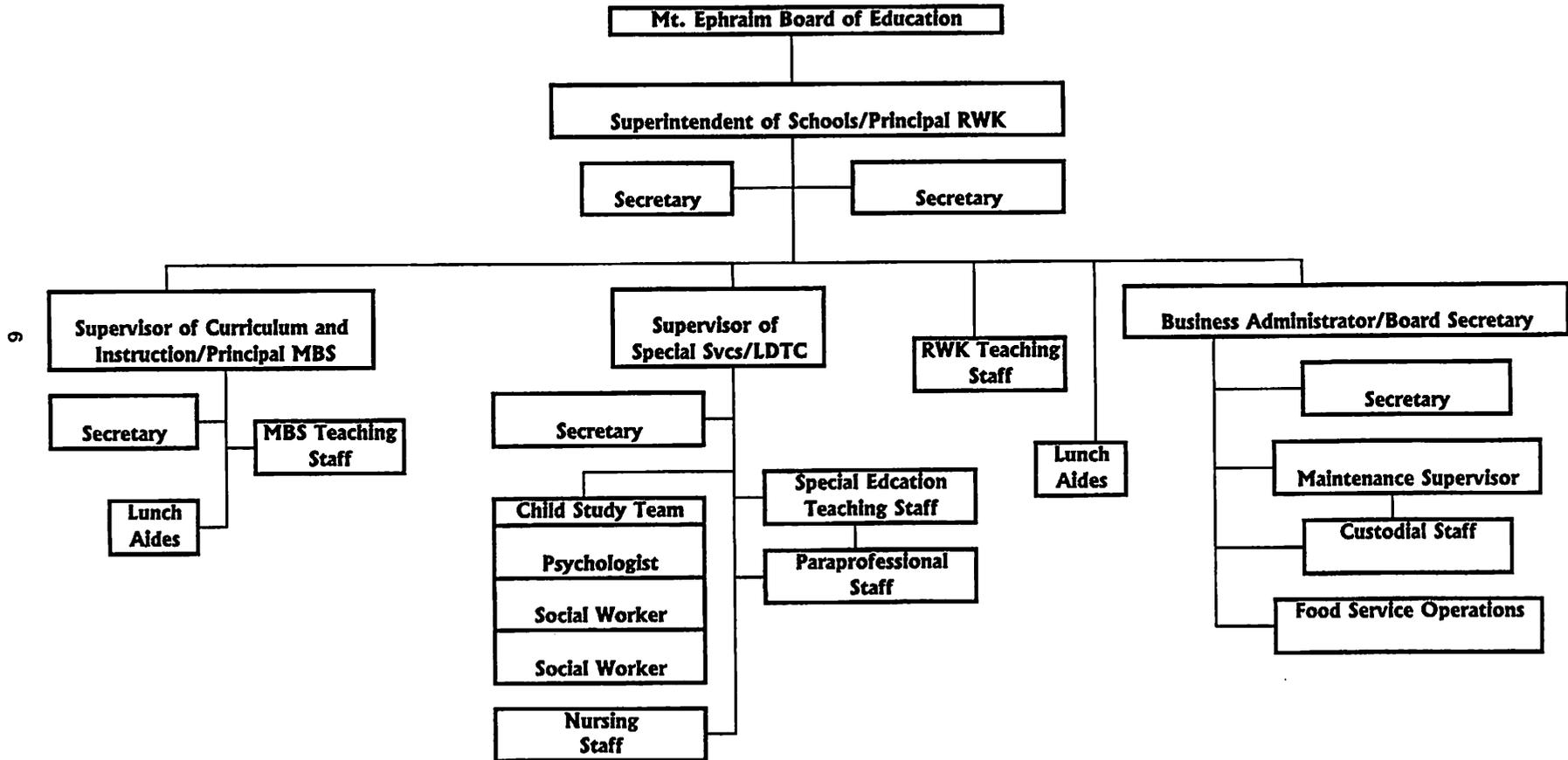


\_\_\_\_\_  
Joseph G. Rafferty, Sr.  
Chief School Administrator



\_\_\_\_\_  
Melissa E. Raywood  
School Business Administrator

**Mount Ephraim Public School District  
Organization Chart**



**MOUNT EPHRAIM BOARD OF EDUCATION  
MOUNT EPHRAIM, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2011**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Dominick Cipolone, President	2012
Nicholas Salamone, Vice-President	2013
Patricia Blaylock	2013
Michael Gaglianone	2012
Joan Greenwood	2014
Carl Ingram	2013
David McDonough	2013
James Pacetti	2014
Rocco Vespe	2014

**Other Officials**

- Joseph G. Rafferty, Sr., Superintendent
- Melissa E. Raywood, Business Administrator/Board Secretary
- Michael A. Hunter, Supervisor of Curriculum & Instruction/Principal
- Amy Francis, Supervisor of Special Education
- Mary E. Bakey, Treasurer
- Joseph Betley, Esq., Solicitor

**MOUNT EPHRAIM SCHOOL DISTRICT**

**CONSULTANTS and ADVISORS**

**Audit Firm**

Inverso & Stewart, LLC  
12000 Lincoln Drive West  
Suite 402  
Marlton, New Jersey 08053

**Attorney**

Capehart & Scatchard  
8000 Midlantic Drive  
Mount Laurel, New Jersey 08054

**Bond Counsel**

McManimon & Scotland, L.L.C.  
One Riverfront Plaza, Fourth Floor  
Newark, NJ 07102-5408

**Official Depository**

Beneficial Bank  
157 South White Horse Pike  
Audubon, New Jersey 08106

**Financial Section**

# ***INVERSO & STEWART, LLC***

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Registered Municipal Accountants**

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-Member of-  
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New Jersey Society of CPAs

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and Members  
of the Board of Education  
Mount Ephraim School District  
County of Camden  
Mount Ephraim, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mount Ephraim School District, in the County of Camden, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with 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, each major fund and the aggregate remaining fund information of the Mount Ephraim School District, in the County of Camden, State of New Jersey, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2011 on our consideration of the Mount Ephraim School District, in the County of Camden, State of New Jersey's internal control over financial reporting and 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.

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

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

Respectfully submitted,

**INVERSO & STEWART, LLC**  
Certified Public Accountants



Robert A. Stewart  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
September 8, 2011

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

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-Member of-  
American Institute of CPAs  
New Jersey Society of CPAs

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

The Honorable President and Members  
of the Board of Education  
Mount Ephraim School District  
County of Camden  
Mount Ephraim, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mount Ephraim School District (School District), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

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

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mount Ephraim School District'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.

This report is intended solely for the information and use of the management, the Board of Education, others within the School District, the Division of Finance, Department of Education, State of New Jersey, and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert A. Stewart  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
September 8, 2011

**Required Supplementary Information - Part I**

**Management's Discussion and Analysis**

**Mt. Ephraim School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

As management of the Board of Education of the Borough of Mt. Ephraim, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The assets of the School District exceeded its liabilities at the close of the most recent fiscal year by \$3,634,847 (*net assets*).
- Governmental activities have an unrestricted net asset deficit of \$271,210. The accounting treatments in the governmental funds for compensated absences payable, accrued interest payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance, are primarily responsible for this deficit balance.
- The total net assets of the School District increased by \$535,791 or a 17.28% increase from the prior fiscal year-end balance. This increase is the cumulative effect of an increase from normal operations in the amount of \$328,744 and an increase due to repayment of long-term debt obligations in the amount of \$278,649.
- Fund balance of the School District's governmental funds increased by \$328,744 resulting in an ending fund balance of \$1,271,428. This was mostly attributable to the school district only spending 93.96% of its operating budget.
- Business-type activities have unrestricted net assets of \$89,071, which may be used to meet the School District's ongoing obligations of the food service fund and the after school program.
- The School District's long-term obligations decreased by \$300,201 which is the net result of current year payments on existing debt obligations and compensated absences.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net assets and the statement of activities.

The *statement of net assets* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the School District changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the Food Service Fund and the After School Program.

## Fund Financial Statements

*Fund financial statements* are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

*Governmental funds* account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

*Proprietary funds* are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the district-wide financial statements, only in more detail.

The School District's two enterprise funds (Food Service Fund and the After School Program) are listed individually and are considered to be a major fund.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's programs.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

### **District-wide Financial Analysis**

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements and equipment. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2011. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2011.

The assets of the primary government activities exceeded liabilities by \$3,518,868 with an unrestricted deficit balance of \$271,210. The net assets of the primary government do not include internal balances.

As mentioned earlier, deficit unrestricted net assets are primarily due to the accounting treatment for compensated absences payable, accrued interest payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

A net investment of \$2,510,010 in land, improvements, buildings and equipment which provide the services to the School District's public school students, represents 69.05% of the School District's net assets. Net assets of \$1,306,976 have been restricted as follows:

Tuition reserve	\$ 390,000
Reserved for future budget appropriations	152,420
Capital projects	479,825
Debt service payments	1,498
Designated for the 2011/2012 budget	283,233

**Mt. Ephraim School District  
Comparative Summary of Net Assets  
As of June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current assets	\$ 1,361,277	\$ 1,446,392	\$ 89,071	\$ 70,904	\$ 1,450,348	\$ 1,517,296
Capital assets	<u>9,663,312</u>	<u>9,778,046</u>	<u>26,908</u>	<u>26,343</u>	<u>9,690,220</u>	<u>9,804,389</u>
<b>Total Assets</b>	<u>11,024,589</u>	<u>11,224,438</u>	<u>115,979</u>	<u>97,247</u>	<u>11,140,568</u>	<u>11,321,685</u>
<b>Liabilities:</b>						
Current Liabilities	409,302	818,503		1,895	409,302	820,398
Noncurrent Liabilities	<u>7,096,419</u>	<u>7,402,231</u>			<u>7,096,419</u>	<u>7,402,231</u>
<b>Total Liabilities</b>	<u>7,505,721</u>	<u>8,220,734</u>		<u>1,895</u>	<u>7,505,721</u>	<u>8,222,629</u>
<b>Net Assets</b>	<u>\$ 3,518,868</u>	<u>\$ 3,003,704</u>	<u>\$ 115,979</u>	<u>\$ 95,352</u>	<u>\$ 3,634,847</u>	<u>\$ 3,099,056</u>
<b>Net assets consist of:</b>						
Invested in capital						
Assets	\$ 2,483,102	\$ 2,319,188	\$ 26,908	\$ 26,343	\$ 2,510,010	\$ 2,345,531
Restricted net assets	1,306,976	1,052,758			1,306,976	1,052,758
Unrestricted net assets	<u>(271,210)</u>	<u>(368,242)</u>	<u>89,071</u>	<u>69,009</u>	<u>(182,139)</u>	<u>(299,233)</u>
<b>Net Assets</b>	<u>\$ 3,518,868</u>	<u>\$ 3,003,704</u>	<u>\$ 115,979</u>	<u>\$ 95,352</u>	<u>\$ 3,634,847</u>	<u>\$ 3,099,056</u>

**Mt. Ephraim School District  
Comparative Schedule of Changes in Net Assets  
As of and for the Fiscal Year Ended June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services			\$ 131,789	\$ 153,600	\$ 131,789	\$ 153,600
Operating grants and Contributions	\$ 775,867	\$ 957,486	60,213	60,327	836,080	1,017,813
<b>General Revenues:</b>						
Property Taxes	5,616,020	5,534,066			5,616,020	5,534,066
State/Federal Aid	3,426,880	3,992,791			3,426,880	3,992,791
Tuition	310,929	307,772			310,929	307,772
Other Revenues	100,166	53,008			100,166	53,008
<b>Total Revenues</b>	<b>10,229,862</b>	<b>10,845,123</b>	<b>192,002</b>	<b>213,927</b>	<b>10,421,864</b>	<b>11,059,050</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
Instruction	2,545,885	3,160,882			2,545,885	3,160,882
Tuition	3,078,400	2,961,730			3,078,400	2,961,730
Related Services	825,909	862,568			825,909	862,568
Administrative Services	546,126	601,252			546,126	601,252
Operations and Maintenance	531,059	594,479			531,059	594,479
Transportation	170,515	161,912			170,515	161,912
Unallocated Benefits	1,483,825	1,461,707			1,483,825	1,461,707
Interest on long-term Debt	297,487	377,115			297,487	377,115
Other	230,147	230,147			230,147	230,147
<b>Business-Type Activities:</b>						
After School Operations			34,211	41,599	34,211	41,599
Food Service Operations			142,509	152,041	142,509	152,041
<b>Total Expenses</b>	<b>9,709,353</b>	<b>10,411,792</b>	<b>176,720</b>	<b>193,640</b>	<b>9,886,073</b>	<b>10,605,432</b>
<b>Increase (Decrease) in Net Assets Before transfers</b>						
Assets Before transfers	520,509	433,331	15,282	20,287	535,791	453,618
Transfers	(5,345)		5,345			
Changes in net assets	515,164	433,331	20,627	20,287	535,791	453,618
Reclassification of capital assets		(677,639)				(677,639)
Net assets, July 1,	3,003,704	3,248,012	95,352	75,065	3,099,056	3,323,077
Net assets, June 30,	\$ 3,518,868	\$ 3,003,704	\$ 115,979	\$ 95,352	\$ 3,634,847	\$ 3,099,056

## **Governmental Activities**

Governmental activities increased the net assets of the School District by \$515,164 during the current fiscal year. Key elements of the increase in net assets for governmental activities are as follows:

- Property tax revenues increased by \$81,954.
- Total expenditures decreased by \$702,439 during the current year when compared to the prior year.

## **Business-type Activities**

Business-type activities increased the School District's net assets by \$20,627. Key elements of the increase in net assets for business-type activities are as follows:

- The after school program had an operating profit of \$12,207 in its second year of operation, while the food service program had a profit of \$8,420.

## **Financial Analysis of the Governmental Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* - The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,271,428, an increase of \$328,744 in comparison with the prior year. The increase is attributable to spending only 93.96% of the school districts operating budget.

The unreserved fund balance for the School District at the end of the fiscal year represents the deficit unreserved fund balance for the General Fund of \$35,548. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, as follows: 1) restricted for future capital outlay expenditures (\$479,825); 2) restricted for future tuition payments (\$390,000); 3) restricted for future budget appropriations in accordance with state statutes (\$152,420) and 4) appropriated in the 2011/2012 budget (\$283,233).

The general fund is the chief operating fund of the School District. As discussed earlier, the deficit balance in the unreserved fund balance is due, primarily, to the accounting treatment of the June state aid payments and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

Revenue is generally recognized at the time that the outlays are identified; therefore no fund balances are normally generated in the special revenue fund.

### General Fund Budgetary Highlights

The difference between the original budget and the final amended budget of \$60,768 represents the amount the school district requested to be transferred from fund balance to perform necessary maintenance projects.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$274,123, while total fund balance (budgetary basis) was \$1,101,080. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$8,922,591. Unassigned fund balance (budgetary basis) represents 3.07% of expenditures while total fund balance (budgetary basis) represents 12.34% of that same amount.

### Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$9,690,220 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the School District's investment in capital assets for the current fiscal year was \$114,169, or a 1.16% decrease.

Major capital assets events during the current fiscal year included the following:

- Depreciation expense for the current fiscal year was \$242,965.

#### Mt. Ephraim School District Capital Asset (net of accumulated depreciation) June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Land	\$ 44,260	\$ 44,260			\$ 44,260	\$ 44,260
Construction in progress						
Site Improvements	39,989	41,957			39,989	41,957
Buildings and						
Building Improvements	9,485,719	9,581,210			9,485,719	9,581,210
Equipment	93,344	110,619	\$ 26,908	\$ 26,343	120,252	136,962
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net assets	<u>\$ 9,663,312</u>	<u>\$ 9,778,046</u>	<u>\$ 26,908</u>	<u>\$ 26,343</u>	<u>\$ 9,690,220</u>	<u>\$ 9,804,389</u>

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

**Long-term debt** – During the fiscal year ended June 30, 2011, the School District had total bonded debt outstanding of \$7,180,210 backed by the full faith and credit of the School District

General obligation bonds for the School District decreased during the current fiscal year according to the normal schedule of payments.

The School District continues to maintain its AA rating from Standard & Poor's Corporation for its general obligation bond issues.

State statutes limit the amount of general obligation debt that the School District may issue. At the end of the current fiscal year, the legal debt limit was \$9,633,036 and the legal debt margin was \$2,452,826.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered and incorporated into the preparation of the School District's budget for the 2011-12 fiscal year.

- The District faced the loss of both support and certificated staff in 2010-2011 due to fiscal constraints. Including Superintendent Rafferty who conceded his negotiated increase for fiscal year 2011, all employees not part of a collective bargaining unit remained at their 2009-2010 salaries in order to limit the number of lost jobs. In all, thirteen positions were either: a) eliminated, B) eliminated through attrition, or c) reduced from full time to part time.
- Both collective bargain units, Mt. Ephraim Education Association and Mt. Ephraim Paraprofessional Association, conceded the tuition reimbursement portion of their negotiated agreements to assist the District in balancing the proposed budget.
- The District was required to replenish its Unemployment Trust Fund.
- Due to staff retirement and leaves of absence, the District was able to reinstate a basic skills teacher in October 2011.
- Private school tuition continues to be a financial drain on Mt. Ephraim's budget. All special education students currently attending private schools on a tuition basis are of high school age.
- The primary school PDD program was closed mid-year due to lack of enrollment. All students who attended the PDD programs in both schools were tuition students.
- Federal ARRA Funding, Year 2, allowed the district to continue to support programs with supplies and equipment that would otherwise not have been possible due to budget constraints.
- The Mt. Ephraim School District has committed itself to strong financial controls and monitoring of its budget, scrutinizing spending requests and implementing even stronger internal controls. The School District commits itself to constantly reviewing ways in business is conducted, and making improvements whenever possible in order to meet future challenges and maximize instructional spending. Wherever possible shared services are utilized as well as purchasing through consortiums to maximize savings.

### **Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mt. Ephraim School District Business Administrator, 125 S. Black Horse Pike, Mt. Ephraim, New Jersey, 08059, telephone number (856) 931-4134.

**Basic Financial Statements**

**District-Wide Financial Statements**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 502,601	\$ 77,711	\$ 580,312
Receivables, net	312,377	6,573	318,950
Inventory		4,787	4,787
Restricted Assets:			
Cash and Cash Equivalents	478,521		478,521
Deferred Bond Issuance Costs - net	67,778		67,778
Capital Assets, net (Note 5)	<u>9,663,312</u>	<u>26,908</u>	<u>9,690,220</u>
<b>Total Assets</b>	<u>11,024,589</u>	<u>115,979</u>	<u>11,140,568</u>
<b>LIABILITIES:</b>			
Accounts Payable	19,235		19,235
Deferred Revenue	2,836		2,836
Accrued Interest Payable	102,970		102,970
Noncurrent Liabilities (Note 7):			
Due within one year	284,261		284,261
Due beyond one year	<u>7,096,419</u>		<u>7,096,419</u>
<b>Total Liabilities</b>	<u>7,505,721</u>		<u>7,505,721</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	2,483,102	26,908	2,510,010
Restricted for:			
Capital Projects	479,825		479,825
Debt Service	1,498		1,498
Other	825,653		825,653
Unrestricted (Deficit)	<u>(271,210)</u>	<u>89,071</u>	<u>(182,139)</u>
<b>Total Net Assets</b>	<u>\$ 3,518,868</u>	<u>\$ 115,979</u>	<u>\$ 3,634,847</u>

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 1,529,493		\$ 256,202		\$ (1,273,291)		\$ (1,273,291)
Special Education	932,945				(932,945)		(932,945)
Other instruction	83,447				(83,447)		(83,447)
<b>Support Services:</b>							
Tuition	3,078,400				(3,078,400)		(3,078,400)
Student & instruction related services	825,909		14,765		(811,144)		(811,144)
General administrative services	291,554				(291,554)		(291,554)
School administrative services	86,780				(86,780)		(86,780)
Central administrative services	167,792				(167,792)		(167,792)
Plant operations and maintenance	531,059				(531,059)		(531,059)
Pupil transportation	170,515				(170,515)		(170,515)
Unallocated employee benefits	1,483,825		406,860		(1,076,965)		(1,076,965)
Interest on long-term debt	297,487		98,040		(199,447)		(199,447)
Unallocated depreciation and amortization	230,147				(230,147)		(230,147)
<b>Total Governmental Activities</b>	<b>9,709,353</b>		<b>775,867</b>		<b>(8,933,486)</b>		<b>(8,933,486)</b>
<b>Business-Type Activities:</b>							
Food service	142,509	\$ 85,371	60,213			\$ 3,075	3,075
After School Program	34,211	46,418				12,207	12,207
<b>Total Business-Type Activities</b>	<b>176,720</b>	<b>131,789</b>	<b>60,213</b>			<b>15,282</b>	<b>15,282</b>
<b>Total Primary Government</b>	<b>\$ 9,886,073</b>	<b>\$ 131,789</b>	<b>\$ 836,080</b>	<b>\$ -</b>	<b>(8,933,486)</b>	<b>15,282</b>	<b>(8,918,204)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					5,131,486		5,131,486
Taxes levied for debt service					484,534		484,534
Federal and State aid not restricted					3,426,880		3,426,880
Tuition					310,929		310,929
Investment Earnings					2		2
Miscellaneous Income					100,164		100,164
Transfers					(5,345)	5,345	
<b>Total general revenues, special items, extraordinary items and transfers</b>					<b>9,448,650</b>	<b>5,345</b>	<b>9,453,995</b>
<b>Change in Net Assets</b>					<b>515,164</b>	<b>20,627</b>	<b>535,791</b>
<b>Net Assets - July 1, 2010</b>					<b>3,003,704</b>	<b>95,352</b>	<b>3,099,056</b>
<b>Net Assets - June 30, 2011</b>					<b>\$ 3,518,868</b>	<b>\$ 115,979</b>	<b>\$ 3,634,847</b>

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

**Fund Financial Statements**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

<b>ASSETS</b>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 637,052	\$ (135,949)		\$ 1,498	\$ 502,601
Receivables, net					
State aid	103,281				103,281
Federal aid	1,029	155,037			156,066
Other	53,030				53,030
<b>Restricted assets:</b>					
Cash and cash equivalents			\$ 478,521		478,521
<b>Total Assets</b>	<u>\$ 794,392</u>	<u>\$ 19,088</u>	<u>\$ 478,521</u>	<u>\$ 1,498</u>	<u>\$ 1,293,499</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,983	\$ 16,252			\$ 19,235
Deferred revenues		2,836			2,836
<b>Total Liabilities</b>	<u>2,983</u>	<u>19,088</u>			<u>22,071</u>
 <b>Fund Balances:</b>					
<b>Restricted for:</b>					
Capital reserve	1,304				1,304
Tuition reserve	390,000				390,000
Excess surplus	152,420				152,420
<b>Assigned to:</b>					
Subsequent year's budget	283,233		478,521		761,754
Unassigned	<u>(35,548)</u>			\$ 1,498	<u>(34,050)</u>
<b>Total Fund Balances</b>	<u>791,409</u>		<u>478,521</u>	<u>1,498</u>	<u>1,271,428</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 794,392</u>	<u>\$ 19,088</u>	<u>\$ 478,521</u>	<u>\$ 1,498</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 \$11,754,973 and the accumulated depreciation is \$2,135,921 9,663,312

Bond issuance costs are amortized over the life of the bonds on the statement of net assets. 67,778

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

General Obligation Bonds	\$ (7,180,210)	
Compensated Absences Payable	(200,470)	
Accrued Interest Payable	<u>(102,970)</u>	
		<u>(7,483,650)</u>

Net assets of governmental activities \$ 3,518,868

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2011**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 5,131,486			\$ 484,534	\$ 5,616,020
Interest earned	2				2
Tuition	310,929				310,929
Miscellaneous	100,164				100,164
<b>Total local sources</b>	<b>5,542,581</b>			<b>484,534</b>	<b>6,027,115</b>
Local sources					
State sources	3,827,381			98,040	3,925,421
Federal sources	6,359	\$ 270,967			277,326
<b>Total Revenues</b>	<b>9,376,321</b>	<b>270,967</b>		<b>582,574</b>	<b>10,229,862</b>
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	1,290,315	256,202			1,546,517
Special education instruction	932,945				932,945
Other instruction	83,447				83,447
Support services and undistributed costs:					
Tuition	3,078,400				3,078,400
Student & instruction related services	811,144	14,765			825,909
General administrative services	281,209				281,209
School administrative services	86,780				86,780
Central administrative services	167,792				167,792
Plant operations and maintenance	501,462				501,462
Pupil transportation	170,515				170,515
Unallocated employee benefits	1,483,825				1,483,825
Capital outlay	29,412		\$ 126,484		155,896
Debt service:					
Principal				278,649	278,649
Interest and other charges				302,427	302,427
<b>Total Expenditures</b>	<b>8,917,246</b>	<b>270,967</b>	<b>126,484</b>	<b>581,076</b>	<b>9,895,773</b>
Excess (Deficiency) of Revenues over (under) Expenditures	459,075		(126,484)	1,498	334,089
<b>Other Financing Sources (Uses):</b>					
Transfers in					
Transfers out	(5,345)				(5,345)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,345)</b>				<b>(5,345)</b>
<b>Net Change in Fund Balances</b>	<b>453,730</b>		<b>(126,484)</b>	<b>1,498</b>	<b>328,744</b>
Fund Balances - July 1, 2010	337,679		605,005		942,684
<b>Fund Balances - June 30, 2011</b>	<b>\$ 791,409</b>	<b>\$ -</b>	<b>\$ 478,521</b>	<b>\$ 1,498</b>	<b>\$ 1,271,428</b>

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 328,744
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p>Governmental Funds report capital outlays 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 current period.</p>		
Depreciation expense	\$ (242,964)	
Fixed assets additions	<u>128,230</u>	(114,734)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
		278,649
<p>Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.</p>		
		(3,987)
<p>Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This amount is the net effect of the difference in the treatment of interest on long-term debt.</p>		
		4,940
<p>In the statement of activities, certain operating expenses, (e.g. compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+)</p>		
		<u>21,552</u>
Change in Net Assets of Governmental Activities		<u>\$ 515,164</u>

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School Program</b>	<b>Total</b>
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 39,153	\$ 38,558	\$ 77,711
Accounts receivable:			
State	204		204
Federal	6,369		6,369
Interfund		87	87
Inventories	4,787		4,787
Total Current Assets	50,513	38,645	89,158
Noncurrent Assets:			
Equipment	77,045		77,045
Less - accumulated depreciation	(50,137)		(50,137)
Total Noncurrent Assets	26,908		26,908
Total Assets	77,421	38,645	116,066
<b>LIABILITIES:</b>			
Current Liabilities:			
Interfund payable	87		87
Total Current Liabilities	87		87
<b>NET ASSETS:</b>			
Invested in capital assets	26,908		26,908
Unrestricted	50,426	38,645	89,071
Total Net Assets	\$ 77,334	\$ 38,645	\$ 115,979

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	Business-Type Activities Enterprise Funds		Totals
	Food Service Fund	After School Program	
<b>OPERATING REVENUES:</b>			
Charges for Services:			
Daily sales reimbursable programs:			
School lunch	\$ 57,962		\$ 57,962
Daily sales non-reimbursable programs	27,409		27,409
Program Fees		\$ 46,418	46,418
Total Operating Revenues	85,371	46,418	131,789
<b>OPERATING EXPENSES:</b>			
Salaries and fringe benefits	60,951	34,211	95,162
Supplies and materials	4,462		4,462
Management fee	11,250		11,250
Other costs	4,295		4,295
Depreciation	4,780		4,780
Cost of sales	56,771		56,771
Total Operating Expenses	142,509	34,211	176,720
Operating Income (Loss)	(57,138)	12,207	(44,931)
<b>Non-Operating Revenues:</b>			
State sources:			
State school lunch program	1,587		1,587
Federal sources:			
National school lunch program	45,503		45,503
National breakfast program	4,382		4,382
Special snack program	859		859
Food distribution program	7,882		7,882
Total Non-Operating Revenues	60,213		60,213
Income (Loss) before Contributions and Transfers	3,075	12,207	15,282
Operating Transfer In	5,345		5,345
Changes in Net Assets	8,420	12,207	20,627
Net Assets - July 1, 2010	68,914	26,438	95,352
Net Assets - June 30, 2011	\$ 77,334	\$ 38,645	\$ 115,979

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School Program</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers	\$ 85,371	\$ 46,453	\$ 131,824
Cash payments to employees for services	(60,951)	(34,211)	(95,162)
Cash payments to suppliers for goods and services	(77,756)		(77,756)
Net cash provided by (used for) operating activities	(53,336)	12,242	(41,094)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash received from state sources	1,557		1,557
Cash received from federal sources	55,472		55,472
Cash received from operating transfer in			
Net cash provided by noncapital financing activities	57,029		57,029
<b>Cash Flows Used by Capital and Related Financing Activities:</b>			
Purchase of equipment			
<b>Cash Flow Provided by Investing Activities:</b>			
Interest on cash equivalents			
Net increase (decrease) in cash and cash equivalents	3,693	12,242	15,935
Cash and Cash Equivalents - July 1, 2010	35,460	26,316	61,776
Cash and Cash Equivalents - June 30, 2011	\$ 39,153	\$ 38,558	\$ 77,711
<b>Reconciliation of Operating Income (Loss) to Net Cash provided by (used for)</b>			
<b>Operating Activities:</b>			
Operating income (loss)	\$ (57,138)	\$ 12,207	\$ (44,931)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	4,780		4,780
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		35	35
(Increase) decrease in inventories	952		952
Increase (decrease) in interfund payable	(35)		(35)
Increase (decrease) in accounts payable	(1,895)		(1,895)
Net cash provided by (used for) operating activities	\$ (53,336)	\$ 12,242	\$ (41,094)
<b>Noncash Noncapital Financing Activities:</b>			
During the year the District received \$7,882 of food commodities from the U.S. Department of Agriculture.			

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 9,441	\$ 51,901
Total Assets	<u>9,441</u>	<u>\$ 51,901</u>
<b>LIABILITIES:</b>		
Payroll deductions and withholdings		\$ 38,345
Due to student groups		<u>13,556</u>
Total Liabilities		<u>\$ 51,901</u>
<b>NET ASSETS:</b>		
Held in trust for unemployment claims and other purposes	<u>\$ 9,441</u>	

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

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Unemployment Compensation Insurance Trust</u>
<b>ADDITIONS:</b>	
Contributions:	
Employee	\$ 528
Employer	59,750
Total contributions	<u>60,278</u>
Investment earnings:	
Interest	264
Net investment earnings	<u>264</u>
Total Additions	<u>60,542</u>
<b>DEDUCTIONS:</b>	
Unemployment claims	76,913
Total Deductions	<u>76,913</u>
Change in Net Assets	(16,371)
Net Assets - July 1, 2010	<u>25,812</u>
Net Assets - June 30, 2011	<u>\$ 9,441</u>

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

**Mount Ephraim School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Borough of Mount Ephraim School District ("School District") is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board of Education is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades K through 8. Students in grades 9 through 12 attend, on a tuition basis, the Mount Ephraim High School District. The Mount Ephraim School District has an approximate enrollment at June 30, 2011 of 472 students.

Criteria for determining if other entities are potential component units which should be reported within the School District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600. The application of these criteria provides for identification of any entities for which the School District is financially accountable and other organizations that the nature and significance of their relationship with the School District are such that exclusion would cause the School District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, there were no organizations that are considered to be component units.

**Basis of Presentation**

The basic financial statements of the Mount Ephraim School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

The School District's basic financial statements consists of government-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.

**Government-wide Statements** - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function 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. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America 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 which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

**Special Revenue Fund** - The special revenue fund is used to account for the proceeds of specific revenues from the state and federal governments, other than major capital projects, debt service, or the enterprise funds, and local appropriations that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The debt service fund is used to account for the accumulation of resources for, and the payment of, general-long-term debt principal, interest and related costs.

**Proprietary Funds** - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

**Enterprise Funds** - The enterprise 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 School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The School District's enterprise funds are:

**Food Service Fund** - This fund accounts for the financial transactions related to the food service operations of the School District.

**Extended Day Program Fund** - This fund accounts for the financial resources of the School District's extended day program. This program provides before and after school care to students.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net assets) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary Funds (Continued)** - 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:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds; an unemployment compensation trust fund, a student activity fund, and a payroll fund.

**Measurement Focus**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that 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 School District, available means expected to be received within thirty days of fiscal year end.

**Mount Ephraim School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues - Exchange and Non-exchange Transactions (Continued)** - Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School 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 School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, 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 fiscal 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year, if any, is reported in the operating statement as an expense. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets/Budgetary Control** - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office 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. 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. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

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 accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments 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 budgetary basis. The budgetary basis differs from GAAP in that the 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.

The budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

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

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Encumbrances** - Open encumbrances in the special revenue fund, for which the School 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.

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

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

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

**Tuition Receivable** - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

**Tuition Payable** - Tuition charges for the fiscal years ended June 30, 2011 and 2010 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

**Inventories** - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out basis.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

Inventories recorded in the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

**Prepaid Expenses** - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required. This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

**Deferred Expenditures** - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

**Short-Term Interfund Receivables / Payables** - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and/or interfunds payable.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets. .

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business -Type Activities Estimated Lives</u>
Land Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

**Deferred Revenue** - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**Accrued Liabilities and Long-Term Obligations** - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

**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 borrowings 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.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Equity** – In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted fund balance* – This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balances* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the School District – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* – This classification reflects the amounts constrained by the School District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education and the Chief School Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the School District’s policy to use externally restricted fund balances first, then unrestricted fund balance – committed, assigned, and unassigned – in order as needed.

**Operating and Non-Operating Revenues and Expenses** - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program and tuition for the before and after school program. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses

**Interfund Activity** - Transfers between governmental and business-type activities on the government-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 proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** – With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the School District’s deposits may not be returned to it. Although the School District does not have a formal policy regarding custodial credit risk, state statutes requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$1,383,850 at June 30, 2011. All deposits are insured by federal depository insurance and/or collateralized with securities held in New Jersey’s multiple financial institution collateral pool as required by N.J.S.A. 17.9-41 et seq.

**3. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Balance – July 1, 2010		\$	1,301
Increased by:			
Interest earned	\$		3
Board resolution	_____		_____
			3
			1,304
Decreased by:			
Budget withdrawal			_____
Balance – June 30, 2011		\$	1,304

The June 30, 2011 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted projects.

**4. ACCOUNTS RECEIVABLES**

Accounts receivables at June 30, 2011 consisted of accounts (fees) and intergovernmental grants. All intergovernmental receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**4. ACCOUNTS RECEIVABLES (Continued)**

Accounts receivable at June 30, 2011 for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
Intergovernmental				
State	\$ 103,281		\$ 204	\$ 103,485
Federal	1,029	\$ 155,037	6,369	162,435
Other	<u>53,030</u>			<u>53,030</u>
Total Accounts Receivable	<u>\$ 157,340</u>	<u>\$ 155,037</u>	<u>\$ 6,573</u>	<u>\$ 318,950</u>

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
<b>Governmental Activities:</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 44,260			\$ 44,260
Construction in progress				
Total capital assets, not being Depreciated	<u>44,260</u>			<u>44,260</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	68,713			68,713
Building and Building Improvements	11,312,981	\$ 123,388		11,436,369
Equipment	225,199	4,843		230,042
Vehicles	19,849			19,849
Totals at historical cost	<u>11,626,742</u>	<u>128,231</u>		<u>11,754,973</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(26,756)	(1,968)		(28,724)
Building and Building Improvements	(1,731,770)	(218,880)		(1,950,650)
Equipment	(114,580)	(20,876)		(135,456)
Vehicles	(19,850)	(1,241)		(21,091)
Totals accumulated depreciation	<u>(1,892,956)</u>	<u>(242,965)</u>		<u>(2,135,921)</u>
Total Capital Assets, being depreciated, net	<u>9,733,786</u>	<u>(114,734)</u>		<u>9,619,052</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,778,046</u>	<u>\$ (114,734)</u>	<u>\$ 0</u>	<u>\$ 9,663,312</u>
<b>Business-Type Activities:</b>				
<i>Capital Assets being depreciated:</i>				
Equipment	\$ 71,700	\$ 5,345		\$ 77,045
Less accumulated depreciation	<u>(45,357)</u>	<u>(4,780)</u>		<u>(50,137)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 26,343</u>	<u>\$ 565</u>	<u>\$ 0</u>	<u>\$ 26,908</u>

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**5. CAPITAL ASSETS (Continued)**

Depreciation expense in the amount of \$242,965 was charged to governmental functions as follows:

Function	Amount
Regular Instruction	\$ 4,528
Plant Operations and Maintenance	1,931
Administration	10,345
Unallocated	226,161
Total depreciation expense	\$ 242,965

**6. INVENTORY**

Inventory in the Food Service Fund at June 30, 2011 consisted of the following:

Food	\$ 4,345
Supplies	442
	\$ 4,787

**7. LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	Principal Outstanding July 1, 2010	Additions	Reductions	Principal Outstanding June 30, 2011	Due Within One Year
Compensated Absences	\$ 222,022		\$ 21,552	\$ 200,470	
General Obligation Bonds	7,458,859		278,649	7,180,210	\$ 284,261
	\$ 7,680,881		\$ 300,201	\$ 7,380,680	\$ 284,261

**Bonds Payable** - Bonds and loans are authorized in accordance with State law by the voters of the School District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are as follows:

1993 Safe School Loan dated April 20, 1993 in the amount of \$169,695 due in annual installments through July 15, 2013, bearing interest rate of 1.50%.

1993 Small Project Loan dated April 20, 1993 in the amount of \$506,515 due in annual installments through July 15, 2013, bearing interest rate of 5.288%.

2005 General Obligation Bonds dated January 15, 2005 in the amount of \$6,504,000 due in annual installments through March 15, 2028, bearing interest rates of 4.00% to 4.30%.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**7. LONG-TERM OBLIGATIONS (Continued)**

Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 284,261	\$ 291,529	\$ 575,790
2013	295,303	280,323	575,626
2014	491,646	268,589	760,235
2015	335,000	253,639	588,639
2016	355,000	240,239	595,239
2017-2021	2,025,000	974,213	2,999,213
2022-2026	2,394,000	517,838	2,911,838
2027-2028	1,000,000	64,500	1,064,500
	<u>\$ 7,180,210</u>	<u>\$ 2,890,870</u>	<u>\$ 10,071,080</u>

As of June 30, 2011 the School District had no authorizations to issue additional bonded debt.

**Compensated Absences** - Compensated absences will be paid from the fund from which the employees' salaries are paid.

**8. OPERATING LEASES**

The School District has various non-cancelable operating lease agreements for copiers. Total costs for such leases were approximately \$40,439 for the fiscal year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 9,984
2013	4,464
2014	4,464
2015	372
Total future minimum lease payments	<u>\$ 19,284</u>

**9. PENSION PLANS**

**Description of Plans** – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). The TPAF and PERS are defined benefit pension plans while the DCRP is a defined contribution pension plan. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

**Teachers' Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**9. PENSION PLANS (Continued)**

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

***Public Employees' Retirement System (PERS)***

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

The School District is billed annually for its normal contribution plus any accrued liability.

The School District's contributions to the PERS, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by School District</u>
2011	\$ 28,431	\$ 45,303	\$ 5,600	\$ 79,334
2010	24,425	31,384	7,739	63,548
2009	19,120	22,115	5,126	46,361

***Defined Contribution Retirement Program (DCRP)***

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists. In addition, to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no School District employees enrolled in the DCRP for the fiscal years ended June 30, 2011, 2010 and 2009.

**Related Party Investments** – The Division of Pensions and Benefits does not invest in securities issued by the School District.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**10. POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2009.

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 Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**11. ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2011, the School District has recognized as revenues and expenditures on-behalf payments made by the State of New Jersey for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement were \$9,202 and \$195,458, respectively. In addition, the State of New Jersey reimbursed the School District \$202,200 during the fiscal year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has also been included as a revenue and expenditure in the basic financial statements, and the combining and individual fund statements and schedules in accordance with GASB 24.

**12. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

**Property and Liability Insurance** - The School 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.

**Joint Insurance Pool** - The School District is a member of the School Alliance Insurance Fund. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The Fund publishes its own financial report which can be obtained by writing to: School Alliance Insurance Fund, c/o PEGAS, 51 Everett Drive, Lawrenceville, New Jersey, 08648.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**12. RISK MANAGEMENT (Continued)**

**New Jersey Unemployment Compensation Insurance** - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School District is billed quarterly for amounts due to the State.

The following is a summary of School District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School District's expendable trust fund for the current and previous two fiscal years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 60,014	\$ 528	\$ 76,913	\$ 9,441
2009-2010	280	20,000	50,000	25,812
2008-2009	511			55,532

**13. DEFERRED COMPENSATION**

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, available to all permanent School District employees, permit them to defer a portion of their current salary to all future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and therefore are not reflected on the financial statements of the School District.

**14. COMPENSATED ABSENCES**

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2011, the liability for compensated absences in the governmental activities fund types was \$200,470.

**15. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2012. The following interfund receivables/payables were recorded on the various balance sheets as of June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Enterprise:		
Food Service	\$ 87	
After School		\$ 87
	<u>\$ 87</u>	<u>\$ 87</u>

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**16. CONTINGENCIES**

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2011, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**17. DEFICIT UNASSIGNED FUND BALANCE**

The School District has a deficit unassigned fund balance of \$35,548 in the General Fund as of June 30, 2011 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District can not recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$35,548 is equal to or less than the June state aid payment.

**18. DEFICIT UNRESTRICTED NET ASSETS**

The governmental activities has a deficit in unrestricted net assets of \$271,210 as of June 30, 2011. This deficit is attributable to the allocation of compensated absences balances payable, bonds payable on early retirement incentive plan, accrued interest payable and capital leases payable to unrestricted net assets.

**19. FUND BALANCES**

The School District has classified its fund balances with the following hierarchy:

*Nonspendable* – The School District does not have any nonspendable funds.

*Spendable* – The School District has classified the spendable fund balances as *Restricted, Assigned and Unassigned* and considered each to have been spent when expenditures are incurred. The School District currently has no funds classified as *Committed*.

*Restricted Items:*

**Capital Reserve** – As of June 30, 2011, the balance in the capital reserve account is \$1,304. The entire amount is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

**Mount Ephraim School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**19. FUND BALANCES (Continued)**

**Tuition Reserve** – In accordance with N.J.A.C. 6A:23-3.1(f)(8), the School District has restricted fund balance at June 30, 2011 in the amount of \$390,000 for tuition reserve. Of this amount \$120,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2012 and \$270,000 is available for future budgets.

**Excess Surplus** – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$152,420.

*Assigned:*

**Designated for Subsequent Year's Expenditures** – The School District has assigned a total of \$761,754 for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in the upcoming 2011-2012 budget. The amounts are \$283,233 in the General Fund and \$478,521 in the Capital Projects Fund.

*Unassigned items* - Represents the remainder of the School District's equity in governmental fund type balances. The balance at June 30, 2011 is \$275,621 with \$274,123 in the General Fund and \$1,498 in the Debt Service Fund.

Required Supplementary Information - Part II

**Budgetary Comparison Schedules**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local Tax Levy	\$ 5,131,486		\$ 5,131,486	\$ 5,131,486	
Interest Earned on Capital Reserve Funds				2	\$ 2
Tuition	214,945		214,945	310,929	95,984
Unrestricted Misc. Revenues	84,236		84,236	100,164	15,928
<b>Total local sources</b>	<b>5,430,667</b>		<b>5,430,667</b>	<b>5,542,581</b>	<b>111,914</b>
State sources:					
Categorical special education aid	570	\$ 336,909	337,479	337,479	
Equalization aid	3,300,675	(336,909)	2,963,766	2,963,766	
Extraordinary aid	44,750		44,750	68,873	24,123
On-behalf TPAF pension contrib.. (non-budgeted)				204,660	204,660
Reimbursed TPAF social security contribution (non-budgeted)				202,200	202,200
<b>Total state sources</b>	<b>3,345,995</b>		<b>3,345,995</b>	<b>3,776,978</b>	<b>430,983</b>
Federal sources:					
Special Education Medicaid Initiative aid	4,800		4,800	6,359	1,559
<b>Total federal sources</b>	<b>4,800</b>		<b>4,800</b>	<b>6,359</b>	<b>1,559</b>
<b>TOTAL REVENUES</b>	<b>8,781,462</b>		<b>8,781,462</b>	<b>9,325,918</b>	<b>544,456</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Salaries of teachers					
Preschool	31,549		31,549	31,389	160
Kindergarten	67,658	(5,560)	62,098	62,098	
Grades 1-5	744,914	31,415	776,329	776,329	
Grades 6-8	380,204	(93,448)	286,756	285,311	1,445
Regular Programs - Home Instruction:					
Salaries of teachers	2,125	170	2,295	2,295	
Purchased professional - educational services		5,896	5,896	5,896	
Regular Programs - Undistributed Instruction:					
Purchased professional - educational services	1,000		1,000	50	950
Purchased technical services	26,650	(14,735)	11,915	7,245	4,670
Other purchased services	43,944	5,857	49,801	43,646	6,155
General supplies	75,000	460	75,460	71,463	3,997
Textbooks	6,930		6,930	4,593	2,337
<b>Total - Regular Programs - Instruction</b>	<b>1,379,974</b>	<b>(69,945)</b>	<b>1,310,029</b>	<b>1,290,315</b>	<b>19,714</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Special Education Instruction:</b>					
<b>Learning and/or Language Disabilities:</b>					
Salaries of teachers	\$ 26,692	\$ 23,369	\$ 50,061	\$ 48,398	\$ 1,663
General supplies	250		250	66	184
<b>Total learning and/or language disabilities</b>	<b>26,942</b>	<b>23,369</b>	<b>50,311</b>	<b>48,464</b>	<b>1,847</b>
<b>Multiple Disabilities:</b>					
Salaries of teachers	131,200	55,014	186,214	178,944	7,270
Other salaries for instruction	1,315	987	2,302	2,302	
General supplies	500	100	600	480	120
Textbooks	250	(100)	150		150
<b>Total multiple disabilities</b>	<b>133,265</b>	<b>56,001</b>	<b>189,266</b>	<b>181,726</b>	<b>7,540</b>
<b>Resource room/resource center:</b>					
Salaries of teachers	358,194	(28,587)	329,607	329,531	76
Other salaries for instruction	195,091	(6,000)	189,091	175,123	13,968
General supplies	2,000		2,000	599	1,401
Textbooks	750		750	354	396
<b>Total resource room/resource center</b>	<b>556,035</b>	<b>(34,587)</b>	<b>521,448</b>	<b>505,607</b>	<b>15,841</b>
<b>Autism:</b>					
Salaries of teachers	134,320	13,744	148,064	113,315	34,749
Other salaries for instruction	30,934	(495)	30,439	27,843	2,596
General supplies	5,000		5,000	2,314	2,686
<b>Total autism</b>	<b>170,254</b>	<b>13,249</b>	<b>183,503</b>	<b>143,472</b>	<b>40,031</b>
<b>Preschool Disabilities - Part-Time:</b>					
Salaries of teachers	34,210		34,210	34,082	128
Other salaries for instruction	13,341	495	13,836	13,802	34
General supplies	250	(51)	199	192	7
<b>Total preschool disabilities</b>	<b>47,801</b>	<b>444</b>	<b>48,245</b>	<b>48,076</b>	<b>169</b>
<b>Home Instruction:</b>					
Salaries of teachers	2,125	2,710	4,835	4,835	
Purchased professional educational services		969	969	765	204
<b>Total home instruction</b>	<b>2,125</b>	<b>3,679</b>	<b>5,804</b>	<b>5,600</b>	<b>204</b>
<b>Total Special Education - Instruction</b>	<b>936,422</b>	<b>62,155</b>	<b>998,577</b>	<b>932,945</b>	<b>65,632</b>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of teachers	34,569	41,203	75,772	75,696	76
Other salaries of instruction	658		658	658	
General supplies	250	300	550	543	7
<b>Total basic skills/remedial - instruction</b>	<b>35,477</b>	<b>41,503</b>	<b>76,980</b>	<b>76,897</b>	<b>83</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
School-Sponsored Cocurricular Act - Instruction:					
Salaries	\$ 3,810	1,925	\$ 5,735	\$ 5,735	
Supplies and materials	100	715	815	815	
Total school-sponsored cocurr. act. - instruct.	<u>3,910</u>	<u>2,640</u>	<u>6,550</u>	<u>6,550</u>	
<b>Total Instruction</b>	<u>2,355,783</u>	<u>\$ 36,353</u>	<u>2,392,136</u>	<u>2,306,707</u>	<u>\$ 85,429</u>
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - reg.	1,991,608	10,394	2,002,002	2,002,002	
Tuition to other LEAs within the state - spec	589,870		589,870	589,870	
Tuition to County Vocational Sch - reg	17,100	11,400	28,500	28,500	
Tuition to County Vocational Sch - spec	194,800	8,320	203,120	201,682	1,438
Tuition to priv. sch. for the disabled in state	<u>328,234</u>	<u>(30,793)</u>	<u>297,441</u>	<u>256,346</u>	<u>41,095</u>
Total undistributed expenditures - instruction	<u>3,121,612</u>	<u>(679)</u>	<u>3,120,933</u>	<u>3,078,400</u>	<u>42,533</u>
Health Services:					
Salaries	125,152	1,190	126,342	121,972	4,370
Purchased professional and technical services	4,000		4,000	3,485	515
Other purchased services	100		100		100
Supplies and materials	<u>2,500</u>	<u>(1,190)</u>	<u>1,310</u>	<u>711</u>	<u>599</u>
Total health services	<u>131,752</u>		<u>131,752</u>	<u>126,168</u>	<u>5,584</u>
Speech, OT, PT & Related Services:					
Salaries	88,034		88,034	87,741	293
Purchased professional - educational services	168,000		168,000	138,282	29,718
Supplies and materials	<u>1,000</u>	<u>(199)</u>	<u>801</u>		<u>801</u>
Total speech, ot, pt & related services	<u>257,034</u>	<u>(199)</u>	<u>256,835</u>	<u>226,023</u>	<u>30,812</u>
Other Support Services Student - Extra. Serv.					
Salaries	95,975	(10,302)	85,673	81,681	3,992
Purchased professional - educational services	600	10,361	10,961	10,961	
Supplies and Materials	<u>500</u>	<u>140</u>	<u>640</u>	<u>640</u>	
Total other support services student - extra. serv.	<u>97,075</u>	<u>199</u>	<u>97,274</u>	<u>93,282</u>	<u>3,992</u>
Child Study Teams:					
Salaries of other professional staff	222,190	(3,000)	219,190	216,323	2,867
Salaries of secretarial and clerical assistants	40,870	(1,039)	39,831	38,020	1,811
Purchased professional - educational services	7,900	1,039	8,939	8,939	
Miscellaneous purchased services	500		500	236	264
Supplies and materials	<u>1,000</u>	<u>3,000</u>	<u>4,000</u>	<u>3,552</u>	<u>448</u>
Total child study teams	<u>272,460</u>		<u>272,460</u>	<u>267,070</u>	<u>5,390</u>
Improvement of Instruction Services:					
Salaries of supervisors of instruction	11,932	18,809	30,741	30,740	1
Salaries of secretarial and clerical assistants		17,339	17,339	17,339	
Purchased professional - educational services	600	2,500	3,100	670	2,430
Other purchased services	1,300	(55)	1,245		1,245
Other objects		55	55	55	
Total improvement of instructional services	<u>13,832</u>	<u>38,648</u>	<u>52,480</u>	<u>48,804</u>	<u>3,676</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Educational Media Services/School Library:</b>					
Salaries	\$ 33,416	\$ 1,186	\$ 34,602	\$ 32,425	\$ 2,177
Purchased professional and technical services	1,500		1,500	36	1,464
Other purchased services (400-500 series)	3,200	(2,006)	1,194		1,194
Supplies and materials	5,000	1,253	6,253	5,037	1,216
<b>Total educational media services/school library</b>	<b>43,116</b>	<b>433</b>	<b>43,549</b>	<b>37,498</b>	<b>6,051</b>
<b>Instructional Staff Training Services:</b>					
Salaries of supervisors of instruction	10,865	(265)	10,600	10,600	
Purchased professional - educational services	4,800		4,800	1,699	3,101
<b>Total instructional staff training services</b>	<b>15,665</b>	<b>(265)</b>	<b>15,400</b>	<b>12,299</b>	<b>3,101</b>
<b>General Administration:</b>					
Salaries	220,452	(28,576)	191,876	184,585	7,291
Legal services	39,665	(6,725)	32,940	32,940	
Audit fees	23,500		23,500	18,500	5,000
Other purchased professional services	11,000	(7,378)	3,622	1,924	1,698
Purchased technical services	12,128		12,128	6,443	5,685
Communications / telephone	12,000	6,000	18,000	13,088	4,912
BOE Other Purchased Services	3,200	(3,200)			
Other purchased services	8,132	3,200	11,332	6,300	5,032
Supplies and materials	10,500	(500)	10,000	4,533	5,467
Miscellaneous expenditures	11,065		11,065	7,808	3,257
BOE membership dues and fees	12,892	(4,500)	8,392	5,088	3,304
<b>Total general administration</b>	<b>364,534</b>	<b>(41,679)</b>	<b>322,855</b>	<b>281,209</b>	<b>41,646</b>
<b>School Administration:</b>					
Salaries of principals/assistant principals	83,204	(18,544)	64,660	64,660	
Salaries of other professional staff	1,450		1,450	1,450	
Salaries of secretarial and clerical assistants	1,000	19,340	20,340	19,632	708
Supplies and materials	1,000	500	1,500	1,038	462
<b>Total school administration</b>	<b>86,654</b>	<b>1,296</b>	<b>87,950</b>	<b>86,780</b>	<b>1,170</b>
<b>Central Services:</b>					
Salaries	144,043	1,623	145,666	144,776	890
Purchased professional services	1,000	508	1,508	1,508	
Purchased technical services	14,680	147	14,827	14,827	
Misc. purchased services	2,800	(278)	2,522	1,040	1,482
Supplies and materials	4,000		4,000	3,894	106
Other objects	2,215		2,215	1,747	468
<b>Total central services</b>	<b>168,738</b>	<b>2,000</b>	<b>170,738</b>	<b>167,792</b>	<b>2,946</b>
<b>Required Maintenance School Facilities:</b>					
Salaries	52,964		52,964	52,964	
Cleaning, repair and maintenance services	50,000	(2,524)	47,476	20,782	26,694
General supplies	24,000		24,000	18,600	5,400
Other objects	16,600	(3,500)	13,100	1,233	11,867
<b>Total required maintenance school facilities</b>	<b>143,564</b>	<b>(6,024)</b>	<b>137,540</b>	<b>93,579</b>	<b>43,961</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Other Operation &amp; Maintenance of Plant:</b>					
Salaries	\$ 167,895		\$ 167,895	\$ 157,165	\$ 10,730
Purchased professional and technical services	4,000		4,000	1,662	2,338
Cleaning, repair and maintenance services	18,000		18,000	12,917	5,083
Other purchased property services	18,525		18,525	10,666	7,859
Insurance	14,053		14,053	14,053	
General Supplies	40,000	\$ (15,000)	25,000	15,535	9,465
Energy (Natural Gas )	125,000	(25,545)	99,455	39,942	59,513
Energy (Electricity)	125,000	31,000	156,000	130,514	25,486
Other Objects	1,000		1,000		1,000
<b>Total other operations &amp; maint. of plant</b>	<b>513,473</b>	<b>(9,545)</b>	<b>503,928</b>	<b>382,454</b>	<b>121,474</b>
<b>Security</b>					
Salaries	24,556	(7,500)	17,056	16,387	669
General supplies		9,045	9,045	9,042	3
<b>Total security</b>	<b>24,556</b>	<b>1,545</b>	<b>26,101</b>	<b>25,429</b>	<b>672</b>
<b>Total operation &amp; maint. of plant services</b>	<b>681,593</b>	<b>(14,024)</b>	<b>667,569</b>	<b>501,462</b>	<b>166,107</b>
<b>Student Transportation Services:</b>					
Contr. Serv. (Special Ed Students) - Vendors	500		500		500
Contr. Serv. (Regular Students) - ESC	8,500	17,380	25,880	25,740	140
Contr. Serv. (Spl. Ed. Students) - ESC	150,000		150,000	144,775	5,225
<b>Total student transportation services</b>	<b>159,000</b>	<b>17,380</b>	<b>176,380</b>	<b>170,515</b>	<b>5,865</b>
<b>Unallocated Benefits - Employee Benefits:</b>					
Social security contributions	85,475	(65)	85,410	75,256	10,154
Other retirement contributions - PERS	83,914	(4,580)	79,334	79,334	
Unemployment compensation	139,750	(80,000)	59,750	59,750	
Workmen's compensation	19,418		19,418	19,418	
Health benefits	854,001	98,014	952,015	820,800	131,215
Tuition reimbursement	7,625	(7,545)	80	80	
Other employee benefits	16,020	6,310	22,330	22,327	3
<b>Total unallocated benefits - employee benefits</b>	<b>1,206,203</b>	<b>12,134</b>	<b>1,218,337</b>	<b>1,076,965</b>	<b>141,372</b>
<b>On-behalf TPAF pension contr. (non-budgeted)</b>				<b>204,660</b>	<b>(204,660)</b>
<b>Reimbursed TPAF social security contr. (non-budgeted)</b>				<b>202,200</b>	<b>(202,200)</b>
<b>Total Undistributed Expenditures</b>	<b>6,619,268</b>	<b>15,244</b>	<b>6,634,512</b>	<b>6,581,127</b>	<b>53,385</b>
<b>Total General Current Expense</b>	<b>8,975,051</b>	<b>51,597</b>	<b>9,026,648</b>	<b>8,887,834</b>	<b>138,814</b>
<b>CAPITAL OUTLAY</b>					
Increase in capital reserve		1,302	1,302		1,302
<b>Equipment</b>					
Security		2,524	2,524	2,523	1
Total equipment		2,524	2,524	2,523	1
<b>Facilities Acquisition and Construction Services:</b>					
Other objects	26,889		26,889	26,889	
<b>Total capital outlay</b>	<b>26,889</b>	<b>3,826</b>	<b>30,715</b>	<b>29,412</b>	<b>1,303</b>
<b>TOTAL EXPENDITURES</b>	<b>9,001,940</b>	<b>55,423</b>	<b>9,057,363</b>	<b>8,917,246</b>	<b>140,117</b>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

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**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2011**

(Continued from prior page)	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	<u>(220,478)</u>	<u>(55,423)</u>	<u>(275,901)</u>	<u>408,672</u>	<u>684,573</u>
Other Financing Sources:					
Operating transfers in		<u>(5,345)</u>	<u>(5,345)</u>	<u>(5,345)</u>	
Operating transfers out					
Total Other Financing Sources		<u>(5,345)</u>	<u>(5,345)</u>	<u>(5,345)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	<u>(220,478)</u>	<u>(60,768)</u>	<u>(281,246)</u>	<u>403,327</u>	<u>684,573</u>
Fund Balance - July 1, 2010	<u>\$ 697,753</u>		<u>\$ 697,753</u>	<u>697,753</u>	
Fund Balance - June 30, 2011	<u>\$ 477,275</u>	<u>\$ (60,768)</u>	<u>\$ 416,507</u>	<u>\$ 1,101,080</u>	<u>\$ 684,573</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Capital reserve				\$ 1,304	
Tuition reserve - designated in 2011/2012				120,000	
Tuition reserve				270,000	
Excess surplus				152,420	
Assigned Fund Balance:					
Designated for subsequent year's expenditures				283,233	
Unassigned Fund Balance:				<u>274,123</u>	
				1,101,080	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				<u>(309,671)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 791,409</u>	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Federal sources	\$ 277,948		\$ 277,948	\$ 270,967	\$ (6,981)
<b>Total Revenues</b>	<u>277,948</u>		<u>277,948</u>	<u>270,967</u>	<u>(6,981)</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	45,882		45,882	45,882	
Other salaries for instruction	27,386		27,386	27,386	
Tuition	167,414		167,414	167,414	
General supplies	21,499		21,499	15,520	5,979
<b>Total Instruction</b>	<u>262,181</u>		<u>262,181</u>	<u>256,202</u>	<u>5,979</u>
Support Services:					
Personal services - employee benefits	11,272		11,272	11,272	
Purchased professional tech services	698		698	546	152
Other purchased services	1,000		1,000	1,000	
General supplies	2,797		2,797	1,947	850
<b>Total Support Services</b>	<u>15,767</u>		<u>15,767</u>	<u>14,765</u>	<u>1,002</u>
Facilities Acquisition and Construction Services:					
Instructional equipment					
<b>Total Facilities Acq. and Const. Services</b>					
<b>Total Expenditures</b>	<u>277,948</u>		<u>277,948</u>	<u>270,967</u>	<u>6,981</u>
<b>Total Outflows</b>	<u>277,948</u>		<u>277,948</u>	<u>270,967</u>	<u>6,981</u>
Excess (Deficiency) of Revenues over (under) Expenditures and other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budgetary Comparison**  
**For the Fiscal Year Ended June 30, 2011**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 9,325,918	\$ 270,967
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	360,074	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(309,671)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 9,376,321</u>	<u>\$ 270,967</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 8,917,246	\$ 270,967
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,917,246</u>	<u>\$ 270,967</u>

Other Supplementary Information

**Special Revenue Fund**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures**  
**Budgetary Basis**  
**For the Fiscal Year ended June 30, 2011**

	Title I	Title I Carryover	Title I ARRA	Title II A	Title II D	I.D.E.A. ARRA	I.D.E.A. Preschool	I.D.E.A. Preschool Carryover	I.D.E.A. Preschool ARRA	I.D.E.A. Basic	Total
<b>REVENUES:</b>											
State sources											
Federal sources	\$ 58,328	\$ 650	\$ 3,275	\$ 26,645	\$ 746	\$ 12,541	\$ 120	\$ 2,706	\$ 1,057	\$ 164,899	\$ 270,967
<b>Total Revenues</b>	<b>58,328</b>	<b>650</b>	<b>3,275</b>	<b>26,645</b>	<b>746</b>	<b>12,541</b>	<b>120</b>	<b>2,706</b>	<b>1,057</b>	<b>164,899</b>	<b>270,967</b>
<b>EXPENDITURES:</b>											
Instruction:											
Salaries of teachers	23,678			22,204							45,882
Other salaries for instruction	27,386										27,386
Tuition						2,515				164,899	167,414
Supplies and materials		650	646		633	9,752	120	2,706	1,013		15,520
<b>Total Instruction</b>	<b>51,064</b>	<b>650</b>	<b>646</b>	<b>22,204</b>	<b>633</b>	<b>12,267</b>	<b>120</b>	<b>2,706</b>	<b>1,013</b>	<b>164,899</b>	<b>256,202</b>
Support Services:											
Personal services - employee benefits	6,831			4,441							11,272
Purchased professional tech services	433				113						546
Other purchased services			1,000								1,000
General supplies			1,629			274			44		1,947
<b>Total Support Services</b>	<b>7,264</b>		<b>2,629</b>	<b>4,441</b>	<b>113</b>	<b>274</b>			<b>44</b>		<b>14,765</b>
Facilities Acquisition and Const. Serv.:											
Instructional equipment											
<b>Total Facilities Acq. and Const. Serv.</b>											
<b>Total Expenditures</b>	<b>58,328</b>	<b>650</b>	<b>3,275</b>	<b>26,645</b>	<b>746</b>	<b>12,541</b>	<b>120</b>	<b>2,706</b>	<b>1,057</b>	<b>164,899</b>	<b>270,967</b>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

**Capital Projects Fund**

**MOUNT EPHRAIM SCHOOL DISTRICT  
Capital Projects Fund  
Summary Statement of Revenues, Expenditures,  
and Changes in Fund Balance - Budgetary Basis  
For the Fiscal Year ended June 30, 2011**

**Revenues and Other Financing Sources:**

Interest earned on investments

Total revenues

0

**Expenditures and Other Financing Uses:**

Professional services

\$ 3,096

Construction services

123,388

126,484

Excess (deficiency) or revenues over (under) expenditures

(126,484)

Fund Balance - July 1, 2010

605,005

Fund Balance - June 30, 2011

\$ 478,521

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Statement of Project Revenues, Expenditures, Project Balance,**  
**and Project Status - Budgetary Basis**  
**Addition and Renovation to Mary Bray School**  
**From Inception and for the Fiscal Year ended June 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
<b>Revenues and Other Financing Sources:</b>				
State sources - SCC Grant	\$ 2,248,107		\$ 2,248,107	\$ 2,248,107
Bond proceeds	6,656,747		6,656,747	6,656,747
Prior year payables canceled	19,522		19,522	19,522
<b>Total revenues</b>	<u>8,924,376</u>	<u>                    </u>	<u>8,924,376</u>	<u>8,924,376</u>
<b>Expenditures and Other Financing Uses:</b>				
Purchased professional services	867,755	\$ 3,096	870,851	870,851
Land and improvements	242,479		242,479	242,479
Construction services	7,201,352	123,388	7,324,740	7,324,740
Equipment	2,049		2,049	2,049
Other objects	3,699		3,699	3,699
Canceled to Debt Service Fund	2,037		2,037	2,037
	<u>8,319,371</u>	<u>126,484</u>	<u>8,445,855</u>	<u>8,445,855</u>
<b>Excess (deficiency) or revenues over (under) expenditures</b>	<u>\$ 605,005</u>	<u>\$ (126,484)</u>	<u>\$ 478,521</u>	<u>\$ 478,521</u>
<b>Additional project information:</b>				
Project Number	3420-020-03-6666			
Grant Date	05/20/03			
Bond Authorization Date	03/15/04			
Bonds Authorized	\$ 6,739,971			
Bonds Issued	\$ 6,739,971			
Original Authorized Cost	\$ 7,110,893			
Additional Authorized Cost	\$ (83,224)			
Revised Authorized Cost	\$ 7,027,669			
Percentage Decrease over Original Authorized Cost	-1.17%			
Percentage Completion	100.00%			
Original target completion date	08/19/04			
Revised target completion date	10/31/04			

**Proprietary Funds**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2011**

	<u>Food Service Fund</u>	<u>After School Program</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 39,153	\$ 38,558	\$ 77,711
Accounts receivable:			
State	204		204
Federal	6,369		6,369
Interfund		87	87
Inventories	<u>4,787</u>		<u>4,787</u>
Total Current Assets	<u>50,513</u>	<u>38,645</u>	<u>89,158</u>
Noncurrent Assets:			
Equipment	77,045		77,045
Less - accumulated depreciation	<u>(50,137)</u>		<u>(50,137)</u>
Total Noncurrent Assets	<u>26,908</u>		<u>26,908</u>
Total Assets	<u>77,421</u>	<u>38,645</u>	<u>116,066</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Interfund payable	<u>87</u>		<u>87</u>
Total Current Liabilities	<u>87</u>		<u>87</u>
<b>NET ASSETS:</b>			
Invested in capital assets	26,908		26,908
Unrestricted	<u>50,426</u>	<u>38,645</u>	<u>89,071</u>
Total Net Assets	<u>\$ 77,334</u>	<u>\$ 38,645</u>	<u>\$ 115,979</u>

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Food Service Fund</b>	<b>After School Program</b>	<b>Totals</b>
<b>OPERATING REVENUES:</b>			
Charges for Services:			
Daily sales reimbursable programs:			
School lunch	\$ 57,962		\$ 57,962
Daily sales non-reimbursable programs	27,409		27,409
Program Fees		<u>\$ 46,418</u>	<u>46,418</u>
Total Operating Revenues	<u>85,371</u>	<u>46,418</u>	<u>131,789</u>
<b>OPERATING EXPENSES:</b>			
Salaries and fringe benefits	60,951	34,211	95,162
Supplies and materials	4,462		4,462
Management fee	11,250		11,250
Other costs	4,295		4,295
Depreciation	4,780		4,780
Cost of sales	<u>56,771</u>		<u>56,771</u>
Total Operating Expenses	<u>142,509</u>	<u>34,211</u>	<u>176,720</u>
Operating Income (Loss)	<u>(57,138)</u>	<u>12,207</u>	<u>(44,931)</u>
<b>Non-Operating Revenues:</b>			
State sources:			
State school lunch program	1,587		1,587
Federal sources:			
National school lunch program	45,503		45,503
National breakfast program	4,382		4,382
Special snack program	859		859
Food distribution program	<u>7,882</u>		<u>7,882</u>
Total Non-Operating Revenues	<u>60,213</u>		<u>60,213</u>
Income (Loss) before Contributions and Transfers	3,075	12,207	15,282
Operating Transfer In	<u>5,345</u>		<u>5,345</u>
Changes in Net Assets	8,420	12,207	20,627
Net Assets - July 1, 2010	<u>68,914</u>	<u>26,438</u>	<u>95,352</u>
Net Assets - June 30, 2011	<u>\$ 77,334</u>	<u>\$ 38,645</u>	<u>\$ 115,979</u>

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Food Service Fund</b>	<b>After School Program</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash receipts from customers	\$ 85,371	\$ 46,453	\$ 131,824
Cash payments to employees for services	(60,951)	(34,211)	(95,162)
Cash payments to suppliers for goods and services	(77,756)		(77,756)
Net cash provided by (used for) operating activities	(53,336)	12,242	(41,094)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash received from state sources	1,557		1,557
Cash received from federal sources	55,472		55,472
Cash received from operating transfer in			
Net cash provided by noncapital financing activities	57,029		57,029
<b>Cash Flows Used by Capital and Related Financing Activities:</b>			
Purchase of equipment			
<b>Cash Flow Provided by Investing Activities:</b>			
Interest on cash equivalents			
Net increase (decrease) in cash and cash equivalents	3,693	12,242	15,935
Cash and Cash Equivalents - July 1, 2010	35,460	26,316	61,776
Cash and Cash Equivalents - June 30, 2011	\$ 39,153	\$ 38,558	\$ 77,711
<b>Reconciliation of Operating Income (Loss) to Net Cash provided by (used for)</b>			
<b>Operating Activities:</b>			
Operating income (loss)	\$ (57,138)	\$ 12,207	\$ (44,931)
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:			
Depreciation	4,780		4,780
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		35	35
(Increase) decrease in inventories	952		952
Increase (decrease) in interfund payable	(35)		(35)
Increase (decrease) in accounts payable	(1,895)		(1,895)
Net cash provided by (used for) operating activities	\$ (53,336)	\$ 12,242	\$ (41,094)
<b>Noncash Noncapital Financing Activities:</b>			
During the year the District received \$7,882 of food commodities from the U.S. Department of Agriculture.			

**Fiduciary Funds**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Assets**  
**June 30, 2011**

	<b>Unemployment Compensation Insurance Trust Fund</b>	<b>Agency Funds</b>		<b>Total</b>
		<b>Student Activity</b>	<b>Payroll</b>	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 9,441	\$ 13,556	\$ 38,345	\$ 61,342
Total Assets	<u>9,441</u>	<u>\$ 13,556</u>	<u>\$ 38,345</u>	<u>61,342</u>
<b>LIABILITIES:</b>				
Liabilities:				
Payroll deductions payable			\$ 38,345	38,345
Due to student groups		\$ 13,556		13,556
Total Liabilities		<u>\$ 13,556</u>	<u>\$ 38,345</u>	<u>51,901</u>
<b>NET ASSETS:</b>				
Held in trust for unemployment claims	9,441			9,441
Total Net Assets	<u>\$ 9,441</u>			<u>\$ 9,441</u>

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Years Ended June 30, 2011**

	<u>Unemployment Compensation Insurance Trust Fund</u>
<b>Additions:</b>	
Interest on investments	\$ 264
Employee contributions	528
Board contributions	59,750
	60,542
<b>Total Additions</b>	<b>60,542</b>
 <b>Deductions:</b>	
Unemployment compensation insurance claims	76,913
	76,913
<b>Total Deductions</b>	<b>76,913</b>
<b>Change in Net Assets</b>	<b>(16,371)</b>
<b>Net Assets - July 1, 2010</b>	<b>25,812</b>
<b>Net Assets - June 30, 2011</b>	<b>\$ 9,441</b>

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Student Activity Agency Fund Schedule of Receipts and Disbursements**  
**For the Fiscal Year ended June 30, 2011**

	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable</u>	<u>Balance June 30, 2011</u>
R. W. Kershaw	\$ 13,326	\$ 28,671	\$ 28,441		\$ 13,556
Total all schools	<u>\$ 13,326</u>	<u>\$ 28,671</u>	<u>\$ 28,441</u>	<u>---</u>	<u>\$ 13,556</u>

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Payroll Agency Fund Schedule of Receipts and Disbursements**  
**For the Fiscal Year ended June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS:</b>				
Cash and cash equivalents	<u>\$ 40,445</u>	<u>\$ 4,090,786</u>	<u>\$ 4,092,886</u>	<u>\$ 38,345</u>
Total Assets	<u><u>\$ 40,445</u></u>	<u><u>\$ 4,090,786</u></u>	<u><u>\$ 4,092,886</u></u>	<u><u>\$ 38,345</u></u>
 <b>LIABILITIES:</b>				
Net payroll		\$ 2,441,124	\$ 2,441,124	
Payroll deductions and withholdings	<u>\$ 40,445</u>	<u>1,649,662</u>	<u>1,651,762</u>	<u>\$ 38,345</u>
Total Liabilities	<u><u>\$ 40,445</u></u>	<u><u>\$ 4,090,786</u></u>	<u><u>\$ 4,092,886</u></u>	<u><u>\$ 38,345</u></u>

**Long-Term Debt Schedules**

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Statement of Serial Bonds**  
**For the Fiscal Year Ended June 30, 2011**

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance July 1, 2010	Issued	Retired	Balance June 30, 2011
Safe Program	8/15/93	\$ 213,013	7/15/11 - 13	\$ 11,211	1.500%	\$ 44,844		\$ 11,211	\$ 33,633
Small Project	8/15/93	639,040	07/15/11 07/15/12 07/15/13	43,396 45,322 47,343	5.288%	177,668		41,607	136,061
Facilities Program	8/15/93	1,365,974	7/15/11 - 13	71,893	1.500%	287,574		71,893	215,681
Small Project Loan	8/15/93	1,365,974	07/15/11 07/15/12 07/15/13	92,761 96,876 101,198	5.288%	379,772		88,937	290,835
General Obligation	3/15/04	6,954,000	40,983 3/15/13 3/15/14 3/15/15 3/15/16 3/15/17 3/15/18 3/15/19 3/15/20 3/15/21 3/15/22 3/15/23 3/15/24 3/15/25 3/15/26 3/15/27 3/15/28	65,000 70,000 260,000 335,000 355,000 360,000 385,000 400,000 430,000 450,000 470,000 480,000 480,000 480,000 484,000 500,000 500,000	4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.125% 4.125% 4.125% 4.125% 4.125% 4.125% 4.125% 4.125% 4.250% 4.250% 4.300% 4.300%	6,569,000		65,000	6,504,000
						<u>\$ 7,458,858</u>	<u>\$ -</u>	<u>\$ 278,648</u>	<u>\$ 7,180,210</u>

**MOUNT EPHRAIM SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Fiscal Year ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$ 484,534		\$ 484,534	\$ 484,534	
State sources:					
Debt Service Aid Type II	98,040		98,040	98,040	
<b>Total Revenues</b>	<b>582,574</b>		<b>582,574</b>	<b>582,574</b>	
<b>EXPENDITURES:</b>					
Regular debt service:					
Interest	368,925		368,925	302,427	\$ 66,498
Redemption of principal	278,649		278,649	278,649	
<b>Total Expenditures</b>	<b>647,574</b>		<b>647,574</b>	<b>581,076</b>	<b>66,498</b>
Excess (Deficiency) of revenues over (under) expenditures	(65,000)		(65,000)	1,498	66,498
Other financing sources (uses):					
Transfer in	65,000		65,000		(65,000)
Excess (Deficiency) of revenues and other financing sources over (under) expenditures and other financing uses				1,498	1,498
Fund Balance - July 1, 2010					
Fund Balance - June 30, 2011	\$ -	\$ -	\$ -	\$ 1,498	\$ 1,498
<b>Recapitulation of Excess (Deficiency) or revenues over (under) expenditures</b>					
Budgeted Fund Balance	\$ (65,000)	\$ -	\$ (65,000)	\$ 1,498	\$ 66,498

**Statistical Section**

Mount Ephraim School District  
 Net Assets by Component,  
 Last Eight Fiscal Years  
 (accrual basis of accounting)

J-1

		Fiscal Year Ending June 30,							
		2004	2005	2006	2007	2008	2009	2010	2011
8	Governmental activities:								
	Invested in capital assets, net of related debt	\$ 880,174	\$ 1,756,431	\$ 2,369,812	\$ 2,443,553	\$ 2,698,882	\$ 2,943,093	\$ 2,319,188	\$ 2,483,102
	Restricted for:								
	Capital projects	1,857,674	837,477	497,518	472,794	430,083	440,345	606,307	479,825
	Debt service	11,180	215,513	225,866	53,550	42,359	13,512	-	1,498
	Other purposes	753,561	600,719	469,538	500,000	400,000	219,233	446,451	825,653
	Unrestricted	(66,925)	(280,470)	(379,178)	(173,699)	(381,518)	(368,171)	(368,242)	(271,210)
	Total governmental activities net assets	<u>\$ 3,435,664</u>	<u>\$ 3,129,670</u>	<u>\$ 3,183,556</u>	<u>\$ 3,296,198</u>	<u>\$ 3,189,806</u>	<u>\$ 3,248,012</u>	<u>\$ 3,003,704</u>	<u>\$ 3,518,868</u>
	Business-type activities:								
	Invested in capital assets, net of related debt	\$ 22,130	\$ 17,718	\$ 13,306	\$ 40,684	\$ 35,903	\$ 31,123	\$ 26,343	\$ 26,908
Unrestricted	24,738	13,110	19,987	13,724	28,272	43,942	69,009	89,071	
Total business-type activities net assets	<u>\$ 46,868</u>	<u>\$ 30,828</u>	<u>\$ 33,293</u>	<u>\$ 54,408</u>	<u>\$ 64,175</u>	<u>\$ 75,065</u>	<u>\$ 95,352</u>	<u>\$ 115,979</u>	
District-wide:									
Invested in capital assets, net of related debt	\$ 902,304	\$ 1,774,149	\$ 2,383,118	\$ 2,484,237	\$ 2,734,785	\$ 2,974,216	\$ 2,345,531	\$ 2,510,010	
Restricted:									
Capital projects	1,857,674	837,477	497,518	472,794	430,083	440,345	606,307	479,825	
Debt service	11,180	215,513	225,866	53,550	42,359	13,512	-	1,498	
Other purposes	753,561	600,719	469,538	500,000	400,000	219,233	446,451	825,653	
Unrestricted	(42,187)	(267,360)	(359,191)	(159,975)	(353,246)	(324,229)	(299,233)	(182,139)	
Total district net assets	<u>\$ 3,482,532</u>	<u>\$ 3,160,498</u>	<u>\$ 3,216,849</u>	<u>\$ 3,350,606</u>	<u>\$ 3,253,981</u>	<u>\$ 3,323,077</u>	<u>\$ 3,099,056</u>	<u>\$ 3,634,847</u>	

District was not required to follow GASB 34 reporting format until fiscal year 2004.

Mount Ephraim School District  
 Changes in Net Assets, Last Eight Fiscal Years  
 (accrual basis of accounting)

		Fiscal Year Ending June 30,							
		2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses:</b>									
Governmental activities:									
Instruction:									
Regular	\$	2,018,087	\$ 2,093,834	\$ 1,823,298	\$ 1,747,977	\$ 2,069,028	\$ 1,940,688	\$ 2,074,784	\$ 1,529,493
Special education		548,105	613,884	651,771	725,149	797,482	822,526	1,016,028	932,945
Other instruction		80,860	89,264	65,824	73,022	89,092	111,941	70,070	83,447
Support Services:									
Tuition		2,113,179	2,212,006	2,464,464	2,331,230	2,682,972	2,795,155	2,961,730	3,078,400
Student & instruction related services		830,094	754,341	649,068	673,828	775,049	907,709	862,568	825,909
School administrative services			122,311	175,841	85,673	123,955	83,442	86,010	86,780
General and business administrative services		276,161	501,274	395,720	468,940	516,654	478,140	515,242	459,346
Plant operations and maintenance		370,773	433,244	488,021	563,799	627,169	547,227	594,479	531,059
Pupil transportation		177,705	147,873	164,810	159,686	170,343	166,775	161,912	170,515
Business and other support services		172,849							
Unallocated employee benefits				1,189,764	1,380,877	1,523,019	1,400,219	1,461,707	1,483,825
Interest on long-term debt		81,138	514,053	349,426	439,991	430,907	420,421	377,115	297,487
Unallocated depreciation			4,165	3,987	50,988	50,988	50,988	230,147	230,147
Total governmental activities expenses		<u>6,668,951</u>	<u>7,486,249</u>	<u>8,421,994</u>	<u>8,701,160</u>	<u>9,856,658</u>	<u>9,725,231</u>	<u>10,411,792</u>	<u>9,709,353</u>
Business-type activities:									
Food service		106,465	137,392	138,634	133,676	145,731	150,265	152,041	142,509
After school program								41,599	34,211
Total business-type activities expense		<u>106,465</u>	<u>137,392</u>	<u>138,634</u>	<u>133,676</u>	<u>145,731</u>	<u>150,265</u>	<u>193,640</u>	<u>176,720</u>
Total district expenses		<u>\$ 6,775,416</u>	<u>\$ 7,623,641</u>	<u>\$ 8,560,628</u>	<u>\$ 8,834,836</u>	<u>\$ 10,002,389</u>	<u>\$ 9,875,496</u>	<u>\$ 10,605,432</u>	<u>\$ 9,886,073</u>
<b>Program Revenues:</b>									
Governmental activities:									
Operating grants and contributions	\$	662,674	\$ 664,415	\$ 721,337	\$ 905,296	\$ 950,849	\$ 773,497	\$ 957,486	\$ 775,867
Capital grants and contributions		95,867	56,452						
Total governmental activities program revenues		<u>758,541</u>	<u>720,867</u>	<u>721,337</u>	<u>905,296</u>	<u>950,849</u>	<u>773,497</u>	<u>957,486</u>	<u>775,867</u>

(Continued)

Mount Ephraim School District  
 Changes in Net Assets, Last Eight Fiscal Years  
 (accrual basis of accounting)

		Fiscal Year Ending June 30,							
		2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-type activities:</b>									
Charges for services:									
Food service		\$ 61,983	\$ 69,786	\$ 79,684	\$ 84,976	\$ 96,232	\$ 100,560	\$ 87,020	\$ 85,371
After school program							1,335	66,580	46,418
Operating grants and contributions		31,800	37,098	40,849	37,079	43,703	59,054	60,327	60,213
Capital grants and contributions									
Total business type activities program revenues		<u>93,783</u>	<u>106,884</u>	<u>120,533</u>	<u>122,055</u>	<u>139,935</u>	<u>160,949</u>	<u>213,927</u>	<u>192,002</u>
Total district program revenues		<u>\$ 852,324</u>	<u>\$ 827,751</u>	<u>\$ 841,870</u>	<u>\$ 1,027,351</u>	<u>\$ 1,090,784</u>	<u>\$ 934,446</u>	<u>\$ 1,171,413</u>	<u>\$ 967,869</u>
<b>Net (Expense)/Revenue:</b>									
Governmental activities		\$ (5,910,410)	\$ (6,765,382)	\$ (7,700,657)	\$ (7,795,864)	\$ (8,905,809)	\$ (8,951,734)	\$ (9,454,306)	\$ (8,933,486)
Business-type activities		(12,682)	(30,508)	(18,101)	(11,621)	(5,796)	10,684	20,287	15,282
Total district-wide net expense		<u>\$ (5,923,092)</u>	<u>\$ (6,795,890)</u>	<u>\$ (7,718,758)</u>	<u>\$ (7,807,485)</u>	<u>\$ (8,911,605)</u>	<u>\$ (8,941,050)</u>	<u>\$ (9,434,019)</u>	<u>\$ (8,918,204)</u>
<b>General Revenues and Other Changes in Net Assets:</b>									
Governmental activities:									
84 Property taxes levied for general purposes, net		\$ 2,595,618	\$ 2,780,384	\$ 3,773,057	\$ 4,160,079	\$ 4,569,774	\$ 4,486,749	\$ 5,010,991	\$ 5,131,486
Taxes levied for debt service		138,520	521,272	441,974	349,218	529,800	540,281	523,075	484,534
Unrestricted grants and contributions		3,217,551	3,309,244	3,238,884	3,330,841	3,439,865	3,651,091	3,811,013	3,426,880
State aid restricted for capital projects		2,480,247	228,781	103,584	8,267	14,259	3,098	181,778	
Tuition				73,146	103,128	149,299	293,364	307,772	310,929
Investment earnings		61,147	132,567	93,303	62,289	38,833	6,430	143	2
Miscellaneous income		40,695	27,252	50,627	47,704	72,587	28,927	52,865	100,164
Loss on disposal of assets		(10,638)	(14,182)	(20,032)					
Transfers						(15,000)			(5,345)
Total governmental activities		<u>8,523,140</u>	<u>6,985,318</u>	<u>7,754,543</u>	<u>8,061,526</u>	<u>8,799,417</u>	<u>9,009,940</u>	<u>9,887,637</u>	<u>9,448,650</u>
Business-type activities:									
Investment earnings		105	286	534	578	563	206		
Transfers		10,638	14,182	20,032		15,000			5,345
Total business-type activities		<u>10,743</u>	<u>14,468</u>	<u>20,566</u>	<u>578</u>	<u>15,563</u>	<u>206</u>	<u>-</u>	<u>5,345</u>
Total district-wide		<u>\$ 8,533,883</u>	<u>\$ 6,999,786</u>	<u>\$ 7,775,109</u>	<u>\$ 8,062,104</u>	<u>\$ 8,814,980</u>	<u>\$ 9,010,146</u>	<u>\$ 9,887,637</u>	<u>\$ 9,453,995</u>
<b>Change in Net Assets:</b>									
Governmental activities		\$ 2,612,730	\$ 219,936	\$ 53,886	\$ 265,862	\$ (106,392)	\$ 58,206	\$ 433,331	\$ 515,164
Business-type activities		(1,939)	(16,040)	2,465	(11,043)	9,767	10,890	20,287	20,627
Total district-wide		<u>\$ 2,610,791</u>	<u>\$ 203,896</u>	<u>\$ 56,351</u>	<u>\$ 254,819</u>	<u>\$ (96,625)</u>	<u>\$ 69,096</u>	<u>\$ 453,618</u>	<u>\$ 535,791</u>

District was not required to follow GASB 34 reporting format until fiscal year 2004.

**Mount Ephraim School District**  
**Fund Balances, Governmental Funds,**  
**Last Eight Fiscal Years**  
*(modified accrual basis of accounting)*

		Fiscal Year Ending June 30,							
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund:									
Restricted for:									
Capital reserve		1,081	\$ 1,107	\$ 1,108	\$ 1,171	\$ 1,215	\$ 1,245	\$ 1,302	\$ 1,304
Excess surplus		91,912	115,649	53,889			119,233	107,218	152,420
Tuition reserve							100,000	220,000	390,000
Assigned to:									
Year-end encumbrances		39,028							
Designated for subsequent year's budget		622,621	485,070	415,649	500,000	400,000		119,233	283,233
Unassigned		36,080	(26,726)	(12,350)	96,533	(97,328)	(110,377)	(110,074)	(35,548)
cs Total general fund		<u>\$ 790,722</u>	<u>\$ 575,100</u>	<u>\$ 458,296</u>	<u>\$ 597,704</u>	<u>\$ 303,887</u>	<u>\$ 110,101</u>	<u>\$ 337,679</u>	<u>\$ 791,409</u>
All Other Governmental Funds									
Unreserved, reported in:									
Special revenue fund		\$ (914)	\$ (914)	\$ (922)	\$ (922)	\$ (1,872)			
Capital projects fund		1,856,593	836,370	496,410	471,623	428,868	\$ 439,100	\$ 605,005	\$ 478,521
Debt service fund		11,180	215,513	225,866	53,550	42,359	13,512		1,498
Total all other governmental funds		<u>\$ 1,866,859</u>	<u>\$ 1,050,969</u>	<u>\$ 721,354</u>	<u>\$ 524,251</u>	<u>\$ 469,355</u>	<u>\$ 452,612</u>	<u>\$ 605,005</u>	<u>\$ 480,019</u>

District was not required to follow GASB 34 reporting format until fiscal year 2004.

**Mount Ephraim School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Tax levy	\$ 2,673,455	\$ 2,735,473	\$ 2,734,138	\$ 3,301,656	\$ 4,215,031	\$ 4,509,297	\$ 5,099,574	\$ 5,027,030	\$ 5,534,066	\$ 5,616,020
Tuition charges					73,146	103,128	149,299	293,364	307,772	310,929
Interest earnings	3,592	1,120	49,966	132,567	70,311	50,601	20,587	6,430	143	2
Miscellaneous	60,338	7,268	40,698	27,252	50,627	47,704	72,587	33,140	77,854	100,164
State sources	3,442,186	3,429,882	6,142,215	3,972,351	3,803,206	4,006,418	4,185,235	4,180,726	3,908,601	3,925,421
Federal sources	210,620	204,152	218,257	230,090	260,599	237,986	219,738	223,225	1,016,687	277,326
<b>Total revenue</b>	<b>6,390,191</b>	<b>6,377,895</b>	<b>9,185,274</b>	<b>7,663,916</b>	<b>8,472,920</b>	<b>8,955,134</b>	<b>9,747,020</b>	<b>9,763,915</b>	<b>10,845,123</b>	<b>10,229,862</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	1,430,037	1,403,508	1,483,929	1,556,794	1,755,618	1,838,747	2,050,938	1,958,780	2,069,068	1,546,517
Special education instruction	348,093	361,704	429,011	453,109	651,771	725,149	797,482	822,526	1,016,028	932,945
Other instruction	50,171	71,424	59,303	65,808	65,824	73,022	89,092	111,941	70,070	83,447
<b>Support Services:</b>										
Tuition	2,066,128	2,078,906	2,113,179	2,212,006	2,464,464	2,331,230	2,682,972	2,795,155	2,961,730	3,078,400
Student & instruction related services	679,553	696,704	650,548	593,955	643,146	673,828	775,049	907,709	862,568	825,909
School administrative services				90,000	175,841	85,673	123,955	83,442	86,010	86,780
General and business admin. services	297,426	304,529	351,419	400,101	391,490	458,270	505,984	467,470	504,897	449,001
Plant operations and maintenance	336,595	293,479	318,129	373,435	481,253	560,836	624,206	565,114	592,548	501,462
Pupil transportation	186,651	168,209	177,705	147,873	164,810	159,888	170,343	166,775	161,912	170,515
Other support services	609,002	768,608	853,727	966,801	1,077,240	1,380,877	1,523,019	1,400,219	1,461,707	1,483,825
Capital outlay	87,755	78,365	7,589,111	723,074	443,544	33,054	57,014	21,388	23,388	155,896
<b>Debt service:</b>										
Principal	174,345	177,716	181,508	188,949	254,437	258,870	263,477	268,357	273,312	278,649
Interest and other charges	93,649	87,489	81,138	383,411	352,861	445,275	435,448	425,090	381,916	302,427
<b>Total expenditures</b>	<b>6,359,405</b>	<b>6,490,641</b>	<b>14,288,707</b>	<b>8,155,316</b>	<b>8,922,299</b>	<b>9,024,517</b>	<b>10,098,979</b>	<b>9,993,966</b>	<b>10,465,152</b>	<b>9,895,773</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>30,786</b>	<b>(112,746)</b>	<b>(5,103,433)</b>	<b>(491,400)</b>	<b>(449,379)</b>	<b>(69,383)</b>	<b>(351,959)</b>	<b>(230,051)</b>	<b>379,971</b>	<b>334,089</b>
<b>Other Financing sources (uses)</b>										
Proceeds from borrowing			6,954,000					19,522		
Prior year payables canceled										
Accrued interest on sale of bonds and notes			11,181		22,992	11,688	18,246			
Transfers in	3,592	185,353	61,137	132,541	93,302	62,227	38,788	6,400	2,124	
Transfers out	(21,730)	(196,071)	(71,777)	(146,723)	(113,334)	(62,227)	(53,788)	(6,400)	(2,124)	(5,345)
<b>Total other financing sources (uses)</b>	<b>(18,138)</b>	<b>(10,718)</b>	<b>6,954,541</b>	<b>(14,182)</b>	<b>2,960</b>	<b>11,688</b>	<b>3,246</b>	<b>19,522</b>	<b>-</b>	<b>(5,345)</b>
<b>Net change in fund balances</b>	<b>\$ 12,648</b>	<b>\$ (123,464)</b>	<b>\$ 1,851,108</b>	<b>\$ (505,582)</b>	<b>\$ (446,419)</b>	<b>\$ (57,695)</b>	<b>\$ (348,713)</b>	<b>\$ (210,529)</b>	<b>\$ 379,971</b>	<b>\$ 328,744</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>4.27%</b>	<b>4.14%</b>	<b>3.92%</b>	<b>7.70%</b>	<b>7.16%</b>	<b>7.83%</b>	<b>6.96%</b>	<b>6.95%</b>	<b>6.28%</b>	<b>5.97%</b>

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

**Mount Ephraim School District**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

J-5

<b>Fiscal Year Ending June 30,</b>	<b>Interest on Investments</b>	<b>Tuition</b>	<b>Donations</b>	<b>Prior Year Refunds</b>	<b>Rentals</b>	<b>Miscellaneous</b>	<b>Total</b>
2002	\$ 22,434		\$ 9,000	\$ 28,904			\$ 60,338
2003	7,268						7,268
2004	8,522		15,000	14,906		\$ 2,278	40,706
2005	26,979			299			27,278
2006	105,847	\$ 73,146		12,435	\$ 2,656		194,084
2007	92,737	103,128		5,568			201,433
2008	47,268	149,299		41,555		4,351	242,473
2009	11,690	293,364		2,903		1,242	309,199
2010	9,571	307,772	9,000	33,540		897	360,780
2011	15,818	310,929		70,388	5,506	8,454	411,095
	<u>\$ 348,134</u>	<u>\$ 1,237,638</u>	<u>\$ 33,000</u>	<u>\$ 210,498</u>	<u>\$ 8,162</u>	<u>\$ 17,222</u>	<u>\$ 1,854,654</u>

Source: District records

Mount Ephraim School District  
 Assessed Value and Actual Value of Taxable Property,  
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized) Value
2002	\$ 1,123,700	\$ 143,529,200	\$ 21,170,200	\$ 741,200	\$ 3,343,300	\$ 169,907,600	\$ 541,830	\$ 170,449,430	\$ 12,155,600	\$ 1.586	\$ 168,781,701
2003	1,646,800	143,647,700	20,387,500	741,200	3,343,300	169,766,500	537,676	170,304,176	12,274,700	1.607	175,717,157
2004	1,431,300	144,377,200	20,396,000	741,200	3,343,300	170,289,000	461,302	170,750,302	12,082,500	1.767	191,862,593
2005	1,558,800	145,249,100	20,234,200	741,200	3,343,300	171,126,600	383,475	171,510,075	12,081,600	2.158	215,032,300
2006	1,125,300	145,659,400	21,455,400	741,200	3,343,300	172,324,600	304,139	172,628,739	15,162,900	2.504	254,847,851
2007	3,206,200	145,477,400	20,247,000	741,200	3,343,300	173,015,100	297,820	173,312,920	14,965,100	2.819	285,666,893
2008	3,482,600	145,833,300	20,295,700	741,200	3,343,300	173,696,100	288,984	173,985,084	15,114,200	2.933	308,754,178
2009	2,146,300	145,981,500	22,842,800	406,300	3,343,300	174,720,200	291,002	175,011,202	15,230,100	3.031	325,221,529
2010	1,878,400	147,210,000	22,740,700	406,300	3,343,300	175,578,700	286,657	175,865,357	15,326,900	3.128	321,999,683
2011	1,611,700	148,301,000	22,380,100	406,300	3,343,300	176,042,400	243,415	176,285,815	15,618,300	3.187	Not available

Source:  
 Municipal Tax Assessor

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

- a Taxable Value of Machinery, Improvements and Equipment of Telephone, Telegraph and Messenger System Companies
- b Tax rates are per \$100 of assessed valuation.

**Mount Ephraim School District**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*

J-7

Fiscal Year Ended June 30,	Mount Ephraim School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General		Borough of Mt. Ephraim	Camden County	
		Obligation Debt Service	Total Direct			
2002	\$ 1.521	\$ 0.086	\$ 1.607	\$ 1.207	\$ 0.954	\$ 3.768
2003	1.525	0.082	1.607	1.248	0.996	3.851
2004	1.686	0.081	1.767	1.233	0.994	3.994
2005	2.033	0.125	2.158	1.257	1.041	4.456
2006	2.248	0.256	2.504	1.307	1.197	5.008
2007	2.514	0.305	2.819	1.394	1.159	5.372
2008	2.623	0.310	2.933	1.548	1.129	5.610
2009	2.721	0.310	3.031	1.654	1.152	5.837
2010	2.853	0.275	3.128	1.732	1.195	6.055
2011	2.907	0.280	3.187	1.731	1.309	6.227

**Source:** Municipal Tax Collector

**Mount Ephraim School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

	<u>2010-2011</u>			<u>2001-2002</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>		<u>Taxpayer</u>	<u>Taxable Assessed Value</u>
<u>Taxpayer</u>					
Walgreens Store	\$ 2,500,000	1.42%	Mount Ephraim Dodge	\$ 1,667,800	0.98%
CVS Black Horse Pike	1,500,000	0.85%	Forrest Park Apartments	1,206,500	0.71%
WAWA Inc	1,221,200	0.69%	EMCA, Inc.	1,025,000	0.60%
Foulke McErlean Partnership	1,069,600	0.61%	Degenhardt's Associates	1,017,300	0.60%
Forrest Park Apartments	1,003,900	0.57%	Bo-Bet Motel, Inc.	975,000	0.57%
DHM Hospitality, LLC	975,000	0.55%	DWB Investment Group	940,000	0.55%
Willow Glen Apartments	940,000	0.53%	McDonald's Corp.	779,100	0.46%
McDonald's Corp.	750,000	0.43%	Black Horse Pike Associates	675,000	0.40%
Steliga Investments, LLC	675,000	0.38%	Saverio Garofalo	642,700	0.38%
KWK2, LLC	563,000	0.32%	Haddonfield Lumber	641,890	0.38%
Total	<u>\$ 11,197,700</u>	<u>6.35%</u>		<u>\$ 9,570,290</u>	<u>5.61%</u>

Source: Municipal Tax Assessor

**Mount Ephraim School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

J-9

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Calendar Year</u>	<u>Collected within the Fiscal Year of the Levy<sup>a</sup></u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2002	\$ 2,673,455	\$ 2,673,455	100.00%	-
2003	2,735,473	2,735,473	100.00%	-
2004	2,734,138	2,734,138	100.00%	-
2005	3,301,656	3,301,656	100.00%	-
2006	4,215,031	4,215,031	100.00%	-
2007	4,509,297	4,509,297	100.00%	-
2008	5,099,574	5,099,574	100.00%	-
2009	5,027,030	5,027,030	100.00%	-
2010	5,534,066	5,534,066	100.00%	-
2011	5,616,020	5,616,020	100.00%	-

**Source: District records including the Certificate and Report of School Taxes (A4F form)**

a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statutes, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Mount Ephraim School District  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years

J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Percentage of Personal Income <sup>b</sup>	Per Capita <sup>c</sup>
	General Obligation Bonds <sup>a</sup>	Unfunded Pension Liability	Capital Leases	Capital Leases	Total District		
2002	\$ 2,427,936	\$ 69,788	\$ -	\$ -	\$ 2,497,724	1.77%	\$ 558
2003	2,250,220	52,341	-	-	2,302,561	1.58%	514
2004	9,022,712	34,894	-	-	9,057,606	6.02%	2,028
2005	8,777,311	17,447	-	-	8,794,758	5.68%	1,978
2006	8,522,874	-	-	-	8,522,874	5.30%	1,917
2007	8,264,005	-	-	-	8,264,005	4.84%	1,864
2008	8,000,528	-	-	-	8,000,528	4.52%	1,810
2009	7,732,171	-	-	-	7,732,171	4.26%	1,759
2010	7,458,858	-	-	-	7,458,858	4.09%	1,687
2011	7,180,210	-	-	-	7,180,210	Unavailable	1,624

Sources:

- a District Records
- b Personal Income has been estimated based upon the municipal population and per capita personal income.
- c Per Capita Personal Income Data provided by the NJ Dept. of Labor and Workforce.

**Mount Ephraim School District  
Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years**

J-11

<b>Fiscal Year Ended June 30,</b>	<b>General Bonded Debt Outstanding</b>			<b>Percentage of Net Assessed Valuation Taxable <sup>b</sup></b>	<b>Per Capita <sup>c</sup></b>
	<b>General Obligation Bonds</b>	<b>Deductions</b>	<b>Net General Bonded Debt Outstanding <sup>a</sup></b>		
2002	\$ 2,427,936	\$ -	\$ 2,427,936	1.42%	\$ 558
2003	2,250,220	-	2,250,220	1.32%	514
2004	9,022,712	-	9,022,712	5.28%	2,028
2005	8,777,311	-	8,777,311	5.12%	1,978
2006	8,522,874	-	8,522,874	4.94%	1,917
2007	8,264,005	-	8,264,005	4.77%	1,864
2008	8,000,528	-	8,000,528	4.60%	1,810
2009	7,732,171	-	7,732,171	4.42%	1,759
2010	7,458,858	-	7,458,858	4.24%	1,687
2011	7,180,210	-	7,180,210	4.07%	1,624

**Sources:**

- a District Records
- b Net Assessed Valuation provided by Anstract of Ratables, County Board of Taxation
- c Per Capita Personal Inome Data provided by the NJ Dept. of Labor and Workforce.

**Mount Ephraim School District  
 Ratios of Overlapping Governmental Activities Debt  
 As of December 31, 2010**

J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Mount Ephraim	\$ 5,420,935 (1)	100.000%	\$ 5,420,935
Camden County General Obligation Debt	156,835,508 (1)	0.606% (2)	950,423
			<hr/>
Subtotal, overlapping debt			6,371,358
Mount Ephraim School District Direct Debt			<hr/> 7,180,210
<b>Total direct and overlapping debt</b>			<hr/> <b>\$ 13,551,568</b> <hr/>

**Sources:**

- (1) Entity's Audit Report
- (2) The County percentage is based upon a calculation reflecting the Borough's share of the 2010 Equalized Valuation. The source for this computation was the 2010 County Abstract of Ratables, provided by the County Board of Taxation.

Legal Debt Margin Calculation for Fiscal Year 2011

	Equalized valuation basis (1)
2010	\$ 322,162,752
2009	319,123,653
2008	<u>322,017,241</u>
	<u>\$ 963,303,646</u>
Average equalized valuation of taxable property	\$ <u>321,101,215</u>
Debt limit (3% of average equalized valuation) (2)	9,633,036
Net bonded school debt (3)	<u>7,180,210</u>
Legal debt margin	<u>\$ 2,452,826</u>

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 4,914,221	\$ 5,049,108	\$ 5,311,311	\$ 5,771,398	\$ 6,545,399	\$ 7,478,696	\$ 8,414,435	\$ 9,115,817	\$ 9,474,165	\$ 9,633,036
Total net debt applicable to limit (3)	<u>2,427,936</u>	<u>2,250,200</u>	<u>9,022,712</u>	<u>8,777,312</u>	<u>8,522,874</u>	<u>8,264,005</u>	<u>8,000,528</u>	<u>7,732,171</u>	<u>7,458,858</u>	<u>7,180,210</u>
Legal debt margin	<u>\$ 2,486,285</u>	<u>\$ 2,798,908</u>	<u>\$ (3,711,401)</u>	<u>\$ (3,005,914)</u>	<u>\$ (1,977,475)</u>	<u>\$ (785,309)</u>	<u>\$ 413,907</u>	<u>\$ 1,383,646</u>	<u>\$ 2,015,307</u>	<u>\$ 2,452,826</u>
Total net debt applicable to the limit as a percentage of debt limit	49.41%	44.57%	169.88%	152.08%	130.21%	110.50%	95.08%	84.82%	78.73%	74.54%

Sources:

- (1) Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
- (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
- (3) District Records

**Mount Ephraim School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

J-14

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2001	4,476	\$ 141,490,836	\$ 31,611	2.7%
2002	4,482	145,570,878	32,479	3.8%
2003	4,467	150,435,159	33,677	3.9%
2004	4,447	154,871,222	34,826	3.5%
2005	4,447	160,661,216	36,128	5.2%
2006	4,434	170,638,056	38,484	5.6%
2007	4,419	176,989,788	40,052	5.1%
2008	4,396	181,713,056	41,336	6.8%
2009	4,422	182,549,004	41,282	10.6%
2010	4,422	e	e	11.2%

**Source:**

- <sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development
- <sup>b</sup> Personal income has been established based upon the municipal population and per capita personal income presented.
- <sup>c</sup> Per Capita personal income provided by the NJ Dept. of Labor and Workforce Development.
- <sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development
- <sup>e</sup> Information not available

**Mount Ephraim School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

J-16

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular	23.0	24.0	25.0	26.0	28.0	25.6	28.6	26.6	24.2	19.2
Special education	18.0	18.0	20.0	19.0	21.0	17.6	16.0	23.9	26.9	20.7
Support Services:										
Student & instruction related services	12.0	13.0	10.0	11.0	18.0	16.4	16.4	13.6	12.2	12.5
School administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General and business administrative services	5.0	5.0	5.0	5.0	6.0	6.0	3.2	3.2	5.2	5.2
Plant operations and maintenance	8.0	9.0	7.0	7.0	9.0	9.0	8.8	8.4	9.3	8.1
Food Service	7.0	8.0	8.0	7.0	3.0					
Child Care									4.0	4.0
<b>Total</b>	<u>75.0</u>	<u>79.0</u>	<u>77.0</u>	<u>77.0</u>	<u>87.0</u>	<u>76.6</u>	<u>75.0</u>	<u>77.7</u>	<u>79.8</u>	<u>71.7</u>

Source:  
District Personnel Records

Mount Ephraim School District  
 Operating Statistics,  
 Last Ten Fiscal Years

J-17

Fiscal Year	Resident Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Raymond W. Kershaw Elementary	Mary Bray Elementary				
2002	436	\$ 6,003,656	\$ 13,769.85	4.03%	41	1:15	1:15	428.5	409.4	-0.07%	95.54%
2003	426	6,147,071	14,429.74	4.79%	42	1:14	1:17	430.4	407.2	0.44%	94.61%
2004	450	6,436,950	14,304.33	-0.87%	42	1:13	1:15	446.2	424.1	3.67%	95.05%
2005	443	6,859,882	15,485.06	8.25%	43	1:11	1:14	449.3	424.8	0.69%	94.55%
2006	467	7,871,457	16,855.37	8.85%	48	1:14	1:16	467.1	439.0	3.96%	93.98%
2007	443	8,287,318	18,707.26	10.99%	47	1:09	1:13	442.9	419.5	-5.18%	94.72%
2008	461	9,343,040	20,266.90	8.34%	45	1:10	1:12	445.7	424.6	0.63%	95.27%
2009	465	9,279,131	19,955.12	-1.54%	50	1:10	1:12	465.5	446.0	4.44%	95.81%
2010	493	9,786,538	19,850.99	-0.52%	51	1:12	1:13	479.5	455.4	3.00%	94.97%
2011	464	9,158,801	19,738.80	-0.57%	62	1:15	1:15	464.2	449.9	-3.00%	96.92%

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Sources: District records

Note: Enrollment based on annual October district count.

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

**Mount Ephraim School District  
School Building Information  
Last Ten Fiscal Years**

J-18

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>District Building</b>										
<b>Elementary</b>										
Raymond W. Kershaw Elementary (1922)										
Square Feet	40,900	40,900	40,900	40,900	40,900	40,900	40,900	40,900	40,900	40,900
Capacity (students)	277	277	277	277	277	277	277	277	277	277
Enrollment	259	244	260	254	191	164	188	189	210	211
Mary Bray Elementary (1954)										
Square Feet	21,050	21,050	21,050	21,050	53,213	53,213	53,213	53,213	53,213	53,213
Capacity (students)	134	134	134	134	305	305	305	305	305	305
Enrollment	169	187	186	196	276	279	273	276	283	261

**Number of Schools at June 30, 2011**

- Elementary = 1
- Middle School = 1
- Senior High School = 0
- Other = 0

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**Source:** District Facilities Office

Mount Ephraim School District  
 Schedule of Required Maintenance  
 Last Ten Fiscal Years

J-19

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
* School Facilities											
Raymond W. Kershaw School	\$ 20,997	\$ 21,343	\$ 51,078	\$ 45,124	\$ 54,344	\$ 64,263	\$ 130,342	\$ 10,387	\$ 53,590	\$ 48,048	\$ 499,516
Mary Bray School	12,869	20,432	9,391	19,967	31,879	46,148	41,594	14,752	37,522	45,531	280,085
Total School Facilities	<u>\$ 33,866</u>	<u>\$ 41,775</u>	<u>\$ 60,469</u>	<u>\$ 65,091</u>	<u>\$ 86,223</u>	<u>\$ 110,411</u>	<u>\$ 171,936</u>	<u>\$ 25,139</u>	<u>\$ 91,112</u>	<u>\$ 93,579</u>	<u>\$ 779,601</u>

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\* School facilities as defined under EFCFA.  
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

Mount Ephraim School District  
 Insurance Schedule  
 June 30, 2011

J-20

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
Building and Contents (All Locations)			
Limits of liability per occurrence	\$ 150,000,000	\$ 200,000	\$ 500
Boiler and Machinery	100,000,000		1,000
General and Automobile Liability	10,000,000	150,000	
Workers' Compensation	Statutory	250,000	
Educators Legal Liability	10,100,000	100,000	
Crime Coverage	500,000	200,000	500
Pollution Liability	3,000,000		25,000
Employee Benefits Liability	10,000,000	150,000	
Employers Liability	10,000,000	250,000	
Surety Bonds (2)			
Treasurer	186,000		
Board Secretary	76,000		

- (1) Burlington County Insurance Pool Joint Insurance Fund  
 (2) Western Surety Insurance

Source: District records

**Single Audit Section**

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

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New Jersey Society of CPAs**

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and Members  
of the Board of Education  
Mount Ephraim School District  
County of Camden  
Mount Ephraim, New Jersey

### **Compliance**

We have audited Mount Ephraim School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2011. The School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Mount Ephraim School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

### **Internal Control Over Compliance**

Management of the Mount Ephraim School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the management, the Board of Education, others within the School District, the Division of Finance, Department of Education, State of New Jersey, and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

**INVERSO & STEWART, LLC**  
Certified Public Accountants



Robert A. Stewart  
Public School Accountant

Marlton, New Jersey  
September 8, 2011

MOUNT EPHRAIM SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance at June 30, 2010			Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		
					(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education:</b>														
<b>Special Revenue Fund:</b>														
<b>Title I:</b>														
ARRA	84.389	Not Available	\$ 19,009	9/1/09 - 8/31/11	\$ (16,342)			\$ 608		\$ (3,275)		\$ (19,009)		
Fiscal Year 2010	84.010A	NCLB342010	81,982	9/1/09 - 8/31/10	(16,056)					(850)		(19,155)	\$ 2,449	
Fiscal Year 2011	84.010A	NCLB342011	58,480	9/1/10 - 8/31/11					\$ 35,865	(58,328)		(22,615)	152	
<b>Title II A:</b>														
Fiscal Year 2010	84.367A	NCLB342010	26,338	9/1/09 - 8/31/10	(8,584)							(6,584)		
Fiscal Year 2011	84.367A	NCLB342011	26,645	9/1/10 - 8/31/11				15,543		(26,645)		(11,102)		
<b>Title II D:</b>														
Fiscal Year 2010	84.318X	NCLB342010	633	9/1/09 - 8/31/10						(633)		(633)		
Fiscal Year 2011	84.318X	NCLB342011	113	9/1/10 - 8/31/11						(113)		(113)		
<b>Title IV:</b>														
Fiscal Year 2009	84.186A	NCLB342009	1,033	9/1/08 - 8/31/09		\$ 1,033		(1,033)						
<b>I.D.E.A. Part B - Basic:</b>														
Fiscal Year 2011	84.027	FT342011	164,899	9/1/10 - 8/31/11					164,899	(164,899)				
ARRA	84.391	Not Available	141,405	9/1/09 - 8/31/11	(130,594)		1,730	68,482		(12,541)		(72,923)		
<b>I.D.E.A. Part B - Preschool:</b>														
ARRA	84.392	Not Available	5,107	9/1/09 - 8/31/11	(4,087)		37	3,484		(1,057)		(1,613)		
Fiscal Year 2010	84.173	PS342010	4,014	9/1/09 - 8/31/10	(3,014)		5,720			(2,706)				
Fiscal Year 2011	84.173	PS342011	8,272	9/1/10 - 8/31/11			(3,772)			(120)		(8,272)	4,380	
<b>Total U.S. Department of Education</b>					<b>(176,677)</b>	<b>1,033</b>	<b>-</b>	<b>3,290</b>	<b>288,263</b>	<b>(270,967)</b>	<b>-</b>	<b>(162,019)</b>	<b>6,981</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Education:</b>														
<b>Enterprise Fund:</b>														
<b>Food Distribution Program:</b>														
Fiscal Year 2011	10.550	N/A	7,882	7/1/10 - 6/30/11					7,882	(7,882)				
<b>National School Lunch Program</b>														
Fiscal Year 2011	10.555	N/A	45,503	7/1/10 - 6/30/11				39,314		(45,503)		\$ (6,189)		
Fiscal Year 2010	10.555	N/A	43,967	7/1/09 - 6/30/10	\$ (2,811)			2,811						
<b>National School Breakfast Program</b>														
Fiscal Year 2011	10.553	N/A	4,382	7/1/10 - 6/30/11					4,382	(4,382)				
Fiscal Year 2010	10.553	N/A	3,187	7/1/09 - 6/30/10	(261)				261					
<b>Special Snack Program</b>														
Fiscal Year 2010	10.558	N/A	708	7/1/09 - 6/30/10	(122)				122					
Fiscal Year 2011	10.558	N/A	859	7/1/10 - 6/30/11					679	(859)		(180)		
<b>Special Milk Program:</b>														
Fiscal Year 2010	10.556	N/A	418	7/1/09 - 6/30/10	(20)				20					
<b>Total U.S. Department of Agriculture</b>					<b>(3,214)</b>	<b>-</b>	<b>-</b>	<b>55,471</b>	<b>(58,626)</b>	<b>-</b>	<b>-</b>	<b>(6,369)</b>	<b>-</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>														
<b>Passed-through State Department of Human Services</b>														
<b>General Fund:</b>														
<b>Medicaid Assistance Program</b>														
Fiscal Year 2011	93.778	N/A	6,359	7/1/10 - 6/30/11				5,330		(8,359)		(1,029)		
Fiscal Year 2010	93.778	N/A	12,437	7/1/09 - 6/30/10	(2,237)			2,237						
<b>Total U.S. Department of Health and Human Services</b>					<b>(2,237)</b>	<b>-</b>	<b>-</b>	<b>7,567</b>	<b>(8,359)</b>	<b>-</b>	<b>-</b>	<b>(1,029)</b>	<b>-</b>	<b>-</b>
<b>Total Federal Awards</b>					<b>\$ (182,128)</b>	<b>\$ 1,033</b>	<b>\$ -</b>	<b>\$ 3,290</b>	<b>\$ 351,321</b>	<b>\$ (335,952)</b>	<b>\$ -</b>	<b>\$ (169,417)</b>	<b>\$ 6,981</b>	<b>\$ -</b>

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The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

MOUNT EPHRAIM SCHOOL DISTRICT  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2011

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance at June 30, 2010			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011		
				(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>State Department of Education</b>													
General Fund:													
Equalization Aid	10-495-034-5120-078	\$ 2,712,114	7/1/09- 6/30/10	\$ (360,074)				\$ 360,074					
Equalization Aid	11-495-034-5120-078	2,963,766	7/1/10- 6/30/11					2,654,095	\$ (2,963,766)		\$ (309,671)		
Categorical Special Education Aid	11-495-034-5120-089	337,479	7/1/10- 6/30/11					337,479	(337,479)				
Extraordinary Special Education Aid	11-100-034-5120-473	68,873	7/1/10- 6/30/11					5,188	(68,873)		(63,685)		
Extraordinary Special Education Aid	10-100-034-5120-473	83,020	7/1/09- 6/30/10	(83,020)				83,020					
On-behalf TPAF Pension Contribution	11-495-034-5095-006	204,660	7/1/10- 6/30/11					204,660	(204,660)				
Reimbursed TPAF Social Security Contr.	10-495-034-5095-002	225,297	7/1/09- 6/30/10	(21,413)				21,413					
Reimbursed TPAF Social Security Contr.	11-495-034-5095-002	202,200	7/1/10- 6/30/11					162,604	(202,200)		(39,596)		
Total General Fund				(464,507)				3,828,533	(3,776,978)		(412,952)		
Debt Service Fund:													
Debt Service Aid Type II	11-495-034-5120-017	98,040	7/1/10- 6/30/11					98,040	(98,040)				
<b>State Department of Agriculture</b>													
Enterprise Fund:													
State School Lunch Program													
Fiscal Year 2010	10-100-010-3360-067	2,375	7/1/09- 6/30/10	(151)				151					
Fiscal Year 2011	11-100-010-3360-067	1,587	7/1/10- 6/30/11					1,383	(1,587)		(204)		
State School Breakfast Program													
Fiscal Year 2010	10-100-010-3360-096	280	7/1/09- 6/30/10	(23)				23					
Total Enterprise Fund				(174)				1,557	(1,587)		(204)		
Total State Financial Assistance				\$ (464,681)	\$ -	\$ -	\$ -	\$ 3,928,130	\$ (3,876,605)	\$ -	\$ (413,156)	\$ -	

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**Mount Ephraim School District  
Notes to Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2011**

**I. GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Mount Ephraim School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

**2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last 2 state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last 2 state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last 2 state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$50,403 for the general fund and \$0 for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 6,359	\$ 3,827,381	\$ 3,833,740
Special Revenue Fund	270,967		270,967
Capital Projects Fund			0
Debt Service Fund		98,040	98,040
Food Service Fund	<u>58,626</u>	<u>1,587</u>	<u>60,213</u>
<b>Total Awards &amp; Financial Assistance</b>	<u>\$ 335,952</u>	<u>\$ 3,927,008</u>	<u>\$ 4,262,960</u>

**Mount Ephraim School District  
Notes to the Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2011  
(Continued)**

**4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

**6. MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**7. ADJUSTMENTS**

Amounts reported in the column entitled "Adjustments" represent the following:

	<b>Federal</b>
Prior year overpayment applied	\$ 1,033
Reclassification of balances	2,257
Total	\$ 3,290

**MOUNT EPHRAIM SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Section 1 -- Summary of Auditor's Results**

**Financial Statement Section**

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

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

2) Significant deficiencies identified that are not considered to be a material weakness? \_\_\_\_\_ yes  X  none reported

Noncompliance material to general purpose financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

**NOT APPLICABLE**

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no

2) Significant deficiencies identified that are not considered to be a material weakness? \_\_\_\_\_ yes \_\_\_\_\_ none reported

Type of auditor's report on compliance for major programs: \_\_\_\_\_

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? \_\_\_\_\_ yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between type A and type B programs: \_\_\_\_\_

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



**MOUNT EPHRAIM SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENED JUNE 30, 2011**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 and State of NJOMB Circular 04-04.

**FINANCIAL STATEMENT FINDINGS**

There were no prior year audit findings.

**FEDERAL AWARDS**

No findings and/or questioned costs identified.

**STATE AWARDS**

No findings and/or questioned costs identified.