

MOUNT EPHRAIM SCHOOL DISTRICT

Mount Ephraim, New Jersey
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

MOUNT EPHRAIM SCHOOL DISTRICT

Mount Ephraim, New Jersey

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

**MOUNT EPHRAIM SCHOOL DISTRICT
Finance Department**

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INTRODUCTORY SECTION

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M T. E P H R A I M P U B L I C S C H O O L S

225 W. Kings Highway Mt. Ephraim, NJ 08059 Phone: 856-931-7807
www.mtcphraimschools.org

September 29, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Mount Ephraim School District for the fiscal year ended June 30, 2016 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 Mount 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 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 principle officials. The financial section includes the basic 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 Uniform Guidance, "Audits of State and Local Governments and Non-Profit Organizations", and the New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid".

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: Mount Ephraim School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Mount 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 2015-16 school year with an enrollment of 434 students; 1 students less than the previous year's enrollment in district, with an additional 195 high school and other students attending various programs out of District. The following details the changes in the student enrollment of the District over the last ten years:

Average Daily Enrollment – PK- 8

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-16	434.0	.02%
2014-15	435.0	2.11%
2013-14	426.2	(3.246)%
2012-13	440.6	(0.587)%
2011-12	443.2	(4.523)%
2010-11	464.2	(3.191)%
2009-10	479.5	3.008%
2008-09	465.5	4.442%
2007-08	445.7	0.632%
2006-07	442.9	(5.181)%
2005-06	467.1	3.962%

Mount Ephraim Schools maintained clubs and after-school activities during the 2014-15 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.

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 Mount Ephraim's financial situation is reflective of the state of the economy within New Jersey. Revitalization efforts continue along the Kings Highway section of town as well as 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.

Choice School designation has had a positive revenue impact for the District with twenty-nine (29) students electing to attend Mt. Ephraim Schools in the 2015-16 school year.

The District has two bargaining units, the Mt. Ephraim Education Association (MEEA) and the Mt. Ephraim Paraprofessional Association (MEPA). The MEEA contract ends June 30, 2016. The District negotiated agreement with the MEPA ends June 30, 2017.

The Board of Education continues its commitment to the Mount 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 the 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 SYSTEMS AND REPORTS: The District’s accounting records reflect Generally Accepted Accounting Principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of 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.

6) 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.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibilities for sound financial management. The following schedule presents a summary of the general fund, special revenue fund, capital projects and debt service fund for the fiscal year ended June 30, 2016.

	Revenue	Percentage of Total	(Decrease)/ Increase from 2015	Percentage Decrease/ Increase
Local Sources	\$ 6,039,165	55.29%	\$ 151,831	2.51%
State Sources	4,609,253	42.20%	41,301	0.90%
Federal Sources	274,135	2.51%	526	0.19%
Total	<u>\$ 10,922,553</u>	<u>100.00%</u>	<u>\$ 193,658</u>	<u>3.60%</u>

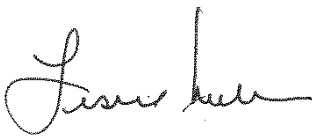
The following schedule presents a summary of general fund, special revenue fund and debt service expenditures for the fiscal year ended June 30, 2016 and the percentage of increases and decreases in relation to prior year amounts:

	Expenditure	Percentage of Total	(Decrease)/ Increase from 2015	Percentage Decrease/ Increase
Current Expenditures:				
Instruction	\$ 2,936,828	26.05%	\$ (160,408)	-5.46%
Support Services & Undistributed Costs	7,474,065	66.29%	320,883	4.29%
Special Revenue:				
Instruction	228,359	2.03%	(13,048)	-5.71%
Support Services & Undistributed Costs	20,995	0.19%	6,116	29.13%
Debt Service	576,460	5.11%	9,500	1.65%
Capital Outlay	37,263	0.33%	(380,368)	-1020.77%
Totals	\$ 11,273,970	100.00%	\$ (217,325)	-1.93%

8) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Holman Frenia Allison, P.C. was selected by the Board's finance committee. 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, as amended in 1996, and the Uniform Guidance and State Treasury Circular Letter OMB 15-08. The auditor's report on the basic 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.

9) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Mount Ephraim School Board for their concern in providing fiscal responsibility to the citizens and taxpayers of the School District and, thereby, contributing their full support to the developments and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

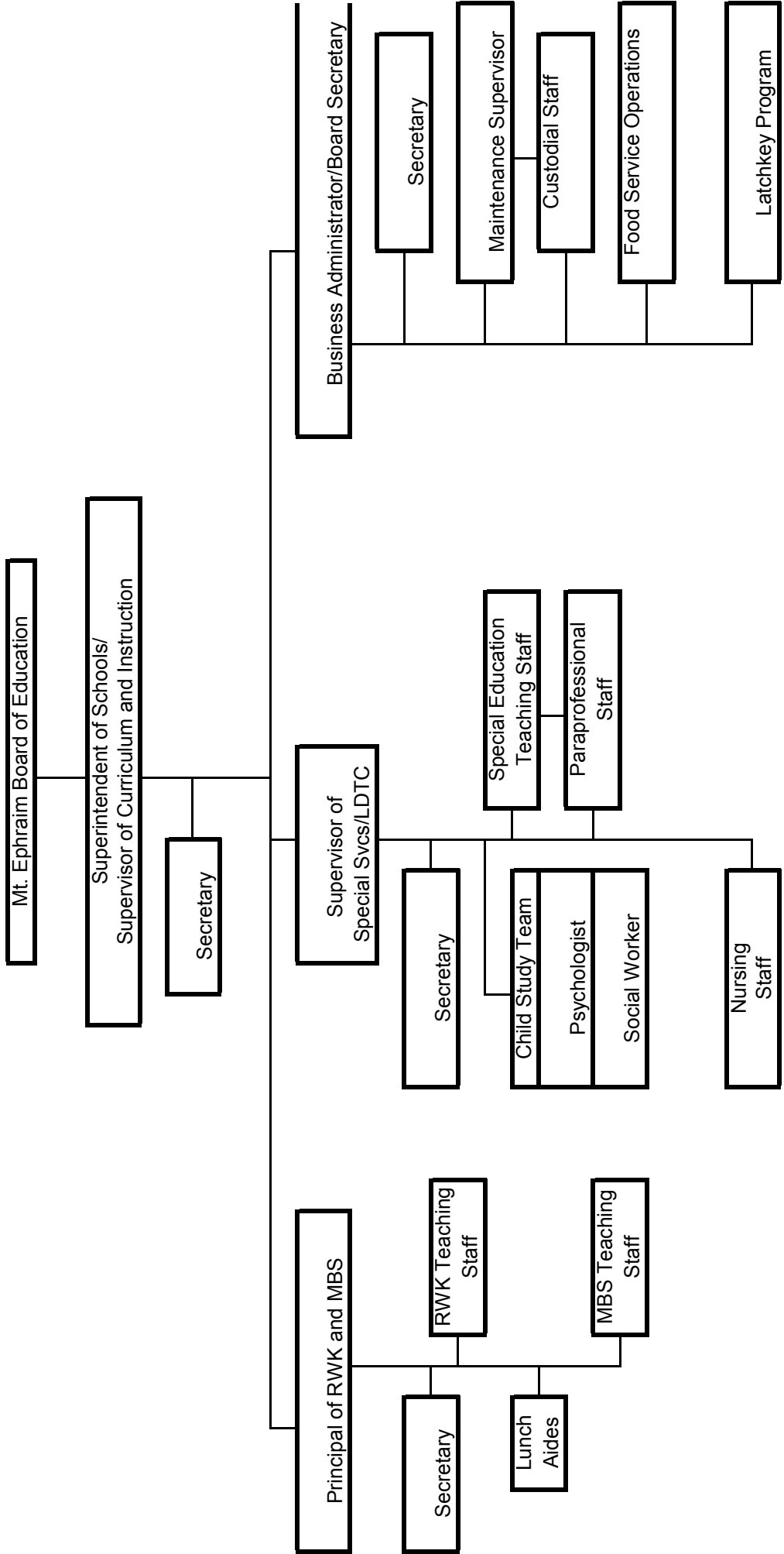


Leslie Koller
Chief School Administrator



William Gerson
Finance Manager/ Board Secretary

Mount Ephraim Public School District
Organization Chart



MOUNT EPHRAIM SCHOOL DISTRICT
Mount Ephraim, New Jersey

ROSTER OF OFFICIALS

JUNE 30, 2016

MEMBERS OF THE BOARD OF EDUCATION

TERM EXPIRES

Patricia Blaylock, President	2016
Carl Ingram, Vice President	2016
Mario Alibrando	2016
Joan Greenwood	2017
Robin Malinowski	2017
Lew Greenwood	2018
Nicholas Salamone, Jr.	2018
Rocco Vespe	2017
C. Diane Vilaro	2018

OTHER OFFICIALS

Leslie Koller, Superintendent
William Gerson, Board Secretary
Mary Bakey, Treasurer

MOUNT EPHRAIM SCHOOL DISTRICT
Mount Ephraim, New Jersey

CONSULTANTS AND ADVISORS

AUDIT FIRM

Kevin Frenia CPA, PSA
Holman Frenia Allison, P.C.
618 Stokes Road
Medford, New Jersey 08055

ATTORNEY

Lenox, Socey, Formidoni, Giordano, Cooley, Lang & Casey, LLC
136 Franklin Corner Road
Lawrenceville, NJ 08648

OFFICIAL DEPOSITORY

1st Colonial Community Bank
1040 Haddon Avenue
Collingswood, New Jersey 08108

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FINANCIAL SECTION

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HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Mount Ephraim School District
County of Camden
Mount Ephraim, New Jersey 08059

Report on the Financial Statements

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, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mount Ephraim School District, County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ephraim School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of State Grants and State Aid respectively, and are also not a required part of the basic financial statements.

The accompanying combining statements and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and

Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section listed in the table of contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016 on our consideration of the Mount Ephraim School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mount Ephraim School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
September 29, 2016

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

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MOUNT EPHRAIM BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2016

UNAUDITED

As management of the Mount Ephraim School District (hereafter referred to as the “School District”), we offer readers of the School District’s financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District’s financial performance as a whole; readers should also review the information furnished in our letter of transmittal, notes to the basic financial statements, and financial statements to enhance their understanding of the School District’s financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the School District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, totaled \$2,439,181 at the close of the current fiscal year. Of this amount, \$2,281,439 represents net position of governmental activities and \$157,742 for business-type activities.
- As of the close of the current fiscal year, the School District’s governmental funds reported combined ending fund balances of \$702,152, a decrease of \$334,867, or thirty-two percent (32%), in comparison with the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of \$117,208, approximately a sixty percent (60%) increase from that of the prior fiscal year. The deficit was a direct result of the delayed State of New Jersey school aid payments for the month of June 2016. For budgetary (operational) purposes, 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 June state aid payments as revenue 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, however, 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. Being that the State of New Jersey recognizes the delayed June school aid payments as an expenditure in the subsequent fiscal year, the School District must also recognize the related revenue in the subsequent fiscal year.

Using this Comprehensive Annual Financial Report (CAFR)

This comprehensive annual financial report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District’s finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the School

District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds.

Reporting the School District as a Whole

One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the fiscal year's activities?" The statement of net position and the statement of activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in it. You can think of the School District's net position - which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources - as one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the School District's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the School District's property tax base and the condition of the School District's capital assets, to assess the *overall health* of the School District.

In the statement of net position and the statement of activities, we divide the School District into two kinds of activities, those being governmental activities and business-type activities. In the governmental activities, this is where all of the School District's basic services are reported and are supported from property taxes and intergovernmental revenues. The business-type activities of the School District include a food service program and a latchkey program and are supported from user fees and charges.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The Government-Wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015-2016?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial

positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- ◆ Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation, extracurricular activities, administration and community education. Aids from the State of New Jersey and from the Federal government along with local Property taxes finances most of these activities.
- ◆ Business-type activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the School District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund, which are all considered to be major funds.

The School District adopts an annual budget for its general fund, special revenue fund, and debt service fund. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary Funds

The School District maintains one type of proprietary fund; that being an enterprise fund. *Enterprise Funds* are used to report the same functions presented as *Business-Type Activities* in the government-wide financial statements. The School District uses an enterprise fund to account for its food service and latchkey programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food service and latchkey programs, which are all considered to be major funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. The combining and individual fund statements referred to earlier in connection with governmental and enterprise funds are presented immediately following the notes to the financial statements

THE SCHOOL DISTRICT AS A WHOLE

During fiscal year 2016, the School District's net position decreased by \$(173,154), decreasing from \$2,612,335 in fiscal year 2015 to \$2,439,181 in fiscal year 2016. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the School District's governmental-type activities and business-type activities.

TABLE I - NET POSITION

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
ASSETS				
Current Assets	\$ 748,310	\$ 1,142,728	\$ 152,411	\$ 110,605
Capital Assets, net	9,099,199	9,375,335	10,561	17,287
Total Assets	<u>9,847,509</u>	<u>10,518,063</u>	<u>162,972</u>	<u>127,892</u>
Deferred Outflows of Resources	<u>626,386</u>	<u>546,923</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 10,473,895</u>	<u>\$ 11,064,986</u>	<u>\$ 162,972</u>	<u>\$ 127,892</u>
LIABILITIES				
Current Liabilities	\$ 103,138	\$ 237,697	\$ 5,230	\$ 2,214
Noncurrent Liabilities	7,775,605	8,227,566	-	-
Total Liabilities	<u>7,878,743</u>	<u>8,465,263</u>	<u>5,230</u>	<u>2,214</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	<u>313,713</u>	<u>113,065</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 8,192,456</u>	<u>\$ 8,578,328</u>	<u>\$ 5,230</u>	<u>\$ 2,214</u>
NET POSITION				
Net Investment in Capital Assets	3,695,372	3,606,321	10,561	17,287
Restricted	549,931	537,041	-	-
Unrestricted	<u>(1,963,864)</u>	<u>(1,656,705)</u>	<u>147,181</u>	<u>108,391</u>
Total Net Position	<u>2,281,439</u>	<u>2,486,657</u>	<u>157,742</u>	<u>125,678</u>

In total, assets decreased by \$670,554, deferred outflows of resources increased by \$79,463, and liabilities decreased by \$385,872. The decrease in assets was primarily attributable to the depreciation on capital assets. The increase in deferred outflows of resources and liabilities was attributable to the District's pension liability.

The largest portion, or \$3,695,372, of the School District's total net position at the end of the current fiscal year reflects its net investment in capital assets (i.e., land, buildings, equipment).

This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The School District uses these assets to provide educational services to students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional component of the School District's net position, \$550,279, represents resources that are restricted. These amounts consist of amounts restricted for debt service, maintenance, excess surplus, and capital projects. Additional information on the School District's restricted net position can be found in the notes to the financial statements.

The third and final component of net position is unrestricted. This component represents resources and uses that do not meet the criteria of the aforementioned two components of net position. At the end of the current fiscal year, the School District's unrestricted net position was \$(1,964,212).

**TABLE 2
CHANGES IN NET POSITION**

Description	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
REVENUES -				
Program Revenues:				
Charges for services	\$ -	\$ -	\$ 171,212	\$ 142,366
Operating grants & contributions	1,710,751	1,447,191	87,686	87,214
General Revenues:				
Property Taxes	5,988,581	5,886,286	-	-
Grants & entitlements	3,937,417	4,154,519	-	-
Other	67,134	112,320	-	-
Total Revenues	\$ 11,703,883	\$ 11,600,316	\$ 258,898	\$ 229,580
EXPENSES -				
Instruction	\$ 3,165,187	\$ 3,338,881	\$ -	\$ -
Tuition	3,310,645	3,099,269	-	-
Related Services	924,521	889,131	-	-
General Administration	584,777	555,831	-	-
Operations & Maintenance	529,753	588,005	-	-
Transportation	150,437	170,075	-	-
Unallocated Employee Benefits	2,758,926	2,481,520	-	-
Food Service	-	-	178,250	171,870
Latchkey	-	-	48,584	115,573
Other	484,855	513,907	-	-
Total Expenses	\$ 11,909,101	\$ 11,636,619	\$ 226,834	\$ 287,443
Incr. in Net Position before Transfers	\$ (205,218)	\$ (36,303)	\$ 32,064	\$ (57,863)
Changes in Net Position	\$ (205,218)	\$ (36,303)	\$ 32,064	\$ (57,863)
Net Assets - July 1	2,486,657	2,522,960	125,678	183,541
Net Assets - June 30	\$ 2,281,439	\$ 2,486,657	\$ 157,742	\$ 125,678

During fiscal year 2016, the School District's total revenues increased by \$132,885, increasing from \$11,829,896 in fiscal year 2015 to \$11,962,781 in fiscal year 2016. The net change in total revenues is largely attributable to the following:

- An increase of \$263,560 in operating grants & contributions.

Property taxes constituted approximately fifty-one percent (51%) of total revenues for the School

District for the fiscal year 2016. In addition, federal and state aid constituted approximately thirty-four percent (34%) of total revenues for the School District. Lastly, charges for services, operating grants

and contributions, interest and investment earnings, and miscellaneous income constituted approximately fifteen percent (15%) of total revenues for the School District.

During fiscal year 2016, the School District's total expenses increased by \$212,111, increasing from \$11,923,824 in fiscal year 2015 to \$12,135,935 in fiscal year 2016. The increase is largely attributable to the following:

- Unallocated Employee Benefit expenses increased from fiscal year 2015 by \$277,406.

Financial Analysis of the School District's Funds

Governmental Funds

As the School District completed the fiscal year, its governmental funds reported a *combined* fund balance of \$702,152, which is a decrease compared to last fiscal year's total of \$1,037,019. Of the combined ending fund balances of \$702,152, the unassigned fund balance was a deficit of \$117,556. The remainder of fund balance is restricted / assigned to indicate that it is not available for new spending because it has already been assigned as follows: (1) restricted for excess surplus (designated for subsequent year's expenditures and current fiscal year) \$538,178, (2) assigned to liquidate contracts and purchase orders of the prior period \$69,081, and (3) assigned to the fiscal year 2017 budget for subsequent year's expenditures \$212,449.

General fund - The general fund is the general operating fund of the School District and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current fiscal year, unassigned fund balance of the general fund was in a deficit in the amount of \$117,556. As previously stated, the deficit is primarily due to the delay of the June state school aid payments.

During the current fiscal year, the fund balance of the School District's general fund decreased by \$244,337. The primary factor affecting the fund balance of the general fund is as follows:

- Total fiscal year 2016 expenditures increased from fiscal year 2015 by \$125,601; the primary contributors to this increase were the regular instruction expenditures and personal services - employee benefits.

Special revenue fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. During the year fiscal year 2016, the School District had expenditures of \$249,354, of which \$228,359 was incurred for special education instruction and \$20,995 for student and instruction related services. The primary funding for these expenditures came from Title I, Part A \$78,763 and I.D.E.A. Part B, Basic \$144,053, both of which are federal awards.

Capital projects fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities, other than those financed by the proprietary funds.

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the current fiscal year, the School District expended \$370,000 and \$206,460, representing the payment of bond principal, and interest, respectively. At the end of the current fiscal year, restricted fund balance of the debt service fund was \$0, which is a decrease from the previous fiscal year.

Propriety Funds

Food service fund - as the School District completed the fiscal year, the School District's total net position of the food service fund was \$35,606, which was comprised of \$10,561 of net investment in capital assets and \$25,045 of unrestricted net position.

During the current fiscal year, the net position of the School District's food service fund decreased by \$15,015. The primary factor affecting the change in net position of the food service fund is as follows:

- operating expenses increased from fiscal year 2015 by \$6,380.

Latchkey Fund - as the School District completed the fiscal year, the School District's total net position of the Latchkey Fund was unrestricted in the amount of \$122,136.

During the current fiscal year, the net position of the School District's Latchkey Fund increased by \$47,079.

Financial Information at Fiscal Year-End

The following schedule presents a summary of the general fund, special revenue fund, debt service fund and permanent fund revenues for the fiscal year ended June 30, 2016 and the amount and percentage of increases and (decreases) in relation to prior year revenues:

	2014-15 Revenue	2015-16 Revenue	Increase/ (Decrease)	% of Increase/ (Decrease)
Local Sources:				
Local Tax Levy	\$ 5,886,286	\$ 5,988,581	\$ 102,295	1.74%
Tuition	13,317	12,075	(1,242)	-9.33%
Miscellaneous	39,003	38,509	(494)	-1.27%
State Sources	4,570,333	4,609,253	38,920	0.85%
Federal Sources	280,688	274,135	(6,553)	-2.33%
Total Revenue	<u>\$ 10,789,627</u>	<u>\$ 10,922,553</u>	<u>\$ 132,926</u>	<u>1.22%</u>

The following schedule presents a summary of general fund, special revenue fund, debt service fund and permanent fund expenditures for the fiscal year ended June 30, 2016 and the percentage of increases and (decreases) in relation to prior year amounts. The Capital Projects Fund has been excluded as amounts vary substantially from year to year.

	2014-15 Expenditures	2015-16 Expenditures	Increase/ (Decrease)	% of Increase/ (Decrease)
Current Expense:				
Instruction	\$ 3,338,643	\$ 3,165,187	\$ (173,456)	-5.20%
Undistributed Expenditures	7,168,061	7,495,060	326,999	4.56%
Capital Outlay	72,137	37,263	(34,874)	-48.34%
Debt Service	566,960	576,460	9,500	1.68%
Total Expenditures	<u>\$ 11,145,801</u>	<u>\$ 11,273,970</u>	<u>\$ (128,169)</u>	<u>-1.14%</u>

Instruction expenditures increased due to the increase in special education program expenditures. The decrease in debt service was due to the District's repayment schedule.

General Fund Budgetary Highlights

The budget modifications during the fiscal year ended June 30, 2016 consisted of Board approved budget transfers.

The final budgetary basis revenue estimate was \$9,447,466, which remains unchanged from the original budgeted estimate. Total budgeted revenues realized equaled \$10,190,202, which was \$742,736 in excess of the budget estimate, thus replenishing fund balance. This excess was directly attributable to the School District's reimbursed T.P.A.F. pension contributions (normal cost and post-retirement medical) and reimbursed T.P.A.F. social security contributions, which totaled \$477,856 and \$2218,761, respectively.

The final budgetary basis expenditure appropriation estimate was \$10,279,952, which is an increase of \$6,607 from the original budgeted estimate. Actual expenditures incurred of \$10,448,156 were more than the final budget estimate by \$168,204.

Special Revenue Fund Budgetary Highlights

There were no differences between the original budget and the final modified budget.

Capital Assets

The School District's net investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to a historical cost of \$12,644,077, or \$9,109,760 net of accumulated depreciation (see Table 3). This net investment in capital assets includes land, land improvements, vehicles, buildings and building improvements, and machinery and equipment. Net capital assets decreased by \$282,860 in fiscal year 2016 from fiscal year 2015.

Capital asset activity during the fiscal year 2015 includes the following:

- current year depreciation expense was \$276,135 and \$6,725 for governmental activities and business-type activities, respectively

	2015	2016	2015	2016
	Governmental	Governmental	Business-Type	Business-Type
	Activities	Activities	Activities	Activities
Land	\$ 44,260	\$ 44,260	\$ -	\$ -
Site & Building	12,361,620	12,361,620	-	-
Machinery & Equipment	191,958	191,958	90,499	90,499
Subtotal	<u>12,553,578</u>	<u>12,553,578</u>	90,499	90,499
Accumulated Depreciation	<u>(3,222,504)</u>	<u>(3,498,639)</u>	(73,213)	(79,938)
Total	<u>\$ 9,375,334</u>	<u>\$ 9,099,199</u>	\$ 17,286	\$ 10,561

Additional information on the School District's capital assets can be found in the notes to the financial statements.

Debt Administration and Other Obligations

General Serial Bonds. At the end of the current fiscal year, the School District had total bonded debt outstanding of \$5,460,000. The fiscal year 2016 adopted budget had an appropriation of \$576,460 representing the payment of annual principal and interest (refer to audit exhibit I-1, schedule of serial bonds, and audit exhibit I-3, budgetary comparison schedule, for more detail).

Compensated Absences. At the end of the current fiscal year, the liability for compensated absences was \$134,983. Compensated absences are those absences for which employees will be paid, such as sick leave. Additional information on compensated absences can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

For the fiscal year 2016-2017, the School District was able to sustain its budget through property taxes, federal and state sources, and other various revenue sources. Approximately sixty-one percent (61%) of total revenue is from property taxes, while thirty-nine percent (39%) of the School District's revenue is from federal, state, and local sources. The fiscal year 2015-2016 budget was adopted on May 4, 2015 by the Board.

For the 2016-17 budget, the district will be using funds to maintain the staffing and curriculum initiatives which were begun in the three previous school years. These initiatives included Common Core curriculum alignment for instruction and assessment as well as a Response to Intervention (RTI) program to assist in differentiating instruction and assessment for all students.

Phase One of our One-to-One Student Electronic Device initiative was implemented in 2014-15. It included one-to-one Chromebooks for each student in grades 6, 7, & 8. Carts of twenty-five Chromebooks were purchased to be shared among students in grades 3 & 4. It also included supplementing ERate funds to upgrade the wireless connectivity at the middle school.

Phase two was supposed to be implemented in 2015-16 but was postponed for budgetary reasons. It will be reintroduced in the 2017-18 budget as a necessity to facilitate teacher instruction and student learning using District electronic curriculum in all subject areas, particularly English Language Arts and Mathematics. Phase 2 will include one-to-one Chromebooks for students in grades 3,4 & 5 and carts of 25 Chromebooks to be shared by students in grades 1 & 2. Thirty-two iPads and two table-top charging stations will be included for Kindergarteners.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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MOUNT EPHRAIM SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 383,438	\$ 154,273	\$ 537,711
Internal Balances	8,717	(8,717)	-
Receivables, Net	356,155	2,819	358,974
Inventory	-	4,036	4,036
Capital Assets, Depreciable (Note 5)	9,099,199	10,561	9,109,760
Total Assets	9,847,509	162,972	10,010,481
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows Related to Pensions	263,565	-	263,565
Deferred Loss on Defeasance of Debt	362,821	-	362,821
Total Deferred Outflow of Resources	626,386	-	626,386
Total Assets and Deferred Outflow of Resources	10,473,895	162,972	10,636,867
LIABILITIES			
Accounts Payable	46,158	1,528	47,686
Accrued Interest	56,980	-	56,980
Unearned Revenue	-	3,702	3,702
Noncurrent Liabilities (Note 7):			
Due Within One Year	370,000	-	370,000
Due Beyond One Year	7,405,605	-	7,405,605
Total Liabilities	7,878,743	5,230	7,883,973
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows Related to Pensions	313,713	-	313,713
Total Deferred Inflow of Resources	313,713	-	313,713
Total Liabilities and Deferred Inflow of Resources	8,192,456	5,230	8,197,686
NET POSITION			
Net Investment in Capital Assets	3,695,372	10,561	3,705,933
Restricted For:			
Debt Service	(56,980)	-	(56,980)
Capital Projects	69,081	-	69,081
Other Purposes	537,830	-	537,830
Unrestricted	(1,963,864)	147,181	(1,816,683)
Total Net Position	\$ 2,281,439	\$ 157,742	\$ 2,439,181

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

**MOUNTEPHRAIM SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular	\$ 1,884,126	\$ -	-	(1,884,126)	\$ -	\$ (1,884,126)
Special Education	1,093,979	-	228,359	(865,620)	-	(865,620)
Other Special Instruction	171,509	-	-	(171,509)	-	(171,509)
Other Instruction	15,573	-	-	(15,573)	-	(15,573)
Support Services & Undistributed Costs:						
Tuition	3,310,645	-	-	(3,310,645)	-	(3,310,645)
Health Services	148,825	-	-	(148,825)	-	(148,825)
Student & Instruction Related Services	564,817	-	-	(564,817)	-	(564,817)
Educational Media Services/School Library	210,879	-	-	(210,879)	-	(210,879)
Other Administrative Services	405,160	-	-	(405,160)	-	(405,160)
School Administrative Services	179,617	-	20,995	(158,622)	-	(158,622)
Plant Operations & Maintenance	529,753	-	-	(529,753)	-	(529,753)
Pupil Transportation	150,437	-	-	(150,437)	-	(150,437)
Unallocated Employee Benefits	2,758,926	-	1,461,397	(1,297,529)	-	(1,297,529)
Interest & Other Charges on Long-Term Debt	208,720	-	-	(208,720)	-	(208,720)
Unallocated Depreciation	276,135	-	-	(276,135)	-	(276,135)
Total Governmental Activities	11,909,101	-	1,710,751	(10,198,350)	-	(10,198,350)

**MOUNTEPHRAIM SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Business-Type Activities:						
Food Service	178,250	75,549	87,686	-	(15,015)	(15,015)
Latchkey	48,584	95,663	-	-	47,079	47,079
Total Business-Type Activities	226,834	171,212	87,686	-	32,064	32,064
Total Primary Government	\$ 12,135,935	\$ 171,212	\$ 1,798,437	\$ (10,198,350)	\$ 32,064	\$ (10,166,286)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Including Debt Service				5,988,581	-	5,988,581
Federal & State Aid Not Restricted				3,937,417	-	3,937,417
Tuition Received				12,075	-	12,075
Cancellation of Accounts Payable				16,550	-	16,550
Miscellaneous Income				38,509	-	38,509
Total General Revenues, Special Items, Extraordinary Items & Transfers				9,993,132	-	9,993,132
Change In Net Position				(205,218)	32,064	(173,154)
Net Position - Beginning				2,486,657	125,678	2,612,335
Net Position - Ending				\$ 2,281,439	\$ 157,742	\$ 2,439,181

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B. Fund Financial Statements

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Governmental Funds

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**MOUNT EPHRAIM SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

ASSETS & OTHER DEBITS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	JUNE 30, TOTALS
Assets:					
Cash & Cash Equivalents	\$ 547,167	\$ -	\$ -	\$ -	\$ 547,167
Property Tax Levy Receivable	51,148	-	-	-	51,148
Accounts Receivable:					
State Aid	-	-	163,271	-	163,271
Federal Aid	-	85,499	-	-	85,499
Interfund Receivable:					
General Fund	-	-	-	8,353	8,353
Special Revenue Fund	21,592	-	-	-	21,592
Enterprise Fund	8,717	-	-	-	8,717
Fiduciary Fund	56,237	-	-	-	56,237
Total Assets	\$ 684,861	\$ 85,499	\$ 163,271	\$ 8,353	\$ 941,984
LIABILITIES & FUND BALANCES					
Liabilities:					
Cash Deficit	\$ -	\$ 61,186	\$ 94,190	\$ 8,353	\$ 163,729
Accounts Payable	43,437	2,721	-	-	46,158
Interfunds Accounts Payable					
General Fund	-	21,592	-	-	21,592
Debt Service Fund	8,353	-	-	-	8,353
Total Liabilities	51,790	85,499	94,190	8,353	239,832
Fund Balances:					
Restricted for:					
Excess Surplus	448,122	-	-	-	448,122
Excess Surplus Designated for Subsequent Year's Expenditures	89,708	-	-	-	89,708
Capital Projects Fund	-	-	69,081	-	69,081
Assigned to:					
Designated for Subsequent Year's Expenditures	212,449	-	-	-	212,449
Unassigned:					
General Fund	(117,208)	-	-	-	(117,208)
Total Fund Balances	633,071	-	69,081	-	702,152
Total Liabilities & Fund Balances	\$ 684,861	\$ 85,499	\$ 163,271	\$ 8,353	

Amounts reported for governmental activities in the statement of Net Position (A-2) 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 \$12,597,838 and the accumulated depreciation is \$3,498,639.	\$ 9,099,199
Accrued interest payable is not recorded in the fund financial due to the fact that payable is not due in the current period.	(56,980)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	(50,148)
Unamortized bond issuance loss on refunding net of bond premium is not recorded in the fund financials but is recorded on the government-wide financials.	362,821
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 (see Illustrative Note 7)	(7,775,605)
Net Position of Governmental Activities	\$ 2,281,439

MOUNT EPHRAIM SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
Revenues:					
Local Sources:					
Local Tax Levy	\$ 5,502,651	\$ -	\$ -	\$ 485,930	\$ 5,988,581
Tuition	12,075	-	-	-	12,075
Miscellaneous	38,509	-	-	-	38,509
Total Local Sources	5,553,235	-	-	485,930	6,039,165
State Sources	4,609,253	-	-	-	4,609,253
Federal Sources	24,781	249,354	-	-	274,135
Total Revenues	10,187,269	249,354	-	485,930	10,922,553
Expenditures:					
Current Expense:					
Regular Instruction	1,884,126	-	-	-	1,884,126
Special Education Instruction	865,620	228,359	-	-	1,093,979
Other Special Instruction	171,509	-	-	-	171,509
Other Instruction	15,573	-	-	-	15,573
Support Services:					
Tuition	3,310,645	-	-	-	3,310,645
Health Services	148,825	-	-	-	148,825
Student & Instruction Related Services	564,817	-	-	-	564,817
Educational Media Services/ School Library	210,879	-	-	-	210,879
School Administrative Services	158,622	20,995	-	-	179,617
Other Administrative Services	405,160	-	-	-	405,160
Plant Operations & Maintenance	525,581	-	-	-	525,581
Pupil Transportation	150,437	-	-	-	150,437
Employee Benefits	1,999,099	-	-	-	1,999,099
Capital Outlay	37,263	-	-	-	37,263
Debt Service:					
Principal	-	-	-	370,000	370,000
Interest & Other Charges	-	-	-	206,460	206,460
Total Expenditures	10,448,156	249,354	-	576,460	11,273,970
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(260,887)	-	-	(90,530)	(351,417)
Other Financing Sources/(Uses):					
Cancellation of Prior Year Payables	16,550	-	-	-	16,550
Total Other Financing Sources/(Uses)	16,550	-	-	-	16,550
Excess/(Deficiency) of Revenues & Other Financing Sources Over/(Under) Expenditures & Other Financing Uses	(244,337)	-	-	(90,530)	(334,867)
Fund Balance - July 1	877,408	-	69,081	90,530	1,037,019
Fund Balance - June 30	\$ 633,071	\$ -	\$ 69,081	\$ -	\$ 702,152

The accompanying Notes to the 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, 2016**

Total Net Change in Fund Balances - Governmental Funds \$ (334,867)

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

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

Depreciation Expense (276,135)

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

District Pension Contributions - 2016	\$ 71,771		
Unfunded TPAF Pension Expense	764,780		
State Share of Unfunded TPAF Pension Expense	(764,780)		
Pension Expense	<u>(66,818)</u>		4,953

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position and is not reported in the statement of activities.

Bond Principal 370,000

Amortization on Refunding of Debt are recorded when incurred in the governmental funds but are accrued and expensed over time in the statement of activities (4,814)

In the statement of activities, 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. The accrued interest is an addition in the reconciliation (+).

Prior Year	60,217		
Current Year	<u>(56,980)</u>		3,237

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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 (+).

Prior Year	167,391		
Current Year	<u>(134,983)</u>		32,408

Change in Net Position of Governmental Activities \$ (205,218)

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Proprietary Funds

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MOUNT EPHRAIM SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		TOTALS
	LATCHKEY	FOOD SERVICE	
Current Assets:			
Cash & Cash Equivalents	\$ 130,853	\$ 23,420	\$ 154,273
Accounts Receivable:			
State	-	57	57
Federal	-	2,762	2,762
Inventories	-	4,036	4,036
Total Current Assets	130,853	30,275	161,128
Capital Assets:			
Equipment	-	90,499	90,499
Less: Accumulated Depreciation	-	(79,938)	(79,938)
Total Capital Assets	-	10,561	10,561
Total Assets	130,853	40,836	171,689
LIABILITIES			
Interfund Payables	8,717	-	8,717
Accounts Payable	-	1,528	1,528
Unearned Revenue	-	3,702	3,702
Total Liabilities	8,717	5,230	13,947
NET POSITION			
Net Investment in Capital Assets	-	10,561	10,561
Unrestricted	122,136	25,045	147,181
Total Net Position	\$ 122,136	\$ 35,606	\$ 157,742

**MOUNT EPHRAIM SCHOOL DISTRICT
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR FISCAL YEAR ENDED JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		TOTALS
	LATCHKEY	FOOD SERVICE	
Operating Revenues:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
School Lunch Program	\$ -	\$ 44,219	\$ 44,219
Total - Daily Sales - Reimbursable Programs	-	44,219	44,219
Daily Sales Nonreimbursable Programs	-	27,542	27,542
Special Functions	-	3,328	3,328
Miscellaneous	-	460	460
Enrollment Fees	95,663	-	95,663
Total Operating Revenue	95,663	75,549	171,212
Operating Expenses:			
Salaries - Food Service Management	-	61,765	61,765
Salaries - Personnel Services	44,868	-	44,868
Payroll Taxes & Benefits - Food Service Management	-	15,248	15,248
Supplies and Materials	3,716	13,778	17,494
Management Fee	-	12,687	12,687
Depreciation	-	6,725	6,725
Miscellaneous	-	6,631	6,631
Cost of Sales	-	61,416	61,416
Total Operating Expenses	48,584	178,250	226,834
Operating Income/(Loss)	47,079	(102,701)	(55,622)
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	-	1,605	1,605
Federal Sources:			
National School Breakfast Program	-	15,133	15,133
National School Lunch Program	-	59,450	59,450
After School Snack Program	-	1,688	1,688
Healthy Hungry Kids Act	-	1,993	1,993
Food Distribution Program	-	7,817	7,817
Total Nonoperating Revenues/ (Expenses)	-	87,686	87,686
Change in Net Position	47,079	(15,015)	32,064
Total Net Position - Beginning	75,057	50,621	125,678
Total Net Position - Ending	\$ 122,136	\$ 35,606	\$ 157,742

**MOUNT EPHRAIM SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	LATCHKEY	FOOD SERVICE	TOTALS
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 95,663	\$ 77,037	\$ 172,700
Payments to Employees	(44,868)	(61,765)	(106,633)
Payment to Employee Benefits	-	(15,248)	(15,248)
Payments to Suppliers	(3,716)	(86,427)	(90,143)
Net Cash Provided/(Used) by Operating Activities	<u>47,079</u>	<u>(86,403)</u>	<u>(39,324)</u>
Cash Flows From Noncapital Financing Activities:			
State Sources	-	1,727	1,727
Federal Sources	-	89,035	89,035
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>90,762</u>	<u>90,762</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	47,079	4,359	51,438
Cash & Cash Equivalents, July 1	83,774	19,061	102,835
Cash & Cash Equivalents, June 30	<u>\$ 130,853</u>	<u>\$ 23,420</u>	<u>\$ 154,273</u>

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	\$ 47,079	\$ (102,701)	\$ (55,622)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Depreciation Expense	-	6,725	6,725
Change in Assets & Liabilities:			
(Increase)/Decrease in Accounts Payable	-	1,528	1,528
(Increase)/Decrease in Inventory	-	6,557	6,557
(Decrease)/Increase in Unearned Revenue	-	1,488	1,488
Net Cash Provided/(Used) by Operating Activities	<u>47,079</u>	<u>(86,403)</u>	<u>(39,324)</u>

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

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Fiduciary Fund

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**MOUNT EPHRAIM SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS	AGENCY		PRIVATE PURPOSE				TOTALS
	STUDENT ACTIVITY	PAYROLL	SCHOLARSHIP FUND	FLEXIBLE BENEFITS FUND	UNEMPLOYMENT COMPENSATION		
Cash & Cash Equivalents	\$ 23,040	\$ 59,657	\$ 9,322	\$ 4,826	\$ 102,580	\$ 199,425	
Total Assets	23,040	59,657	9,322	4,826	102,580	199,425	
LIABILITIES							
Due to Student Groups	23,040	-	-	-	-	23,040	
Payroll Deductions and Withholdings	-	3,420	-	-	-	3,420	
Interfund Payable	-	56,237	-	-	-	56,237	
Total Liabilities	23,040	59,657	-	-	-	82,697	
NET POSITION							
Restricted for:							
Unemployment Claims	-	-	-	-	102,580	102,580	
Flexible Benefits Claims	-	-	-	4,826	-	4,826	
Scholarship Awards	-	-	9,322	-	-	9,322	
Total Net Position	\$ -	\$ -	\$ 9,322	\$ 4,826	\$ 102,580	\$ 116,728	

**MOUNT EPHRAIM SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

ADDITIONS	PRIVATE PUPOSE			TOTALS
	SCHOLARSHIP FUNDS	FLEXIBLE BENEFITS FUNDS	UNEMPLOYMENT COMPENSATION	
Contributions:				
Deductions from Employees' Salaries	\$ -	\$ 8,318	\$ 16,022	\$ 24,340
Total Contributions	-	8,318	16,022	24,340
Investment Earnings:				
Interest & Dividends	23	-	237	260
Net Investment Earnings	23	-	237	260
Total Additions	23	8,318	16,259	24,600
DEDUCTIONS				
Awarded Scholarships	50	-	-	50
Transfers	-	6,939	-	6,939
Claims	-	8,026	4,017	12,043
Total Deductions	50	14,965	4,017	19,032
Change in Net Position	(27)	(6,647)	12,242	5,568
Net Position - Beginning of the Year	9,349	11,473	90,338	111,160
Net Position - End of the Year	\$ 9,322	\$ 4,826	\$ 102,580	\$ 116,728

MOUNT EPHRAIM SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

The financial statements of the Mount Ephraim School District (the ‘District’) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

Reporting Entity

The Mount Ephraim 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”). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member’s terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades kindergarten through eighth at its two schools. Students in grades nine through twelve attend, on a tuition basis, the Audubon High School District. The School District has an approximate enrollment at June 30, 2016, of 434.

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

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

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended June 30, 2016.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The District's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The District’s fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund and the Latchkey program are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the government-wide financial statements. The District does not maintain any internal service funds.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the 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 noninstructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey Department of Education the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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, interest earnings and appropriated fund balance. Expenditures are those that 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. These resources can be transferred from and to Current Expense by board resolution.

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

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).

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

The District reports the following major proprietary funds:

Food Service Fund – This fund accounts for the revenues and expenses pertaining to the District’s cafeteria operations.

Latchkey Fund – This fund accounts for the financial activity related to the providing of day care services for students before and after school.

Additionally, the District reports the following major fiduciary funds:

Private Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The district currently maintains the following private purpose trust funds:

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the District. Expenditures consist of unemployment reimbursement claims.

Flexible Benefits Trust Fund – Revenues consist of volunteer pre-tax employee payroll withholding for the purpose of paying for qualified medical expenses. Expenditures represent reimbursements to employees for qualified medical expenses.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Scholarship Fund – Revenues consist of donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity's own operating programs. The district currently maintains Payroll funds and Student Activity Funds as Agency Funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. 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. 6A:23-2-2(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:23-2-11.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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 accounts as presented in the General Fund Budgetary Comparison Schedules 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 Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal 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 last 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.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

Cash and Cash Equivalents

Cash and Cash equivalents 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.

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 1. Summary of Significant Accounting Policies (continued):

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 Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having 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 Payable/Receivable

Tuition rates for the fiscal year end June 30, 2016 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The District has established a threshold of \$2,000 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated or amortized using the straight-line method over the following estimated lives:

Land Improvements	20-50 Years
Vehicles	8 Years
Buildings and Improvements	10-50 Years
Machinery & Equipment	6 Years

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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 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 District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In the Government-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in 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, government 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies (continued):

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2015.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (continued):

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (continued):

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Summary of Significant Accounting Policies (continued):

Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Loss on Refunding Debt

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Subsequent Events

The District has evaluated subsequent events occurring after June 30, 2016 through the date of September 29, 2016, which is the date the financial statements were available to be issued.

Pensions Section

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Cash and Cash Equivalents

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 2. Cash and Cash Equivalents (continued):

schedule below. As of June 30, 2016, the District's bank balance of \$795,426 was exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured	250,944
Collateralized in the District's Name	
Under GUDPA	<u>294,482</u>
Total	<u>\$ 795,426</u>

Note 3. Reserve Accounts

A. Capital Reserve Account

The capital reserve account was established by the District for the accumulation for 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 District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a 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 year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriated 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.

There was no activity of the capital reserve for the June 30, 2015 to June 30, 2016 fiscal years.

B. Maintenance Reserve Account

Mount Ephraim School District established a Maintenance Reserve Account for the accumulation of Funds for use as maintenance expenditures in subsequent fiscal years. The Maintenance Reserve Account is maintained in the general fund and its activity is included in the general fund annual budget. There is a balance of \$0 at June 30, 2016.

Funds placed in the maintenance reserve account are restricted to maintenance projects in the District's approved Maintenance Plan (M-1). A district may increase the balance in the maintenance reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both

The activity of the maintenance reserve for the June 30, 2015 to June 30, 2016 fiscal year is as follows:

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 3. Reserve Accounts (continued):

Beginning Balance, July 1, 2015	\$	30,000
Budgeted Withdrawals		30,000
Ending Balance, June 30, 2016	\$	-

Note 4. Transfers to Capital Outlay

During the year ending June 30, 2016, the District transferred \$-0- to capital outlay accounts.

Note 5. Capital Assets

The following schedule is a summarization of the capital assets recorded at historical cost by source for the fiscal year ended June 30, 2016:

	June 30, 2015	Additions	Deletions	June 30, 2016
Governmental Activities:				
Capital assets that are not being depreciated:				
Land	\$ 44,260	\$ -	\$ -	\$ 44,260
Total capital assets not being depreciated	44,260	-	-	44,260
Land Improvements	132,616	-	-	132,616
Vehicles	19,849	-	-	19,849
Building and Improvements	12,209,155	-	-	12,209,155
Machinery and equipment	191,958	-	-	191,958
Subtotal	12,553,578	-	-	12,553,578
Less: accumulated depreciation:				
Land Improvements	(55,844)	(5,471)	-	(61,315)
Vehicles	(19,849)	-	-	(19,849)
Building and Improvements	(3,005,917)	(261,793)	-	(3,267,710)
Machinery and equipment	(140,894)	(8,871)	-	(149,765)
Total accumulated depreciation	(3,222,504)	(276,135)	-	(3,498,639)
Total capital assets being depreciated, net	9,331,074	(276,135)	-	9,054,939
Governmental activities capital assets, net	\$ 9,375,334	\$ (276,135)	\$ -	\$ 9,099,199

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 5. Capital Assets (continued):

Business-Type Activities

	June 30, 2015	Additions	Deletions	June 30, 2016
Machinery & Equipment	\$ 90,499	\$ -	\$ -	\$ 90,499
Subtotal	90,499	-	-	90,499
Accumulated Depreciation	(73,213)	(6,725)	-	(79,938)
Total	\$ 17,286	\$ (6,725)	\$ -	\$ 10,561

Note 6. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Proprietary Funds	Total
Other	\$ 51,148	\$ -	\$ -	\$ -	\$ 51,148
State Aid	-	-	163,271	57	163,328
Federal Aid	-	85,499	-	2,762	88,261
Total	\$ 51,148	\$ 85,499	\$ 163,271	\$ 2,819	\$ 302,737

Note 7. Long-Term Obligations

A. Long-Term Obligation Activity

During the fiscal year ended June 30, 2016 the following changes occurred in liabilities reported in the long-term debt:

	June 30, 2015	Accrued/ Increases	Retired/ Decreases	June 30, 2016	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 5,830,000	\$ -	\$ (370,000)	\$ 5,460,000	\$ 370,000
Net Pension Liability	1,897,243	-	(23,269)	1,873,974	-
Add: Bond Premium	332,932	-	(26,284)	306,648	-
Compensated Absences	167,391	-	(32,408)	134,983	-
Total	\$ 8,227,566	\$ -	\$ (451,961)	\$ 7,775,605	\$ 370,000

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 7. Long-Term Obligations (continued):

B. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality rough referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the School District are general obligation bonds.

On July 31, 2012, the School District issued refunding bonds in the amount of \$6,295,000, at interest rates ranging from 2.0% to 4.0%, to advance refund \$6,109,000 of the March 15, 2004 general serial bonds. As a result of the refunding, the School District had one last principal payment on the March 15, 2004 bonds, which was due on March 15, 2014. The refunding bonds will mature on March 15, 2028. These bonds also will be paid from property taxes.

Principal and interest due on serial bonds outstanding is as follows:

Year-ending June 30,	Principal	Interest	Total
2017	\$ 370,000	\$ 206,460	\$ 576,460
2018	395,000	195,360	590,360
2019	410,000	184,260	594,260
2020	440,000	168,460	608,460
2021	460,000	134,460	594,460
2022-2026	2,410,000	405,069	2,815,069
2027-2028	975,000	53,500	1,028,500
Total	\$ 5,460,000	\$ 1,347,569	\$ 6,807,569

Note 8. Interfund Receivables, Payables and Transfers

The following interfund balances remained on the balance sheet at June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 86,546	\$ 8,353
Special Revenue Fund	-	21,592
Debt Service Fund	8,353	-
Latchkey Fund	-	8,717
Payroll Trust Fund	-	56,237
Total	\$ 94,899	\$ 94,899

The purpose of interfunds are for short-term borrowings.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 8. Interfund Receivables, Payables and Transfers (continued):

Fund	Transfers In	Transfers Out
General Fund	\$ 154,972	\$ 40,564
Special Revenue Fund	-	53,752
Debt Service Fund	40,564	-
Fiduciary Funds	-	101,220
	<u>\$ 195,536</u>	<u>\$ 195,536</u>

The purpose of interfund transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

Note 9: Pension Obligations

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Three-Year Trend Information for PERS

Year Funded	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2016	\$ 71,771	100%	\$ 1,873,974
6/30/2015	83,538	100%	1,897,243
6/30/2014	75,346	100%	1,911,149

Components of Net Pension Liability - At June 30, 2016, the District reported a liability of \$1,873,974 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30,

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was .00835%, which was a decrease of .000179% from its proportion measured as of June 30, 2014.

Balances at June 30, 2016 and June 30, 2015

	<u>6/30/2016</u> July 1, 2015	<u>6/30/2015</u> July 1, 2014
Actuarial valuation date		
Deferred Outflows of Resources	\$ 263,565	\$ 153,004
Deferred Inflows of Resources	313,713	113,065
Net Pension Liability	1,873,974	1,897,243
District's portion of the Plan's total net pension Liability	0.00835%	0.01013%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2015, the District recognized pension expense of \$66,818. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,706	\$ -
Changes of assumptions	201,250	-
Net difference between projected and actual earnings on pension plan investments	-	30,130
Changes in proportion and differences between District contributions and proportionate share of contributions	17,609	283,583
Total	<u>\$ 263,565</u>	<u>\$ 313,713</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

2017	\$	(18,516)
2018		(18,516)
2019		(18,516)
2020		9,751
2021		(4,351)
Thereafter		-

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	2012-2021 - 2.15-4.40% Based on Age Thereafter - 3.15-5.40% Based on Age
Inflation rate	3.04%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate - Term Bonds	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability as of June 30, 2015, calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90) or 1-percentage-point higher (5.90%) than the current rate:

	<u>Decrease</u> <u>3.90%</u>		<u>Discount</u> <u>Rate (4.90%)</u>		<u>Increase</u> <u>5.90%</u>
District's proportionate share of the net pension liability	\$ 2,329,129	\$	1,873,974	\$	\$ 1,492,388

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9: Pension Obligations (continued):

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation - The employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

**Three-Year Trend Information for TPAF Pension & Post Retirement Medical Contributions
(Paid on behalf of the District)**

Year Funded	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2016	\$ 477,856	100%	-
6/30/2015	355,564	100%	-
6/30/2014	281,345	100%	-

Teachers Pensions and Annuity Fund (TPAF) - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

	<u>TPAF</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	Varies Based On Experience
Inflation rate	2.50%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued):

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
ernment Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgage	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - Multistrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of employers'

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 9: Pension Obligations (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS & TPAF financial report.

Defined Contribution Retirement Plan (DCRP) – The District contributes to the New Jersey Defined Contribution Retirement Program (DCRP) which is a defined contribution retirement benefit plan, along with life insurance and disability coverage, for its employees who are ineligible for PERS or TPAF.

When enrolled in the DCRP, members contribute 5.5 percent of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3 percent employer contribution. For the year ended June 30, 2016, employee contributions totaled \$20,268, and the District recognized pension expense of \$11,038.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District contributions and earnings on District contributions after commencement of their second year of employment, with some exceptions. Nonvested District contributions and earnings are forfeited upon separation from covered employment. Such forfeitures are reverted back to a forfeiture account for the employer and may be used to reduce pension expenses. For the year ended June 30, 2016, the District did not apply forfeitures to reduce the District's pension expense.

Note 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the state contributed \$1.25 billion on their behalf. 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

MOUNT EPHRAIM SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Note 11. Risk Management

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

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

New Jersey Unemployment Compensation Insurance – The District has elected to fund their New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the 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 District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s private purpose trust fund for the current and previous two years:

Fiscal Year	Employee Contributions	Interest Earnings	Amount Reimbursed	Ending Balance
2015-2016	\$ 16,022	\$ 237	\$ 4,017	\$ 102,580
2014-2015	10,779	186	13,926	90,338
2013-2014	12,123	320	10,792	93,299

Joint Insurance Fund – The District participates in the Burlington County Insurance Pool Joint Insurance Fund (BCIPJIF), public entity risk pool. Coverage under this joint plan offers workers’ compensation, boiler and machinery, automobile liability, general liability, property, crime and school board legal liability coverage. The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies.

No contingency provision has been made in these financial statements as no deficiencies occurred as of June 30, 2016 for the joint insurance pool.

Note 12. Contingent Liabilities

State and Federal Grantor Agencies - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 13. Economic Dependency

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

Note 14. Deferred Compensation

The School District offers its employees a choice of three deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrator is The Omni Financial Group.

Note 15. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for specified dollar amount per sick day accumulated and begin vesting with the employee after one year of service.

The liability for vested compensated absences of the governmental fund types is recorded in the statement of Net Position under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2016 is \$134,983.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016 there was no liability for compensated absences in the proprietary fund types.

Note 16. Fund Balance Disclosure

General Fund – of the \$633,071 General Fund fund balance at June 30, 2016, \$89,708 is restricted for excess surplus designated for subsequent years expenditures; \$448,122 is restricted current year excess surplus; \$212,449 is assigned to subsequent years expenditures and \$(117,208) is unassigned.

Capital Projects Fund – of the \$69,081 Capital Projects Fund fund balance at June 30, 2016, \$69,081 is restricted for Capital Projects.

Debt Service Fund – There was no remaining Debt Service Fund fund balance at June 30, 2016.

MOUNT EPHRAIM SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 17. Calculation of Excess Surplus

In accordance with N.J.S.A.18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey School Funding Reform Act of 2008 (SFRA). 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, 2016 is \$448,122.

Note 18. Deficit in Net Position

Unrestricted Net Position –As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(1,963,864) existed as of June 30, 2016 for governmental activities. The primary causes of this deficit is the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences and net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences and pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:					
Local Sources:					
Local Tax Levy	10-1210-000-000	\$ 5,502,651	\$ -	\$ 5,502,651	\$ -
Tuition	10-1310-000-000	7,636	-	7,636	4,439
Miscellaneous	10-1000-000-000	10,000	-	10,000	27,165
Total Local Sources		5,520,287	-	5,520,287	31,604
State Sources:					
School Choice Aid	10-3116-000-000	190,900	-	190,900	-
Categorical Transportation Aid	10-3121-000-000	11,921	-	11,921	-
Categorical Special Education Aid	10-3132-000-000	360,860	-	360,860	-
Equalization Aid	10-3176-000-000	3,300,887	-	3,300,887	-
Security Aid	10-3176-000-000	16,849	-	16,849	-
Per Pupil Growth Aid	10-3191-000-000	6,120	-	6,120	-
PARCC Readiness Aid	10-3190-000-000	6,120	-	6,120	-
Additional Adjustment Aid	10-3XXX	22,908	-	22,908	-
Non Public Transportation	10-3XXX	-	-	-	348
Nonbudgeted:					
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	259,729
On-Behalf TPAF Pension Contributions		-	-	-	218,127
Reimbursed TPAF Social Security		-	-	-	218,761
Total State Sources		3,916,565	-	3,916,565	696,965
Federal Sources:					
Medicaid Reimbursement	10-4200-000-000	10,614	-	10,614	14,167
Total Federal Sources		10,614	-	10,614	14,167
Total Revenues		9,447,466	-	9,447,466	742,736

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Expenditures:					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	11-105-100-101	25,922	80	26,002	-
Kindergarten	11-110-100-101	184,144	37,474	221,618	5,334
Grades 1 - 5	11-120-100-101	905,488	(9,743)	895,745	367
Grades 6 - 8	11-130-100-101	595,807	(3,971)	591,836	54,177
Home Instruction - Regular Programs:					
Salaries of Teachers	11-150-100-101	1,500	(1,500)	-	-
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	11-190-100-320	42,400	106,247	148,647	9
Purchased Technical Services	11-190-100-340	7,915	(7,915)	-	-
Other Purchased Services (400-500 Series)	11-190-100-500	62,847	(45,747)	17,100	111
General Supplies	11-190-100-610	114,702	(68,635)	46,067	3,844
Textbooks	11-190-100-640	2,922	(1,413)	1,509	556
Total Regular Programs		1,943,647	4,877	1,948,524	64,398
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	11-204-100-101	123,898	1,500	125,398	2,011
Textbooks	11-204-100-640	1,700	(950)	750	43
Total Learning &/or Language Disabilities		125,598	550	126,148	2,054
Multiple Disabilities:					
Salaries of Teachers	11-212-100-101	139,242	7,418	146,660	924
Other Salaries for Instruction	11-212-100-106	51,854	8,185	60,039	3,102
General Supplies	11-212-100-610	1,100	(1,100)	-	-
Textbooks	11-212-100-640	2,233	(753)	1,480	-
Total Multiple Disabilities		194,429	13,750	208,179	4,026

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Resource Room / Resource Center:					
Salaries of Teachers	11-213-100-101	297,382	(36,006)	261,376	261,309
Other Salaries for Instruction	11-213-100-106	244,926	(29,790)	215,136	212,124
Unused Vacation Payment to Terminated/Retired Staff	11-213-100-199	10,482	824	11,306	11,305
General Supplies	11-213-100-610	2,800	1,581	4,381	4,380
Textbooks	11-213-100-640	960	(248)	712	711
Total Resource Room/Resource Center		556,550	(63,639)	492,911	489,829
Preschool Disabilities - Part-Time:					
Salaries of Teachers	11-215-100-101	27,962	(2,040)	25,922	25,922
Other Salaries for Instruction	11-215-100-106	13,564	(666)	12,898	12,758
General Supplies	11-215-100-610	50	36	86	24
Total Preschool Disabilities - Part-Time		41,576	(2,670)	38,906	38,704
Home Instruction:					
Other Salaries for Instruction	11-219-100-106	800	13,100	13,900	8,840
Total Home Instruction		800	13,100	13,900	8,840
Total Special Education		918,953	(38,909)	880,044	865,620
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	11-230-100-101	183,570	(14,678)	168,892	168,122
General Supplies	11-230-100-610	5,200	(1,607)	3,593	3,387
Total Basic Skills/Remedial - Instruction		188,770	(16,285)	172,485	171,509
School Sponsored Cocurricular Activities:					
Salaries	11-401-100-100	12,530	85	12,615	12,615
Supplies and Materials	11-401-100-600	400	2,815	3,215	2,633
Other Objects	11-401-100-800	-	325	325	325
Total School Sponsored Cocurricular - Activities		12,930	3,225	16,155	15,573
Total - Instruction		3,064,300	(47,092)	3,017,208	2,936,828
					80,380

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Undistributed Expenditures					
Instruction:					
Tuition to Other LEAs Within State - Regular	11-000-100-561	1,859,004	-	1,859,004	-
Tuition to Other LEAs Within State - Special	11-000-100-562	853,430	15,662	869,092	1
Tuition to County Vocational School District - Regular	11-000-100-563	36,912	-	36,912	3,691
Tuition to CSSD & Regional Day School	11-000-100-565	286,000	(94,000)	192,000	182,614
Tuition to Private Schools for Disabled Within the State	11-000-100-566	314,840	69,945	384,785	366,715
Total Undistributed Expenditures - Instruction		3,350,186	(8,393)	3,341,793	31,148
Health Services:					
Salaries	11-000-213-100	144,518	(1,050)	143,468	-
Purchased Professional & Technical Services	11-000-213-300	200	3,300	3,500	15
Other Purchased Services (400-500 Series)	11-000-213-500	4,100	(4,069)	31	-
Supplies and Materials	11-000-213-600	2,500	(638)	1,862	21
Total Health Services		151,318	(2,457)	148,861	36
Other Support Services - Students - Speech, OT, PT and Related Services:					
Salaries	11-000-216-100	136,211	(78,170)	58,041	-
Purchased Professional - Educational Services	11-000-216-320	107,000	45,782	152,782	2,633
Supplies and Materials	11-000-216-600	1,500	-	1,500	7
Total Other Support Services - Students - Related Services		244,711	(32,388)	212,323	2,640
Other Support Services - Students - Extraordinary Services:					
Purchased Professional & Educational Services	11-000-217-320	33,000	13,000	46,000	648
Total Other Support Services - Students - Extraordinary Services		33,000	13,000	46,000	648

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	11-000-219-104	240,283	(10,545)	229,738	-
Salaries of Secretarial & Clerical Assistants	11-000-219-105	31,412	1,213	32,625	1
Other Salaries	11-000-219-110	3,258	(1,658)	1,600	37
Purchased Professional - Educational Services	11-000-219-320	8,000	3,272	11,272	10
Other Purchased Services (400-500 Series)	11-000-219-590	200	117	317	1
Supplies and Materials	11-000-219-600	4,912	(600)	4,312	217
Other Objects	11-000-219-800	1,227	1,000	2,227	142
Total Other Support Services - Students - Special Services		289,292	(7,201)	282,091	408
Improvement of Instructional Services:					
Salaries of Secretarial and Clerical Assistants	11-000-221-105	21,477	-	21,477	358
Other Salaries	11-000-221-110	1,020	(1,020)	-	-
Purchased Professional - Educational Services	11-000-221-320	1,500	(1,500)	-	-
Other Purchased Services (400-500 Series)	11-000-221-500	500	(247)	253	-
General Supplies	11-000-221-600	1,500	1,086	2,586	16
Other Objects	11-000-221-800	-	285	285	-
Total Improvement of Instruction Services		25,997	(1,396)	24,601	374
Educational Media Services/School Library:					
Salaries	11-000-222-100	70,067	(63,205)	6,862	191
Salaries of Technology Coordinators	11-000-222-177	46,763	64,824	111,587	9
Purchased Professional & Technical Services	11-000-222-300	500	-	500	400
Other Purchased Services (400-500 Series)	11-000-222-500	1,500	30,175	31,675	713
Supplies and Materials	11-000-222-601	19,120	43,866	62,986	1,418
Total Educational Media Services/School Library		137,950	75,660	213,610	2,731
Instructional Staff Training Services:					
Other Salaries	11-000-223-110	850	-	850	807
Purchased Professional - Educational Services	11-000-223-320	3,000	(3,000)	-	-
Other Objects	11-000-223-800	-	4,639	4,639	810
Total Instructional Staff Training Services		3,850	1,639	5,489	1,617

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Support Services General Administration:					
Salaries	11-000-230-100	152,393	1,572	153,965	150,929
Legal Services	11-000-230-331	30,000	4,500	34,500	22,287
Audit Services	11-000-230-332	24,000	(1,500)	22,500	22,500
Architectural/Engineering Services	11-000-230-334	2,500	(2,500)	-	-
Other Purchased Professional Services	11-000-230-339	1,000	(200)	800	792
Communications/Telephone	11-000-230-530	18,000	(9,300)	8,700	4,843
BOE Other Purchased Services	11-000-230-585	200	(200)	-	-
Other Purchased Services (400-500Series)	11-000-230-590	8,300	3,830	12,130	11,469
General Supplies	11-000-230-610	4,500	(2,100)	2,400	1,873
Miscellaneous Expenditures	11-000-230-890	3,300	(1,500)	1,800	1,705
BOE Membership Dues & Fees	11-000-230-895	7,292	(800)	6,492	6,491
Total Support Services General Administration		251,485	(8,198)	243,287	222,889
Support Services School Administration:					
Salaries of Principals & Assistant Principals	11-000-240-103	116,459	300	116,759	116,459
Salaries of Secretarial & Clerical Assistants	11-000-240-105	37,928	-	37,928	37,728
Other Purchased Services (400-500Series)	11-000-240-500	-	1,500	1,500	1,345
Supplies and Materials	11-000-240-600	1,200	2,000	3,200	3,052
Other Objects	11-000-240-800	1,700	(1,000)	700	38
Total Support Services School Administration		157,287	2,800	160,087	158,622
Central Services:					
Salaries	11-000-251-100	116,500	(61,315)	55,185	55,184
Purchased Technical Services	11-000-251-340	23,450	76,148	99,598	88,373
Other Purchased Services	11-000-251-592	6,500	23,941	30,441	28,941
Supplies and Materials	11-000-251-600	4,000	5,578	9,578	9,388
Miscellaneous Expenditures	11-000-251-890	350	100	450	385
Total Central Services		150,800	44,452	195,252	182,271
Allowable Maintenance for School Facilities:					
Salaries	11-000-261-100	57,620	-	57,620	57,620
Cleaning, Repair & Maintenance Services	11-000-261-420	35,000	18,430	53,430	45,776
General Supplies	11-000-261-610	9,400	6,720	16,120	14,994
Other Objects	11-000-261-800	1,000	(664)	336	335
Total Allowable Maintenance for School Facilities		103,020	24,486	127,506	118,725
Total		408,772	(3,946)	404,826	381,517

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Operation & Maintenance of Plant - Custodial:					
Salaries	11-000-262-100	179,608	(2,680)	176,928	167,649
Unused Vacation Payment to Terminated/Retired Staff	11-000-262-199	4,250	21,171	25,421	22,578
Purchased Professional & Technical Services	11-000-262-300	3,700	12,366	16,066	16,065
Cleaning, Repair & Maintenance Services	11-000-262-420	11,520	-	11,520	9,527
Other Purchased Property Services	11-000-262-490	14,000	-	14,000	13,404
Insurance	11-000-262-520	20,910	341	21,251	21,251
General Supplies	11-000-262-610	32,230	(12,987)	19,243	18,035
Energy (Electricity)	11-000-262-622	92,000	16,000	108,000	27,375
Energy (Natural Gas)	11-000-262-621	125,000	18,100	143,100	109,166
Energy (Gasoline)	11-000-262-626	1,000	-	1,000	258
Other Objects	11-000-262-800	1,000	(450)	550	550
Total Operation & Maintenance of Plant - Custodial		485,218	51,861	537,079	405,858
Operation & Maintenance of Plant - Security:					
Salaries	11-000-266-100	12,971	(12,971)	-	-
General Supplies	11-000-266-610	400	700	1,100	998
Total Operation & Maintenance of Plant - Security		13,371	(12,271)	1,100	998
Student Transportation Services:					
Management Fee	11-000-270-350	8,000	-	8,000	7,112
Contracted Services (Aid in Charter Schools)	11-000-270-504	5,400	-	5,400	884
Contracted Services (Home & School) - Vendors	11-000-270-512	-	198	198	198
Contracted Services (Regular Students) - ESC's	11-000-270-517	36,500	(1,998)	34,502	22,589
Contracted Services (Special Education Students) - ESC's	11-000-270-518	180,000	(60,327)	119,673	119,654
Total Student Transportation Services		229,900	(62,127)	167,773	150,437

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Unallocated Benefits - Employee Benefits:					
Social Security	11-000-291-220	89,000	16,800	105,800	95,938
Other Retirement Contributions - PERS	11-000-291-241	95,000	(23,229)	71,771	71,771
Other Retirement Contributions - DCRP	11-000-291-249	2,600	2,500	5,100	2,723
Unemployment Compensation	11-000-291-250	5,000	(5,000)	-	2,377
Workmen's Compensation	11-000-291-260	28,300	1,500	29,800	-
Health Benefits	11-000-291-270	1,103,024	(22,039)	1,080,985	29,362
Tuition Reimbursements	11-000-291-280	29,345	(22,500)	6,845	910,215
Other Employee Benefits	11-000-291-290	160,000	26,200	186,200	6,273
					186,200
Total Unallocated Benefits		1,512,269	(25,768)	1,486,501	1,302,482
Nonbudgeted:					
On-Behalf TPAF Post-Retirement Medical Contributions		-	-	-	259,729
On-Behalf TPAF Pension Contributions		-	-	-	218,127
Reimbursed TPAF Social Security		-	-	-	218,761
Total Nonbudgeted On-Behalf TPAF		-	-	-	696,617
Total Undistributed Expenditures		7,139,654	53,699	7,193,353	7,474,065
Total Expenditures - Current Expense		10,203,954	6,607	10,210,561	10,410,893
Equipment:					
Undistributed Expenditures:					
Required Maintenance of School Facilities	12-000-261-730	18,300	-	18,300	-
Total Equipment		18,300	-	18,300	18,300
Facilities Acquisition & Construction Services:					
Other Purchased Prof. and Tech. Services	12-000-400-390	-	4,172	4,172	4,172
Construction Services	12-000-400-450	18,000	(4,172)	13,828	-
Assessment for Debt Service	12-000-400-896	33,091	-	33,091	33,091
Total Facilities Acquisition & Construction Services		51,091	-	51,091	37,263
Total Capital Outlay		69,391	-	69,391	37,263
Total Expenditures		10,273,345	6,607	10,279,952	10,448,156

**MOUNT EPHRAIM SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	ACCOUNT NUMBER	JUNE 30, 2016		POSITIVE/ (NEGATIVE) FINAL TO ACTUAL		
		ORIGINAL BUDGET	BUDGET TRANSFERS		FINAL BUDGET	ACTUAL
Excess/(Deficiency) of Revenues Over/(Under)		(825,879)	(6,607)	(832,486)	(257,954)	574,532
Expenditures Before Other Financing Sources/(Uses)						
Other Financing Sources/(Uses):						
Cancellation of Accounts Payable		-	-	-	16,550	16,550
Transfer to Charter Schools		(28,623)	-	(28,623)	-	28,623
Total Other Financing Uses		(28,623)	-	(28,623)	16,550	45,173
Excess/(Deficiency) of Revenues Over/(Under)		(854,502)	(6,607)	(861,109)	(241,404)	619,705
Expenditures After Other Financing Sources/(Uses)		1,242,031	-	1,242,031	1,242,031	-
Fund Balances, July 1						
Fund Balances, June 30		\$ 387,529	\$ (6,607)	\$ 380,922	\$ 1,000,627	\$ 619,705

RECAPITULATION OF BUDGET TRANSFERS

Prior Year Encumbrances	\$ 6,607
Total	<u>\$ 6,607</u>

RECAPITULATION OF FUND BALANCE

Restricted Fund Balance:		
Reserved Excess Surplus Designated of Subsequent Year's Expenditures	\$	89,708
Excess Surplus		448,122
Assigned Fund Balance:		
Year-End Encumbrances		167,082
ARRA- Special Education - Medicaid Initiative		5,497
Designated for Subsequent Year's Expenditures		39,870
Unassigned Fund Balance		<u>250,348</u>
Subtotal		1,000,627
Reconciliation to Governmental Fund Statements (GAAP):		
Last State Aid Payment Not Recognized on GAAP Basis		<u>(367,556)</u>
Total Fund Balance per Governmental Funds (GAAP)		<u>\$ 633,071</u>

**MOUNT EPHRAIM SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

REVENUES	JUNE 30, 2016			VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Federal Sources	\$ 249,354	\$ -	\$ 249,354	\$ -
Total Revenues	249,354	-	249,354	-
EXPENDITURES:				
Instruction:				
Salaries of Teachers	80,750	-	80,750	-
Tuition	144,053	-	144,053	-
General Supplies	3,556	-	3,556	-
Total Instruction	228,359	-	228,359	-
Support Services:				
Personal Services - Employee Benefits	20,995	-	20,995	-
Total Support Services	20,995	-	20,995	-
Total Expenditures	249,354	-	249,354	-
Total Outflows	249,354	-	249,354	-
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ -	\$ -	\$ -	\$ -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**MOUNT EPHRAIM SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR FISCAL YEAR ENDED JUNE 30, 2016**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 10,190,202	\$ 249,354
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	-	238
Current Year	-	-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		
	363,279	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		
	<u>(367,556)</u>	<u>-</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 10,185,925</u>	<u>\$ 249,592</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	10,448,156	249,354
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	-	238
Total Expenditures as Reported on the Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 10,448,156</u>	<u>\$ 249,592</u>

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

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MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00835%	0.01013%	0.01000%
District's proportionate share of the net pension liability (asset)	\$ 1,873,974	\$ 1,897,243	\$ 1,911,149
District's covered-employee payroll	629,402	585,770	587,107
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	297.74%	323.89%	325.52%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2016		2015		2014
Contractually required contribution	N/A	\$	71,771	\$	83,538
Contributions in relation to the □ contractually required contribution	N/A		71,771		83,538
Contribution deficiency (excess)	\$	-	\$	-	\$
District's covered-employee payroll	\$	629,402	\$	585,770	\$
Contributions as a percentage of covered- employee payroll	N/A		12.76%		11.23%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0254174%	0.0251951%	0.0274460%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 16,064,909	\$ 13,465,970	\$ 13,870,991
District's covered-employee payroll	3,038,404	3,093,369	2,584,913
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

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Teachers Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

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E. Special Revenue Fund

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**MOUNT EPHRAIM SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	NO CHILD LEFT BEHIND				I.D.E.A
	2014-2015		TITLE II -		PART B
	TITLE I	PART A	PART B BASIC	PRESCHOOL	TOTALS
Revenues:					
Federal Source	\$ 78,763	\$ 487	\$ 22,495	\$ 144,053	\$ 3,556
Total Revenues	\$ 78,763	\$ 487	\$ 22,495	\$ 144,053	\$ 3,556
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 62,410	\$ 487	\$ 17,853	\$ -	\$ 80,750
Tuition	-	-	-	144,053	-
Supplies	-	-	-	-	3,556
Total Instruction	62,410	487	17,853	144,053	3,556
Support Services:					
Employee Benefits	16,353	-	4,642	-	-
Total Support Services	16,353	-	4,642	-	-
Total Expenditures	\$ 78,763	\$ 487	\$ 22,495	\$ 144,053	\$ 3,556

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F. Capital Projects Fund

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**MOUNT EPHRAIM SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2016**

PROJECT TITLE/ISSUE	ORIGINAL DATE	APPROPRIATIONS	EXPENDITURES TO DATE		UNEXPENDED BALANCE JUNE 30, 2016
			PRIOR YEARS	CURRENT YEAR	
Raymond W. Kershaw Elementary School Roof Replacement	7/9/2014	\$ 431,245	\$ 269,322	\$ -	\$ 161,923
Mary Bray Elementary School Security Upgrades	7/9/2014	55,071	46,658	-	8,413
Raymond W. Kershaw Elementary School Security Upgrades	7/9/2014	34,346	29,514	-	4,832
Total		\$ 520,662	\$ 345,494	\$ -	\$ 175,168

Reconciliation - Unexpended Capital Project
Balances to Fund Balance - June 30, 2016:

Unexpended Project Balances June 30, 2016	\$ 175,168
Less:	
Unfunded Local Share	(23,307)
Total Fund Balance (Budgetary Basis) - June 30, 2016	\$ 151,861
Less:	
Unexpended State Aid - ROD Grants	(82,780)
Total Fund Balance (GAAP Basis) - June 30, 2016	\$ 69,081

**MOUNT EPHRAIM SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-BUDGETARY BASIS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

Revenues & Other Financing Sources:	
State Sources: ROD Grants	\$ -
Transfer from Capital Reserve	-
	<hr/>
Total Revenues & Other Sources	-
	<hr/>
Expenditures & Other Financing Uses:	
Purchased Professional & Technical Services	-
Construction Services	-
	<hr/>
Total Expenditures & Other Financing Uses	-
	<hr/>
Excess/(Deficiency) of Revenues & Other Financing Sources	
Over/(Under) Expenditures & Other Financing Uses	-
Fund Balances, July 1	151,861
	<hr/>
Fund Balances, June 30	\$ 151,861
	<hr/> <hr/>

**MOUNT EPHRAIM SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
RAYMOND W. KERSHAW ELEMENTARY SCHOOL ROOF REPLACEMENT
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Sources: ROD Grants	\$ 203,795	\$ -	\$ 203,795	\$ 203,795
Transfer from Capital Reserve	204,143	-	204,143	227,450
Total Revenues	407,938	-	407,938	431,245
Expenditures & Other Financing Uses:				
Purchased Professional & Technical				
Technical Services	2,533	-	2,533	3,000
Construction Services	266,789	-	266,789	428,245
Total Expenditures	269,322	-	269,322	431,245
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ 138,616	\$ -	\$ 138,616	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	3420-020-14-G1MW
Grant Date	2014-2015
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 431,245
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 431,245
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	62%
Original Target Completion Date	2015-2016
Revised Target Completion Date	N/A

**MOUNT EPHRAIM SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
MARY BRAY ELEMENTARY SCHOOL SECURITY UPGRADES
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Sources: ROD Grants	\$ 26,025	\$ -	\$ 26,025	\$ 26,025
Transfer from Capital Reserve	29,046	-	29,046	29,046
Total Revenues	55,071	-	55,071	55,071
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Technical Services	2,018	-	2,018	2,018
Construction Services	44,640	-	44,640	53,053
Total Expenditures	46,658	-	46,658	55,071
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	<u>\$ 8,413</u>	<u>\$ -</u>	<u>\$ 8,413</u>	<u>\$ -</u>

ADDITIONAL PROJECT INFORMATION

Project Number	3420-030-14-1004-G04
Grant Date	2014-2015
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 55,071
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 55,071
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	85%
Original Target Completion Date	2015-2016
Revised Target Completion Date	N/A

**MOUNT EPHRAIM SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
KERSHAW ELEMENTARY SCHOOL SECURITY UPGRADES
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
State Sources: ROD Grants	\$ 16,231	\$ -	\$ 16,231	\$ 16,231
Transfer from Capital Reserve	18,115	-	18,115	18,115
Total Revenues	34,346	-	34,346	34,346
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Technical Services	3,774	-	3,774	3,774
Construction Services	25,740	-	25,740	30,572
Total Expenditures	29,514	-	29,514	34,346
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	\$ 4,832	\$ -	\$ 4,832	\$ -

ADDITIONAL PROJECT INFORMATION

Project Number	3420-020-14-1003-G04
Grant Date	2014-2015
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 34,346
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 34,346
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	86%
Original Target Completion Date	2015-2016
Revised Target Completion Date	N/A

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G. Proprietary Funds

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Enterprise Funds

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**MOUNT EPHRAIM SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2016**

ASSETS	LATCHKEY	FOOD SERVICE FUND	TOTALS
Current Assets:			
Cash & Cash Equivalents	\$ 130,853	\$ 23,420	\$ 154,273
Accounts Receivable:			
State	-	57	57
Federal	-	2,762	2,762
Inventories	-	4,036	4,036
Total Current Assets	130,853	30,275	161,128
Capital Assets:			
Equipment	-	90,499	90,499
Accumulated Depreciation	-	(79,938)	(79,938)
Total Capital Assets	-	10,561	10,561
Total Assets	130,853	40,836	171,689
LIABILITIES			
Current Liabilities:			
Interfund Payable	8,717	-	8,717
Accounts Payable	-	1,528	1,528
Unearned Revenue	-	3,702	3,702
Total Current Liabilities	8,717	5,230	13,947
NET POSITION			
Net Investment in Capital Assets	-	10,561	10,561
Unrestricted	122,136	25,045	147,181
Total Net Position	\$ 122,136	\$ 35,606	\$ 157,742

**MOUNT EPHRAIM SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	LATCHKEY	FOOD SERVICE FUND	TOTALS
Operating Revenues:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
School Lunch Program	\$ -	\$ 44,219	\$ 44,219
<hr/>			
Total - Daily Sales - Reimbursable Programs	-	44,219	44,219
<hr/>			
Daily Sales Nonreimbursable Programs	-	27,542	27,542
Special Functions	-	3,328	3,328
Miscellaneous	-	460	460
Enrollment Fees	95,663	-	95,663
<hr/>			
Total Operating Revenue	95,663	75,549	171,212
<hr/>			
Operating Expenses:			
Salaries - Food Service Management	-	61,765	61,765
Salaries - Personnel Services	44,868	-	44,868
Payroll Taxes & Benefits - Food Service Management	-	15,248	15,248
Supplies and Materials	3,716	13,778	17,494
Management Fee	-	12,687	12,687
Depreciation	-	6,725	6,725
Miscellaneous	-	6,631	6,631
Cost of Sales	-	61,416	61,416
<hr/>			
Total Operating Expenses	48,584	178,250	226,834
<hr/>			
Operating Income/(Loss)	47,079	(102,701)	(55,622)
<hr/>			
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	-	1,605	1,605
Federal Sources:			
National School Breakfast Program	-	15,133	15,133
National School Lunch Program	-	59,450	59,450
After School Snack Program	-	1,688	1,688
Healthy Hungry Kids Act	-	1,993	1,993
Food Distribution Program	-	7,817	7,817
<hr/>			
Total Nonoperating Revenues/ (Expenses)	-	87,686	87,686
<hr/>			
Change in Net Position	47,079	(15,015)	32,064
Total Net Position - Beginning	75,057	50,621	125,678
<hr/>			
Total Net Position - Ending	\$ 122,136	\$ 35,606	\$ 157,742
<hr/>			

**MOUNT EPHRAIM SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	LATCHKEY	FOOD SERVICE FUND	TOTALS
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 95,663	\$ 77,037	\$ 172,700
Payments to Employees	(44,868)	(61,765)	(106,633)
Payment to Employee Benefits	-	(15,248)	(15,248)
Payments to Suppliers	(3,716)	(86,427)	(90,143)
	<hr/>	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	47,079	(86,403)	(39,324)
	<hr/>	<hr/>	<hr/>
Cash Flows From Noncapital Financing			
State Sources	-	1,727	1,727
Federal Sources	-	89,035	89,035
	<hr/>	<hr/>	<hr/>
Net Cash Provided by Noncapital Financing Activities	-	90,762	90,762
	<hr/>	<hr/>	<hr/>
Net Increase/(Decrease) in Cash & Cash Equivalents	47,079	4,359	51,438
Cash and Cash Equivalents, July 1	83,774	19,061	102,835
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents, June 30	<u>\$ 130,853</u>	<u>\$ 23,420</u>	<u>\$ 154,273</u>

Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:

Operating Income/(Loss)	\$ 47,079	\$ (102,701)	\$ (55,622)
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:			
Depreciation Expense	-	6,725	6,725
Change in Assets & Liabilities:			
(Increase)/Decrease in Accounts Payable	-	1,528	1,528
(Increase)/Decrease in Inventory	-	6,557	6,557
(Decrease)/Increase in Unearned Revenue	-	1,488	1,488
	<hr/>	<hr/>	<hr/>
Net Cash Provided/(Used) by Operating Activities	47,079	(86,403)	(39,324)
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Internal Service Fund

Not Applicable

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H. Fiduciary Fund

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**MOUNT EPHRAIM SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS	AGENCY		PRIVATE PURPOSE			TOTALS
	STUDENT ACTIVITY	PAYROLL	SCHOLARSHIP FUND	FLEXIBLE BENEFITS	UNEMPLOYMENT COMPENSATION	
Cash & Cash Equivalents	\$ 23,040	\$ 59,657	\$ 9,322	\$ 4,826	\$ 102,580	\$ 199,425
Total Assets	23,040	59,657	9,322	4,826	102,580	199,425
LIABILITIES						
Due to Student Groups	23,040	-	-	-	-	23,040
Payroll Deductions & Withholdings	-	3,420	-	-	-	3,420
Interfund Payable	-	56,237	-	-	-	56,237
Total Liabilities	23,040	59,657	-	-	-	82,697
Net Position						
Restricted for Unemployment Claims & Other Purposes	-	-	-	4,826	102,580	107,406
Restricted for Scholarships	-	-	9,322	-	-	9,322
Total Net Position	\$ -	\$ -	\$ 9,322	\$ 4,826	\$ 102,580	\$ 116,728

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	PRIVATE PURPOSE			TOTALS
	SCHOLARSHIP FUNDS	FLEXIBLE BENEFITS	UNEMPLOYMENT COMPENSATION	
Operating Revenues:				
Local Sources:				
Deductions from Employees' Salaries	\$ -	\$ 8,318	\$ 16,022	\$ 24,340
Interest on Investments	23	-	237	260
Total Operating Revenues	23	8,318	16,259	24,600
Operating Expenditures:				
Awarded Scholarships	50	-	-	50
Transfers	-	6,939	-	6,939
Claims	-	8,026	4,017	12,043
Total Operating Expenses	50	14,965	4,017	19,032
Excess/(Deficit) of Revenues Over Expenditures	(27)	(6,647)	12,242	5,568
Fund Balances, July 1	9,349	11,473	90,338	111,160
Fund Balances, June 30	\$ 9,322	\$ 4,826	\$ 102,580	\$ 116,728

**MOUNT EPHRAIM SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

ASSETS	BALANCE JULY 1, 2015	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2016
Cash & Cash Equivalents:				
Mary Bray Elementary School	\$ 3,694	\$ 403	\$ 3,895	\$ 202
Raymond W. Kershaw School	16,044	32,815	26,021	22,838
Total Assets	\$ 19,738	\$ 33,218	\$ 29,916	\$ 23,040
LIABILITIES				
Due to Student Groups				
Mary Bray Elementary School	\$ 3,694	\$ 403	\$ 3,895	\$ 202
Raymond W. Kershaw School	16,044	32,815	26,021	22,838
Total Liabilities	\$ 19,738	\$ 33,218	\$ 29,916	\$ 23,040

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

ASSETS	BALANCE JULY 1, 2015	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2016
Cash & Cash Equivalents	\$ 124,546	\$ 4,678,827	\$ 4,743,716	\$ 59,657
Total Assets	\$ 124,546	\$ 4,678,827	\$ 4,743,716	\$ 59,657
LIABILITIES				
Interfund Payable - General Fund	\$ 44,983	\$ 11,254	\$ -	\$ 56,237
Payroll Deductions & Withholdings	79,563	2,053,279	2,129,422	3,420
Net Payroll	-	2,614,294	2,614,294	-
Total Liabilities	\$ 124,546	\$ 4,678,827	\$ 4,743,716	\$ 59,657

I. Long-Term Debt

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**MOUNT EPHRAIM SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR FISCAL YEAR ENDED JUNE 30, 2016**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JULY 1, 2015	BALANCE JUNE 30, 2016
			DATE	AMOUNT			
Refunding School Bonds, Series 2012	7/1/2012	\$ 6,295,000	3/15/17	\$ 370,000	3.000%	\$ 5,830,000	\$ 370,000
			3/15/18	395,000	4.000%		
			3/15/19	410,000	4.000%		
			3/15/20	440,000	4.000%		
			3/15/21	460,000	4.000%		
			3/15/22	480,000	4.000%		
			3/15/23	490,000	4.000%		
			3/15/24	485,000	2.700%		
			3/15/25	480,000	2.800%		
			3/15/26	475,000	3.500%		
			3/15/27	490,000	3.000%		
		3/15/28	485,000	4.000%			
Total						\$ 5,830,000	\$ 370,000
						\$ 5,830,000	\$ 5,460,000

**MOUNT EPHRAIM SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	JUNE 30, 2016			VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	
Revenues:				
Local Sources:				
Local Tax Levy	\$ 485,930	\$ -	\$ 485,930	\$ 485,930
Total Revenues	485,930	-	485,930	485,930
Expenditures				
Regular Debt Service:				
Interest	206,460	-	206,460	206,460
Redemption of Principal	370,000	-	370,000	370,000
Total Expenditures	576,460	-	576,460	576,460
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures Before Other Financing Sources(Uses)	(90,530)	-	(90,530)	(90,530)
Fund Balance, July 1	90,530	-	90,530	90,530
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ -

EXHIBIT I-4

MOUNT EPHRAIM SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF COMPENSATED ABSENCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	OUTSTANDING BALANCE 2015	REDUCTIONS	OUTSTANDING BALANCE 2016
Compensated Absences	\$ 167,391	\$ (32,408)	\$ 134,983

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STATISTICAL SECTION (Unaudited)

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MOUNT EPHRAIM SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Net Investment in Capital Assets	\$ 3,695,372	\$ 3,606,321	\$ 3,163,394	\$ 2,906,459	\$ 2,537,409	\$ 2,483,102	\$ 2,319,188	\$ 2,943,093	\$ 2,698,882	\$ 2,443,553
Restricted	549,931	537,041	1,359,537	1,516,862	1,552,715	1,306,976	1,052,758	673,090	872,442	1,026,344
Unrestricted	(1,963,864)	(1,656,705)	(88,821)	(216,291)	(241,636)	(271,210)	(368,242)	(368,171)	(381,518)	(173,699)
Total Governmental Activities	\$ 2,281,439	\$ 2,486,657	\$ 4,434,109	\$ 4,207,030	\$ 3,848,489	\$ 3,518,868	\$ 3,003,704	\$ 3,248,011	\$ 3,189,806	\$ 3,296,198
Business-Type Activities:										
Net Investment in Capital Assets	\$ 10,561	\$ 17,287	\$ 17,358	\$ 22,862	\$ 28,459	\$ 26,908	\$ 26,343	\$ 31,123	\$ 35,903	\$ 40,684
Unrestricted	147,181	108,391	166,183	149,385	100,535	89,071	69,009	43,942	28,272	13,724
Total Business-Type Activities	\$ 157,742	\$ 125,678	\$ 183,541	\$ 172,247	\$ 128,994	\$ 115,979	\$ 95,352	\$ 75,065	\$ 64,175	\$ 54,408
Government-Wide:										
Net Investment in Capital Assets	\$ 3,705,933	\$ 3,623,608	\$ 3,180,752	\$ 2,929,322	\$ 2,565,868	\$ 2,510,010	\$ 2,345,531	\$ 2,974,216	\$ 2,734,785	\$ 2,484,237
Restricted	549,931	537,041	1,359,537	1,516,862	1,552,715	1,306,976	1,052,758	673,090	872,442	1,026,344
Unrestricted	(1,816,683)	(1,548,314)	77,361	(66,907)	(141,100)	(182,139)	(299,233)	(324,229)	(353,246)	(159,975)
Total District Net Position	\$ 2,439,181	\$ 5,708,963	\$ 4,617,650	\$ 4,379,277	\$ 3,977,482	\$ 3,634,847	\$ 3,099,056	\$ 3,323,077	\$ 3,253,981	\$ 3,350,606

**MOUNT EPHRAIM SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 1,884,126	\$ 1,976,073	\$ 2,007,400	\$ 1,758,921	\$ 1,460,549	\$ 1,529,493	\$ 2,074,784	\$ 1,940,688	\$ 2,069,028	\$ 1,747,977
Special Education	1,093,979	1,170,400	936,460	794,924	1,140,445	932,945	1,016,028	822,526	797,482	725,149
Other Special Instruction	171,509	180,345	34,316	66,993	-	-	-	-	-	-
Other Instruction	15,573	11,825	13,630	15,312	48,018	83,447	70,070	111,941	89,092	73,022
Support Services & Undistributed Costs:										
Tuition	3,310,645	3,099,269	3,205,577	3,272,805	3,307,744	3,078,400	2,961,730	2,795,155	2,682,972	2,331,230
Health Services	148,825	145,370	-	-	-	-	-	-	-	-
Student & Instruction Related Services	564,817	591,697	733,492	835,829	766,669	825,909	862,568	907,709	775,049	673,828
Educational Media Services/School Library	210,879	152,064	-	-	-	-	-	-	-	-
Other Administrative Services	405,160	386,807	303,223	445,250	525,190	459,346	515,242	478,140	516,654	468,940
School Administrative Services	179,617	169,024	386,316	277,020	86,013	86,780	86,010	83,442	123,955	85,673
Plant Operations & Maintenance	529,753	588,005	518,611	499,570	513,109	531,059	594,479	547,227	627,169	563,799
Pupil Transportation	150,437	170,075	193,268	231,519	124,880	170,515	161,912	166,775	170,343	159,686
Employee Benefits	2,758,926	2,481,520	1,651,416	1,493,051	1,591,827	1,483,825	1,461,707	1,400,219	1,523,019	1,380,877
Transfers to Charter Schools	-	21,261	19,353	207,102	-	-	-	-	-	-
Interest on Long-Term Debt	208,720	210,511	229,733	287,693	406,165	297,487	377,115	420,421	430,907	439,991
Unallocated Depreciation and Amortization	276,135	276,135	269,020	-	235,739	230,147	230,147	50,988	50,988	50,988
Total Governmental Activities Expenses	11,909,101	11,636,381	10,501,816	10,185,990	10,206,348	9,709,353	10,411,792	9,725,231	9,856,658	8,701,160
Business-Type Activities:										
Food Service	178,250	171,870	168,819	161,178	140,093	142,509	152,041	150,265	145,731	133,676
Extended Day Care	48,584	115,573	48,477	41,627	35,488	34,211	41,599	-	-	-
Total Business-Type Activities Expense	226,834	287,443	217,266	202,805	175,581	176,720	193,640	150,265	145,731	133,676
Total District Expenses	\$ 12,135,935	\$ 11,923,824	\$ 10,719,082	\$ 10,388,796	\$ 10,381,929	\$ 9,886,073	\$ 10,605,432	\$ 9,875,496	\$ 10,002,389	\$ 8,834,836

**MOUNT EPHRAIM SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program Revenues:										
Governmental Activities:										
Charges for Services	\$ -	\$ -	\$ 22,919	\$ 22,030	\$ 122,781	\$ 310,929	\$ 307,772	\$ 293,364	\$ 149,299	\$ 103,128
Operating Grants & Contributions	1,710,751	1,446,953	770,291	904,717	816,460	775,867	957,486	773,497	950,849	905,296
Total Governmental Activities	1,710,751	1,446,953	793,210	926,748	939,241	1,086,796	1,265,258	1,066,861	1,100,148	1,008,424
Business-Type Activities:										
Charges for Services:										
Food Service	75,549	79,678	71,813	78,845	63,575	85,371	87,020	100,560	96,232	84,976
Extended Day Care	95,663	62,688	69,471	87,296	58,092	46,418	66,580	1,335	-	-
Operating Grants & Contributions	87,686	87,214	87,276	79,918	66,930	60,213	60,327	59,054	43,703	37,079
Total Business Type Activities	258,898	229,580	228,560	246,058	188,597	192,002	213,927	160,949	139,935	122,055
Total District Program Revenues	\$ 1,969,649	\$ 1,676,533	\$ 1,021,770	\$ 1,172,806	\$ 1,127,838	\$ 1,278,798	\$ 1,479,185	\$ 1,227,810	\$ 1,240,083	\$ 1,130,479
Net/(Expense)/Revenue:										
Governmental Activities	\$ (10,198,350)	\$ (10,189,428)	\$ (9,708,606)	\$ (9,259,242)	\$ (9,267,107)	\$ (8,622,557)	\$ (9,146,534)	\$ (8,658,370)	\$ (8,756,510)	\$ (7,692,736)
Business-Type Activities	32,064	(57,863)	11,294	43,253	13,016	15,282	20,287	10,684	(5,796)	(11,621)
Total District-Wide Net Expense	\$ (10,166,286)	\$ (10,247,291)	\$ (9,697,312)	\$ (9,215,989)	\$ (9,254,091)	\$ (8,607,275)	\$ (9,126,247)	\$ (8,647,686)	\$ (8,762,306)	\$ (7,704,357)
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General	\$ 5,502,651	\$ 5,335,933	\$ 5,231,307	\$ 5,131,496	\$ 5,131,486	\$ 5,113,486	\$ 5,010,991	\$ 4,486,749	\$ 4,569,774	\$ 4,160,079
Taxes Levied for Debt Service	485,930	550,353	620,019	478,198	478,839	484,534	523,075	540,281	529,800	349,218
Federal and State Aid- Unrestricted	3,937,417	3,991,248	4,005,796	3,875,213	3,734,822	3,426,880	3,811,013	3,651,091	3,439,865	3,330,841
Federal and State Aid- Restricted	-	163,271	65,474	68,110	-	-	181,778	3,098	14,259	8,267
Tuition	12,075	13,317	-	-	-	-	-	-	-	-
Interest and Investment Earnings - Unrestricted	-	-	7,115	16,236	-	2	143	6,430	38,833	62,289
Miscellaneous Income	38,509	39,003	5,973	48,532	65,581	100,164	52,865	28,927	72,587	47,704
Transfers	16,550	60,000	-	-	-	(5,345)	-	-	(15,000)	-
Total Governmental Activities	9,993,132	10,153,125	9,935,685	9,617,784	9,410,728	9,137,721	9,579,865	8,716,576	8,650,118	7,958,398

**MOUNT EPHRAIM SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	206	563	578	534
Transfers	-	-	-	-	5,345	-	-	15,000	-	20,032
Total Business-Type Activities	-	-	-	-	5,345	-	206	15,563	578	20,566
Total District-Wide	\$ 9,993,132	\$ 10,153,125	\$ 9,935,685	\$ 9,617,784	\$ 9,416,073	\$ 9,137,721	\$ 9,580,071	\$ 8,732,139	\$ 8,650,696	\$ 7,978,964
Change in Net Position:										
Governmental Activities	\$ (205,218)	\$ (36,303)	\$ 227,079	\$ 358,542	\$ 143,621	\$ 515,164	\$ 433,331	\$ 58,206	\$ (106,392)	\$ 265,662
Business-Type Activities	32,064	(57,863)	11,294	43,253	18,361	15,282	20,493	26,247	(5,218)	8,945
Total District	\$ (173,154)	\$ (94,166)	\$ 238,373	\$ 401,795	\$ 161,982	\$ 530,446	\$ 453,824	\$ 84,453	\$ (111,610)	\$ 274,607

**MOUNT EPHRAIM SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Restricted	\$ 537,830	\$ 438,991	\$ 1,252,400	\$ 1,385,778	\$ 752,621	\$ 543,724	\$ 328,520	\$ 220,478	\$ 1,215	\$ 1,171
Committed	-	-	237,335	137,000	339,915	283,233	119,233	-	400,000	500,000
Assigned	212,449	513,170	-	-	-	-	-	-	-	-
Unassigned	(117,208)	(74,753)	(54,194)	(52,950)	(67,968)	(35,548)	(110,074)	(110,377)	(97,328)	96,533
Total General Fund	\$ 633,071	\$ 877,408	\$ 1,435,541	\$ 1,469,828	\$ 1,024,568	\$ 791,409	\$ 337,679	\$ 110,101	\$ 303,887	\$ 597,704
All Other Governmental Funds:										
Reserved	\$ 69,081	\$ 159,611	\$ 107,137	\$ 131,085	\$ 460,179	\$ 480,019	\$ 605,005	\$ 452,612	\$ 471,227	\$ 525,173
Unassigned	-	-	-	-	-	-	-	-	(1,872)	(922)
Total All Other Governmental Funds	\$ 69,081	\$ 159,611	\$ 107,137	\$ 131,085	\$ 460,179	\$ 480,019	\$ 605,005	\$ 452,612	\$ 469,355	\$ 524,251

**MOUNT EPHRAIM SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local Tax Levy	\$ 5,988,581	\$ 5,886,286	\$ 5,851,326	\$ 5,609,694	\$ 5,610,325	\$ 5,616,020	\$ 5,534,066	\$ 5,027,030	\$ 5,099,574	\$ 4,509,297
Tuition	12,075	13,317	22,919	22,030	122,781	310,929	307,772	293,364	149,299	103,128
Interest	-	-	-	-	-	2	143	6,430	20,587	50,601
Miscellaneous	38,509	39,003	13,089	64,767	65,581	100,164	77,854	33,140	72,587	47,704
Federal Sources	274,135	280,688	273,609	307,473	409,139	277,326	1,016,687	223,225	219,738	237,986
State Sources	4,609,253	4,733,604	4,567,952	4,525,376	4,142,143	3,925,421	3,908,601	4,180,726	4,185,235	4,006,418
Total Revenue	10,922,553	10,952,898	10,728,895	10,529,341	10,349,969	10,229,862	10,845,123	9,763,915	9,747,020	8,955,134
Expenditures:										
Instruction	3,165,187	3,338,643	3,009,408	2,623,161	2,638,409	2,562,909	3,155,166	2,893,247	2,937,512	2,636,918
Undistributed Instruction	7,495,060	7,168,061	6,988,274	6,945,547	6,877,907	6,595,892	6,631,372	6,385,884	6,405,528	5,650,400
Capital Outlay	37,263	417,631	31,238	411,605	44,543	155,896	23,386	21,388	57,014	33,054
Transfer of Funds to Charter Schools	-	27,261	19,353	-	-	-	-	-	-	-
Debt Service:	576,460	566,960	738,857	559,024	575,791	581,076	655,228	693,447	698,925	704,145
Total Expenditures	11,273,970	11,518,556	10,787,130	10,539,337	10,136,650	9,895,773	10,465,152	9,993,966	10,098,979	9,024,517
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(351,417)	(565,658)	(58,235)	(9,996)	213,319	334,089	379,971	(230,051)	(351,959)	(69,383)
Other Financing Sources/(Uses):										
Cancellation of Accounts Payable	-	-	-	-	-	-	-	19,522	-	-
Contribution from Latchkey	16,550	60,000	-	-	-	-	-	-	-	-
Proceeds of Refunding Bonds	-	-	-	6,295,000	-	-	-	-	18,246	11,688
Premium on Issuance of Bonds	-	-	-	409,594	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	(6,593,623)	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	2,124	6,400	38,788	62,227
Transfers Out	-	-	-	-	-	(5,345)	(2,124)	(6,400)	(53,788)	(62,227)
Total Other Financing Sources/ (Uses)	16,550	60,000	-	110,971	-	(5,345)	-	19,522	3,246	11,688
Net Change in Fund Balances	\$ (334,867)	\$ (505,658)	\$ (58,235)	\$ 100,975	\$ 213,319	\$ 328,744	\$ 379,971	\$ (210,529)	\$ (348,713)	\$ (57,695)
Debt Service as a Percentage of Noncapital Expenditures	5.1%	4.9%	6.8%	5.3%	5.7%	5.9%	6.3%	6.9%	6.9%	7.8%

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)

FISCAL YEAR ENDED JUNE 30,	CANCELLATION OF PRIOR YEAR'S EXPENDITURES	DONATIONS	E-RATE REIMBURSEMENTS	INTEREST ON INVESTMENTS	MISCELLANEOUS	RENTALS	REFUND OF PRIOR YEAR'S EXPENDITURES	TUITION	TOTAL
2016	\$ -	-	\$ -	-	\$ 35,521	-	-	\$ 12,075	\$ 47,596
2015	-	-	-	-	39,003	-	-	13,317	52,320
2014	-	-	-	7,115	5,973	-	-	-	13,089
2013	45,079	-	-	16,236	3,453	-	-	-	64,767
2012	-	-	-	12,832	7,385	-	-	-	188,362
2011	-	-	9,031	15,818	8,454	1,764	34,569	122,781	188,362
2010	-	9,000	-	9,571	897	5,506	70,388	310,929	411,095
2009	-	-	-	11,690	1,242	-	2,903	307,772	360,780
2008	-	-	-	47,268	4,351	-	41,555	293,364	309,199
2007	-	-	-	92,737	-	-	5,568	149,299	242,473
								103,128	201,433

Source: District Records

**MOUNT EPHRAIM SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED DECEMBER 31,	VACANT LAND	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	PUBLIC UTILITIES	NET VALUATION TAXABLE	TAX-EXEMPT PROPERTY	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE	TOTAL DIRECT SCHOOL TAX RATE
2016	\$1,435,700	\$234,550,000	\$33,744,300	\$673,700	\$5,977,300	\$276,381,000	\$430,603	\$276,811,603	\$20,580,600	N/A	2.223
2015	1,519,800	234,479,700	34,758,000	673,700	6,195,600	277,626,800	431,616	278,058,416	20,504,900	297,583,932	2.135
2014	1,403,700	148,870,400	20,466,200	406,300	3,343,300	174,489,900	311,748	174,801,648	15,870,600	285,526,987	3.361
2013	1,403,700	148,745,600	21,539,200	406,300	3,343,300	175,438,100	233,361	175,671,461	15,870,600	305,038,770	3.222
2012	1,452,700	149,039,200	22,323,000	406,300	3,343,300	176,564,500	229,095	176,793,595	15,625,300	327,001,503	3.193
2015	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	324,226,991	3.187
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	321,999,683	3.128
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	325,221,529	3.031
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	308,754,178	2.933
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	285,666,893	2.819

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

**MOUNT EPHRAIM SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED DECEMBER 31,	SCHOOL DISTRICT DIRECT RATE			TOTAL DIRECT SCHOOL TAX RATE		OVERLAPPING RATES			TOTAL DIRECT AND OVERLAPPING TAX RATE
	BASIC RATE	GENERAL SERVICE OBLIGATION DEBT		SCHOOL TAX RATE	BOROUGH OF MOUNT EPHRAIM	CAMDEN COUNTY			
2016	N/A	N/A		N/A	N/A	N/A		N/A	
2015	1.951	0.272		2.223	1.286	0.898		4.407	
2014	3.023	0.338		3.361	1.990	1.392		6.743	
2013	2.949	0.272		3.221	1.938	1.436		6.595	
2012	2.903	0.290		3.193	1.893	1.426		6.512	
2011	2.914	0.273		3.187	1.731	1.309		6.227	
2014	2.842	0.286		3.128	1.732	1.195		6.055	
2009	2.727	0.304		3.031	1.654	1.152		5.837	
2008	2.626	0.308		2.934	1.548	1.129		5.611	
2007	2.566	0.254		2.820	1.394	1.159		5.373	

Source: Municipal Tax Collector

**MOUNT EPHRAIM SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO**

2016			
TAXABLE ASSESSED VALUE	RANK (OPTIONAL)	NAME OF TAXPAYER	% OF TOTAL DISTRICT NET ASSESSED VALUE
\$ 2,360,100.00		1 SCP LLC	0.85%
2,275,000		2 Bulkwark Mt. Ephraim LLC	0.82%
2,000,000		3 Willow Glen Apartments LLC	0.72%
1,750,000		4 Wawa Inc.	0.63%
1,736,400		5 Foulke McErlean Partnership	0.63%
1,648,000		6 Forest Park Apartments	0.60%
1,620,800		7 DMH Hospitality LLC	0.59%
1,202,300		8 Mt. Ephraim Association	0.44%
990,000		9 Mc Donald's Corp.	0.36%
877,800		10 KWK2 LLC	0.32%

2007			
TAXABLE ASSESSED VALUE	RANK (OPTIONAL)	NAME OF TAXPAYER	% OF TOTAL DISTRICT NET ASSESSED VALUE
\$2,000,000	1	Fisk, Mt. Ephraim LLC	0.12%
1,221,200	2	Wawa Inc.	0.07%
1,138,900	3	Foulke McErlean Partnership	0.07%
1,025,000	4	CVS	0.06%
1,003,900	5	Forest Park Apartments	0.06%
975,000	6	DMH Hospitality LLC	0.06%
940,000	7	DWB Hospitality LLC	0.05%
880,000	8	Mc Donald's Corp	0.05%
675,000	9	Steliga Investments	0.04%
520,000	10	Gulli Family LLC	0.03%
<u>\$10,379,000</u>			<u>0.60%</u>

**MOUNT EPHRAIM SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY	
		AMOUNT	PERCENTAGE OF LEVY
2016	\$ 5,988,581	\$ 5,988,581	100.00%
2015	5,886,286	5,886,286	100.00%
2014	5,851,326	5,851,326	100.00%
2013	5,609,694	5,609,694	100.00%
2012	5,610,325	5,610,325	100.00%
2015	5,616,020	5,616,020	100.00%
2010	5,534,066	5,534,066	100.00%
2009	5,027,030	5,027,030	100.00%
2008	5,099,574	5,099,574	100.00%
2007	4,509,297	4,509,297	100.00%

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

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES				TOTAL DISTRICT	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES			
2016	\$ 5,460,000	\$ -	\$ -	\$ -	\$ 5,460,000	N/A
2015	5,830,000	-	-	-	5,830,000	N/A
2014	6,180,000	-	-	-	6,180,000	1,332.76
2013	6,686,646	-	-	-	6,686,646	1,438.61
2012	6,895,948	-	-	-	6,895,948	1,476.65
2011	7,180,210	-	-	-	7,180,210	1,536.53
2010	7,458,858	-	-	-	7,458,858	1,596.50
2009	7,732,171	-	-	-	7,732,171	1,748.57
2008	8,000,528	-	-	-	8,000,528	1,819.96
2007	8,264,005	-	-	-	8,264,005	1,870.11

**MOUNT EPHRAIM SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS	NET GENERAL BONDED DEBT OUTSTANDING		
2016	\$ 5,460,000	\$ -	\$ 5,460,000	3.12%	N/A
2015	5,830,000	-	5,830,000	3.32%	1,256.74
2014	6,180,000	-	6,180,000	3.50%	1,332.76
2013	6,686,646	-	6,686,646	3.81%	1,438.61
2012	6,895,949	-	6,895,949	3.90%	1,476.65
2015	7,180,210	-	7,180,210	4.07%	1,536.53
2010	1,458,858	-	1,458,858	4.24%	312.26
2009	7,732,171	-	7,732,171	4.42%	1,748.57
2008	8,000,528	-	8,000,528	4.60%	1,819.96
2007	8,264,005	-	8,264,005	4.77%	1,870.11

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Mount Ephraim	\$ 6,070,650	100.00%	\$ 6,070,650
Camden County	292,140,380	0.194%	<u>566,752</u>
Subtotal, Overlapping Debt			6,637,402
Mount Ephraim Board of Education			<u>5,460,000</u>
Total Direct & Overlapping Debt			<u><u>\$ 12,097,402</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Burlington County Board of Taxation.

**MOUNT EPHRAIM SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

	FISCAL YEAR									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$8,466,789	8,721,428	11,517,235	9,166,228	9,528,698	9,661,478	9,633,036	9,474,165	9,115,817	8,414,435
Total Net Debt Applicable to Limit	5,460,000	5,830,000	6,455,000	6,686,646	6,895,949	7,180,210	7,458,858	7,732,171	8,000,528	8,264,005
Legal Debt Margin	\$3,006,789	2,891,428	5,062,235	2,479,582	2,632,749	2,481,268	2,174,178	1,741,994	1,115,289	150,430
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	64.49%	66.85%	56.05%	72.95%	72.37%	74.32%	77.43%	81.61%	87.77%	98.21%

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized Valuation Basis	
2015	\$ 280,381,404
2014	280,381,404
2013	285,916,069
	<u>\$846,678,877</u>
Average Equalized Valuation of Taxable Property	<u>\$282,226,292</u>
Debt Limit (3 % of Average Equalization Value) Net Bonded School Debt	<u>\$8,466,789</u> <u>5,460,000</u>
Legal Debt Margin	<u>\$3,006,789</u>

SOURCE: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

**MOUNT EPHRAIM SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION	CAMDEN COUNTY	
		PER CAPITA INCOME	UNEMPLOYMENT RATE
2016	N/A	N/A	N/A
2015	4,639	N/A	6.30%
2014	4,637	N/A	7.20%
2013	4,648	N/A	10.60%
2012	4,670	45,540	11.10%
2015	4,673	43,099	11.00%
2010	4,672	42,720	11.20%
2009	4,422	41,406	10.60%
2008	4,396	41,992	6.80%
2007	4,419	40,260	5.10%

Source: NJ Dept of Labor and Workforce Development

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

	2016	2007
	EMPLOYEES	EMPLOYEES
	N/A	N/A
	N/A	N/A
	N/A	N/A
Total	N/A	N/A

2006 Information was not available

Source: Camden County Economic Development

**MOUNT EPHRAIM SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**

Function/Program	FISCAL YEAR										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Intrusion:											
Regular Instruction	25.1	26.0	24.0	21.0	19.8	19.2	24.2	26.6	28.6	25.6	
Special Education Instruction	32.0	17.0	27.0	17.5	19.7	20.7	26.9	23.9	16.0	17.6	
Support Services:											
Student and Instruction Related Services	5.5	5.5	6.5	10.0	11.0	12.5	12.2	13.6	16.4	16.4	
School Administrative Services	4.5	4.5	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
General and Business Administrative Services	2.0	2.0	4.2	4.2	4.2	5.2	5.2	3.2	3.2	6.0	
Plant Operations and Maintenance	9.0	7.5	7.5	7.5	8.5	8.1	9.3	8.4	8.8	9.0	
Latchkey	4.0	4.0	4.0	4.0	4.0	4.0	4.0	-	-	-	
Total	82.1	66.5	76.2	66.2	69.2	71.7	83.8	77.7	75.0	76.6	

MOUNT EPHRAIM SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	MARY BRAY ELEMENTARY SCHOOL	RAYMOND W. KERSHAW SCHOOL	AVERAGE DAILY ENROLLMENT (ADE)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2016	434	\$ 10,448,156	\$ 24,074	1.45%	38	1:12	1:10	435	416		95.85%
2015	435	10,322,555	23,730	3.01%	43	1:12	1:10	435	416	1.09%	95.63%
2014	434	9,997,682	23,036	7.13%	36	1:14	1:11	426	412	-3.27%	96.55%
2013	445	9,568,108	21,503	2.58%	32	1:16	1:12	441	428	-0.59%	97.10%
2012	454	9,516,316	20,961	6.19%	62	1:15	1:12	443	431	-4.52%	97.13%
2011	464	9,158,801	19,739	-0.57%	62	1:15	1:15	464	450	-3.19%	96.92%
2010	493	9,786,538	19,851	-0.52%	51	1:13	1:12	80	455	3.01%	94.97%
2009	465	9,279,131	19,955	-1.54%	50	1:12	1:10	466	446	4.44%	95.81%
2008	461	9,343,040	20,267	8.34%	45	1:12	1:10	446	425	0.63%	95.27%
2007	443	8,287,318	18,707	10.99%	47	1:13	1:09	443	420	-5.18%	94.72%

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**

DISTRICT BUILDINGS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Mary Bray School:										
Square Feet	53,213	53,213	53,213	53,213	53,213	53,213	53,213	53,213	53,213	53,213
Capacity (Students)	305	305	305	305	305	305	305	305	305	305
Enrollment	264	249	257	257	258	211	210	189	188	164
Raymond W. Kershaw School										
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	170	186	177	187	197	211	210	189	188	164

Number of Schools at June 30, 2016

Source: District Facilities Office

**MOUNT PHEARIM SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS**

SCHOOL FACILITIES	PROJECT #	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Mary Bray Elementary School	Required Maintenance	\$ 70,150	\$ 74,443	\$ 55,410	\$ 58,561	\$ 44,749	\$ 45,531	\$ 37,522	\$ 14,752	\$ 41,594	\$ 46,148
Raymond W. Kershaw School	Required Maintenance	48,575	59,823	48,489	61,451	48,283	48,048	53,590	10,387	130,342	64,263
Total		\$118,725	\$ 134,266	\$ 103,899	\$ 120,012	\$ 93,032	\$ 93,579	\$ 91,112	\$ 25,139	\$ 171,936	\$ 110,411

* 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, 2016**

	COVERAGE	DEDUCTIBLE
Burlington County Insurance Pool, Joint Insurance Fund (BCIPJIF):		
Property / Auto Physical Damage/Crime	\$ 250,000	\$ 500
General Liability / Auto Liability	250,000	
Employee Benefits Liability	250,000	
Workers Compensation/EL/OD	250,000	
Educators' Legal Liability	250,000	
Maintenance Deductible		500
Owner Group Loss Funding	18,200,000	
School Pool For Excess Liability Limits		
Property / Inland Marine / Automobile Physical Damages (per occurrence)	174,749,500	
Crime	500,000	
Workers Compensation	750,000	
General Liability / Auto Liability	20,000,000	
Educators' Legal Liability	20,000,000	
Boiler and Machinery	125,000,000	1,000
Pollution Liability	3,000,000	
Cyber Liability	5,000,000	
Western Surety:		
Surety - Board Secretary	300,000	

Source: District Records

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SINGLE AUDIT SECTION

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EXHIBIT K-1

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the Mount Ephraim School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Mount Ephraim School District’s basic financial statements, and have issued our report thereon dated September 29, 2016 .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mount Ephraim School District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Ephraim School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Mount Ephraim School District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as Finding No’s 2016-001 & 2016-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be significant deficiencies as Finding No's 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Ephraim School District's financial statements are free from 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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey as Finding No 2016-002.

We also noted certain administrative findings that we reported to management of the Mount Ephraim School District, as described in a separate auditor's management report dated September 29, 2016.

The Mount Ephraim School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

September 29, 2016
Medford, New Jersey



EXHIBIT K-2

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

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

Report on Compliance for Each Major State Program

We have audited Mount Ephraim School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District’s major state programs for the year ended June 30, 2016. Mount Ephraim 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.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Mount Ephraim School District’s major state programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards (Uniform Guidance); *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 15-08 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 Mount Ephraim 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 on compliance for each major state program. However, our audit does not provide a legal determination of Mount Ephraim School District's compliance.

Opinion on Each Major State Program

In our opinion, Mount Ephraim School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items Finding No's 2016-001, 2016-002, and 2016-003. Our opinion on each major state program is not modified with respect to these matters.

Mount Ephraim School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mount Ephraim School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Mount Ephraim School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mount Ephraim School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08, 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 Mount Ephraim School District's internal control over compliance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

September 29, 2016
Medford, New Jersey

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MOUNT PEPHAM SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR FISCAL YEAR ENDED JUNE 30, 2016

GRANTOR STATE PROJECT NUMBER	STATE GRANTOR/PROGRAM TITLE	AWARD AMOUNT	GRANT PERIOD	BALANCE AT		CASH RECEIVED	BUDGETARY EXPENDITURES	SUB RECIPIENT EXPENDITURES	MEMO		CUMULATIVE TOTAL EXPENDITURES
				JUNE 30, 2015	JUNE 30, 2016				(ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	
495-034-5120-078	Equalization Aid	\$ 3,300,887	7/1/15-6/30/16	\$ -	\$ -	\$ 3,300,887	(\$ 3,300,887)	\$ -	\$ 309,777	\$ -	\$ 3,300,887
495-034-5120-089	Special Education Aid	360,860	7/1/15-6/30/16	-	-	360,860	(360,860)	-	33,865	-	360,860
495-034-5120-085	Additional Adjustment Aid	22,908	7/1/15-6/30/16	-	-	22,908	(22,908)	-	2,150	-	22,908
495-034-5120-068	School Choice Aid	190,900	7/1/15-6/30/16	-	-	190,900	(190,900)	-	17,915	-	190,900
495-034-5120-084	Security Aid	16,849	7/1/15-6/30/16	-	-	16,849	(16,849)	-	1,381	-	16,849
495-034-5120-098	PARCC Readiness Aid	6,120	7/1/15-6/30/16	-	-	6,120	(6,120)	-	575	-	6,120
495-034-5120-097	Per Pupil Growth Aid	6,120	7/1/15-6/30/16	-	-	6,120	(6,120)	-	575	-	6,120
	Total State Aid Cluster			-	-	3,904,644	(3,904,644)	-	366,438	-	3,904,644
100-034-5120-473	Extraordinary Aid	34,373	7/1/14-6/30/15	(34,373)	-	34,373	-	-	-	-	-
495-034-5120-014	Transportation Aid	11,921	7/1/15-6/30/16	-	-	11,921	(11,921)	-	1,118	-	11,921
495-034-5120-014	Non Public Transportation Costs	348	7/1/15-6/30/16	-	-	348	(348)	-	-	-	348
100-034-5095-002	Reimbursed TPAF Social Security Contributions	218,761	7/1/15-6/30/16	-	-	218,761	(218,761)	-	-	-	218,761
100-034-5095-002	Reimbursed TPAF Social Security Contributions	247,923	7/1/14-6/30/15	(14,094)	-	14,094	-	-	-	-	-
	Noncash Assistance:										
100-034-5095-001	On-Behalf TPAF Pension Medical (Nonbudgeted)	259,729	7/1/15-6/30/16	-	-	259,729	(259,729)	-	-	-	259,729
100-034-5095-001	On-Behalf TPAF Pension Contributions (Nonbudgeted)	218,127	7/1/15-6/30/16	-	-	218,127	(218,127)	-	-	-	218,127
	Total General Fund			(48,467)	-	4,661,997	(4,613,530)	-	367,556	-	4,613,530
G5-5080	Capital Projects Fund:										
G5-6024	ROD Grant (Project #3420-020-14-1001)	203,795	7/1/14-6/30/16	(127,274)	-	-	-	-	(127,274)	-	-
G5-6023	ROD Grant (Project #3420-030-14-1004)	26,025	7/1/14-6/30/16	(22,049)	-	-	-	-	(22,049)	-	-
	ROD Grant (Project #3420-020-14-1003)	16,231	7/1/14-6/30/16	(13,948)	-	-	-	-	(13,948)	-	-
	Total Capital Projects Fund Assistance			(163,271)	-	-	-	-	(163,271)	-	-
100-010-3350-023	Enterprise Fund:										
100-010-3350-023	National School Lunch Program (State Share)	1,605	7/1/14-6/30/15	-	-	1,548	(1,605)	-	-	(57)	1,605
	National School Lunch Program (State Share)	1,707	7/1/13-6/30/14	(178)	-	178	-	-	-	-	-
	Total Enterprise Fund			(178)	-	1,726	(1,605)	-	-	(57)	1,605
	Total State Financial Assistance			\$ (211,916)	\$ -	\$ 4,663,723	\$ (4,615,135)	\$ -	\$ (163,328)	\$ 367,556	\$ 4,613,135
	Less: Grants Not Subject to New Jersey OMB Circular 04-04:										
	On-Behalf TPAF Post-Retirement Medical (Nonbudgeted)	259,729	7/1/15-6/30/16	-	-	\$ -	\$ 259,729	-	-	-	-
	On-Behalf TPAF Pension Contributions (Nonbudgeted)	218,127	7/1/15-6/30/16	-	-	-	218,127	-	-	-	-
	Total State Financial Assistance subject to New Jersey OMB Circular 04-04										\$ (4,137,279)

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**MOUNT EPHRAIM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. General

The accompanying schedule of state financial assistance include state financial assistance programs of the Mount Ephraim School District. The School District is defined in Note 1 to the School District's basic financial statements. All State awards received directly from State agencies, as well as state financial assistance passed through other government agencies is included on the schedule of state financial assistance.

Note 2. Summary of Significant Accounting Policies

The accompanying schedule of state financial assistance is 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 basis of accounting are described in Note 1 to the district's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Of the state expenditures presented in the Schedule of State Financial Assistance, the Mount Ephraim School District did not provide any state awards to sub recipients.

Noncash assistance is reported in the Schedule of State Financial Assistance as the value, as determined by the State of New Jersey, of the On-Behalf payments made by the State for Pensions and Post-Retirement Medical Contributions during the year ended June 30, 2016.

Mount Ephraim School District has not elected to use the 10% de minimis cost rate allowed by the Uniform Guidance.

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 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 state aid payment 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

MOUNT EPHRAIM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE (continued):
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 3. Relationship to Basic Financial Statements (continued):

subsequent budget year due to the state deferral and recording of the last state aid payment 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 state aid payment 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 \$(4,277) for the general fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Financial assistance revenues are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	State
General Fund	\$ 4,609,253
Food Service Fund	<u>1,605</u>
Total Financial Assistance	<u><u>\$ 4,610,858</u></u>

4. Relationship to State Financial Reports

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

5. Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2016. 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, 2016.

Note 6. State Loans Outstanding

The Mount Ephraim School District had no loan balances outstanding at June 30, 2016.

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? Yes

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to basic financial Statements noted? Yes

Federal Awards – NOT APPLICABLE

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

Auditee qualified as low-risk auditee?

Internal Control over major programs:

- 1) Material weakness(es) identified?
- 2) Significant deficiencies identified that are not considered To be material weaknesses?

Type of auditor’s report issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200 Section .516(a) of the Uniform Guidance?

Identification of major programs:

CFDA Number(s)	FAIN(s)	Name of Federal Program or Cluster
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NOT APPLICABLE

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

State Awards

Internal Control over major programs:

- | | |
|--|----|
| 1) Material weakness(es) identified? | No |
| 3) Significant deficiencies identified that are not considered
To be material weaknesses? | No |

Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance With NJ OMB Circular Letter 15-08?	No
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Identification of major programs:

GMIS Number(s)	Name of State Program
495-034-5120-068	School Choice
495-034-5120-078	Equalization Aid
495-034-5120-084	Security Aid
495-034-5120-089	Categorical Special Education Aid
495-034-5120-097	Per Pupil Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-085	Additional Adjustment Aid

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

***Finding 2016-001:**

Criteria or Specific Requirement:

Capital assets additions, deletions, and depreciation are accurately recorded and maintained during the school year.

Condition:

During our audit of Capital Assets it was noted that the School District is not properly recording additions and deletions during the year. In addition the School District is not properly recording annual depreciation.

Context:

A lack of internal control exists over the reporting and recording of capital assets.

Effect:

The School District risks not properly reporting the value of their Capital Assets on the financial statements.

Cause:

Lack of controls surrounding the purchase, disposal, and reporting of capital assets.

Recommendation:

That the District implements internal controls to ensure Capital Asset additions, deletions and depreciation is recorded correctly in their records.

Views of Responsible Officials and Planned Corrective Actions:

The School District agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding 2016-002:

Criteria or Specific Requirement:

That eligible employees are enrolled into their respective pension system.

Condition:

During our audit of it was noted that two employees who were eligible to be enrolled in pension were not.

Context:

A lack on internal controls exists over the process of ensuring all eligible employees are properly enrolled in the State pension system.

Effect:

The School District risks not properly reporting all eligible employees and understating its liability to fund their portion of State pension.

Cause:

Lack of controls surrounding the enrollment of employees into the State pension system.

Recommendation:

That the District implements internal controls to ensure all eligible employees are properly enrolled in the State pension system.

Views of Responsible Officials and Planned Corrective Actions:

The School District agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2016**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Finding 2016-003:

Criteria or Specific Requirement:

That all district bank accounts are reconciled on a monthly basis.

Condition:

During our audit of the Scholarship and Flexible Spending accounts it was noted that bank reconciliations are not being performed on these accounts.

Context:

A lack on internal controls exists over the reconciliation of the Scholarship and Flexible Spending accounts.

Effect:

The School District risks misstating their financial statements.

Cause:

Lack of controls surrounding the reconciliation of the Scholarship and Flexible Spending accounts.

Recommendation:

That the District implements internal controls to ensure all District bank accounts are reconciled on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions:

The School District agrees with this finding and will take the appropriate steps to correct this internal control deficiency.

**MOUNT EPHRAIM SCHOOL DISTRICT
SCHEDULE OF FINDINGS & QUESTIONED COSTS (continued):
For the Fiscal Year Ended June 30, 2016**

Section III – State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

No Current Year Findings

**MOUNT EPHRAIM SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
For the Fiscal Year Ended June 30, 2016**

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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards*. (¶.511 (a)(b)) and NJOMB's Circular 04-04 and/or 15-08, as applicable.

Finding 2015-001:

During our audit of Capital Assets it was noted that the School District is not properly recording additions and deletions during the year. In addition the School District is not properly recording annual depreciation.

Status: Management has not taken corrective action on this finding.

Finding 2015-002:

The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Status: Management has taken corrective action on this finding.

Finding 2015-003:

During our audit it was noted that the School District doesn't have standard operating procedures in place.

Status: Management has taken corrective action on this finding.

Finding 2015-004:

During our audit of the Application for State School Aid it was noted that there were errors between student enrollment and the final application for state school aid report.

Status: Management has taken corrective action on this finding.

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