

**SCHOOL DISTRICT  
OF  
HI-NELLA**



Hi-Nella Board of Education  
Hi-Nella, New Jersey

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

**Comprehensive Annual  
Financial Report**

**of the**

**Hi-Nella Board of Education**

**Hi-Nella, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by  
Hi-Nella Board of Education  
Finance Department**

# HI-NELLA SCHOOL DISTRICT

## INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	3
Roster of Officials	4
Consultants and Advisors	5

## FINANCIAL SECTION

<b>Independent Auditor's Report</b>	7
<b>K-1 Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</b>	9
<b>Required Supplementary Information - Part I Management's Discussion and Analysis</b>	12
<b>Basic Financial Statements</b>	
<b>A. District-wide Financial Statements:</b>	
A-1 Statement of Net Assets	19
A-2 Statement of Activities	20
<b>B. Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
B-1 Balance Sheet	22
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	23
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	N/A
<b>Proprietary Funds:</b>	N/A
<b>Fiduciary Funds:</b>	
B-7 Statement of Fiduciary Net Assets	N/A
B-8 Statement of Changes in Fiduciary Net Assets	N/A
<b>Notes to the Financial Statements</b>	24

**Required Supplementary Information - Part II**

**C. Budgetary Comparison Schedules**

C-1	Budgetary Comparison Schedule - General Fund	33
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (if applicable)	N/A
C-1b	Budgetary Comparison Schedule - Education Jobs Fund General Fund	35
C-2	Budgetary Comparison Schedule - Special Revenue Fund	N/A

**Notes to the Required Supplementary Information**

C-3	Budget-to-GAAP Reconciliation	36
-----	-------------------------------	----

**Other Supplementary Information**

D.	School Level Schedules :	N/A
----	--------------------------	-----

**E. Special Revenue Fund:**

E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	N/A
E-2	Demonstrably Effective Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-3	Early Childhood Program Aid Schedule of Expenditures - Budgetary Basis	N/A
E-4	Distance Learning Network Aid Schedule of Expenditures - Budgetary Basis	N/A
E-5	Instructional Supplement Aid Schedule of Expenditures - Budgetary Basis	N/A

F.	Capital Projects Fund:	N/A
----	------------------------	-----

G.	Proprietary Fund:	N/A
----	-------------------	-----

	Enterprise Fund:	N/A
--	------------------	-----

	Internal Service Fund:	N/A
--	------------------------	-----

**H. Fiduciary Funds:**

H-1	Combining Statement of Fiduciary Net Assets	N/A
H-2	Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	N/A
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	N/A

I. Long-Term Debt:

N/A

**STATISTICAL SECTION (Unaudited)**

J-1	Net Assets by Component	44
J-2	Changes in Net Assets, Last Four Fiscal Years	45
J-3	Fund Balances, Governmental Funds, Last Four Fiscal Years	46
J-4	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	47
J-5	General Fund - Other Local Revenue by Source, Last Ten Fiscal Years	48
J-6	Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	49
J-7	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	50
J-8	Principal Property Tax Payers, Current Year and Nine Years Ago	51
J-9	Property Tax Levies and Collections, Last Ten Fiscal Years	51
J-10	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	53
J-11	Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	54
J-12	Ratios of Overlapping Governmental Activities Debt, As of December 31, 2011	55
J-13	Legal Debt Margin Information, Last Ten Fiscal Years	56
J-14	Demographic and Economic Statistics	57
J-15	Principal Employers, Current Year & Nine Years Ago (information not available)	N/A
J-16	Full-time Equivalent District Employees by Function/Program, Last Ten Fiscal Years	58
J-17	Operating Statistics, Last Ten Fiscal Years	59
J-18	School Building Information, Last Ten Fiscal Years	60
J-19	Schedule of Required Maintenance, Last Six Fiscal Years	61
J-20	Insurance Schedule	62

**SINGLE AUDIT SECTION**

K-2	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04	64
K-3	Schedule of Expenditures of Federal Awards, Schedule A	66
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	67
K-5	Notes to the Schedules of Awards and Financial Assistance	68
K-6	Schedule of Findings and Questioned Costs	69
K-7	Summary Schedule of Prior Audit Findings	73

**Introductory Section**

# Hi-Nella Board of Education



## SJTP Technology Center

801 Preston Avenue • Somerdale, NJ 08083  
(856) 566-4197 • Fax: (856) 784-7823

October 25, 2012

Honorable President and  
Members of the Board of Education  
Hi-Nella School District  
County of Camden, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Hi-Nella School District for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of my 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 general fund and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and as supplemented and amended in 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the state Treasury Circular Letter 98-07 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

- 1. REPORTING ENTITY AND ITS SERVICES:** Hi-Nella 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 Hi-Nella Board of Education provides the following services:
  - K - 12 regular education with sending/receiving tuition contracts with Oaklyn for K to 8 grades, Stratford Public Schools (K to 8, School Choice) and Sterling for 9 through 12<sup>th</sup> grade.
  - Remedial services for at risk students through Sterling and Oaklyn
  - Special Education programs and related services as indicated in the Individual Education Plan (IEP) and required by N.J.A.C. 6:28 through Oaklyn, Sterling and other private and public schools
  - Transportation services for Oaklyn, Vocational (no students during year) and Special Education students.

2. **ECONOMIC CONDITION AND OUTLOOK:** Hi-Nella is experiencing no development in housing and should not have any significant impact on the school district. The Hi-Nella Board of Education has completed its review in conjunction with Oaklyn BOE and Stratford BOE and can lawfully begin a sending/receiving tuition agreement with the Stratford Board of Education. Contract has been signed to start sending students to Stratford.
3. **BUDGETARY CONTROLS:** The District has entered into a shared service contract with Sterling High School for the business operations. 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 final budget amount as amended for the fiscal year is reflected in the financial section.
4. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records are maintained utilizing "QuickBooks" accounting software. 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.
5. **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 responsibility for sound financial management.
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. **OTHER INFORMATION:**

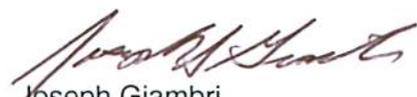
**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso and Stewart was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as supplemented and amended in 1996, and the related OMB Circular A-133 and state Treasury Circular Letter 98-07 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.
8. **ACKNOWLEDGEMENTS:**

I would like to express my appreciation to the members of the Hi-Nella Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the Hi-Nella and thereby contributing their full support to the students of Hi-Nella.

Respectfully submitted,



Joshua M. Fleig  
Board Secretary

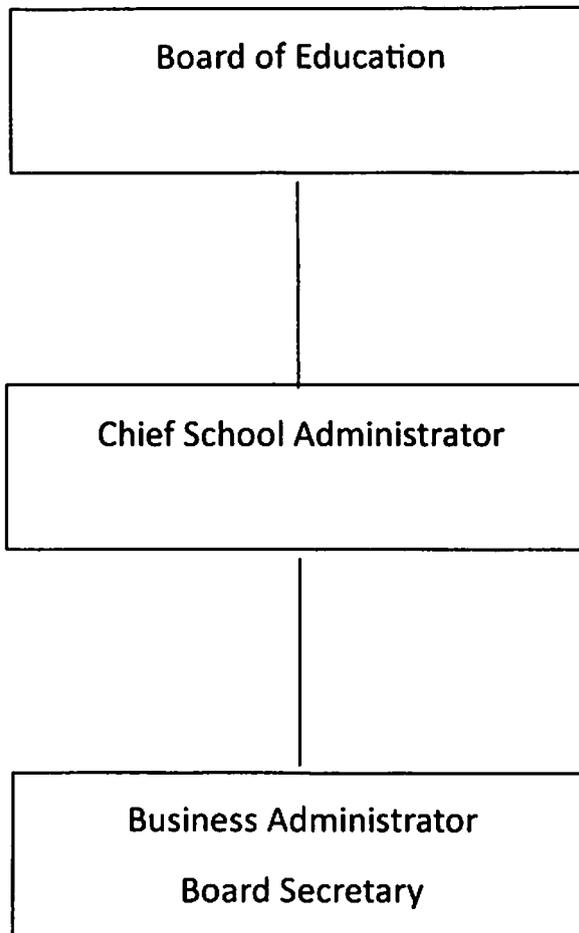


Joseph Giambri  
Chief School Administrator

# HI-NELLA BOARD OF EDUCATION

## Organizational Chart

(Unit Control)



# HI-NELLA SCHOOL DISTRICT

## Roster of Officials June 30, 2012

### Members of the Board of Education:

### Term Expires

Karen Cunningham, President	2014
Terri Beth Schules, Vice President	2013
Kathy Schaeffer	2013
John Baugher, Jr.	2015
Christine Lewis	2015

### Other Officials:

Joshua Fleig, Business Administrator/Board Secretary  
Joseph S. Giambri, Sr., Chief School Administrator  
Katherine Smith, Treasurer  
Alan Schmoll, Esq., Solicitor  
Inverso & Stewart, Auditor  
Susan Hodges, Esq., Special Counsel

**HI-NELLA SCHOOL DISTRICT  
Consultants and Advisors**

**Audit Firm**

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

**Attorney**

Alan Schmoll, Esquire  
Acting for Capehardt & Scatchard  
Laurel Corporate Center, Suite 3000  
8000 Midlantic Drive  
Mount Laurel, NJ 08054

Susan Hodges, Esquire  
Acting for Archer & Greiner  
One Centennial Square  
Haddonfield, NJ 08033

**Broker of Record**

Dave Enders  
KEH Insurance Agency  
1415 Route 70 East  
Cherry Hill, NJ 08034

**Official Depository**

TD Bank  
1701 Route 70, East  
Cherry Hill, NJ 08034

**Financial Section**

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

**Certified Public Accountants  
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402  
Marlton, New Jersey 08053  
(856) 983-2244  
Fax (856) 983-6674  
E-Mail: [iscpas@concentric.net](mailto:iscpas@concentric.net)

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

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and Members  
of the Board of Education  
Hi-Nella School District  
County of Camden  
Hi-Nella, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hi-Nella School District, in the County of Camden, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Hi-Nella School District, in the County of Camden, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2012 on our consideration of the Hi-Nella School District, in the County of Camden, State of New Jersey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hi-Nella School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

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



Robert A. Stewart  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
October 19, 2012

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

**Certified Public Accountants  
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402  
Marlton, New Jersey 08053  
(856) 983-2244  
Fax (856) 983-6674  
E-Mail: [lsepas@concentric.net](mailto:lsepas@concentric.net)

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

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

The Honorable President and Members  
of the Board of Education  
Hi-Nella School District  
County of Camden  
Hi-Nella, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hi-Nella School District (School District), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

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

Management of the Hi-Nella School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Hi-Nella School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

**Compliance and Other Matters**

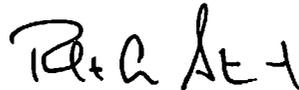
As part of obtaining reasonable assurance about whether the Hi-Nella School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain matters that we reported to management of the Hi-Nella School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated October 19, 2012.

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

Respectfully submitted,

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



Robert A. Stewart  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
October 19, 2012

**Required Supplementary Information - Part I**

**Management's Discussion and Analysis**

**Hi-Nella School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

As management of the Board of Education of the Borough of Hi-Nella, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The assets of the School District did not exceed its liabilities at the close of the most recent fiscal year by \$32,223 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$52,223. The accounting treatment in the governmental funds for the June state aid payments is primarily responsible for this deficit balance.
- The total net assets of the School District decreased by \$80,459, or a 167.0% decrease from the prior fiscal year-end balance. This was a direct result of the district transferring funds to the Borough for construction of a municipal building.

**Overview of the Basic Financial Statements**

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

**District-wide Financial Statements**

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

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

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

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities reflect only the General Fund as the School District is a non-operating district and as such does not maintain any other funds.

### **Fund Financial Statements**

*Fund financial statements* are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The School District only maintains the *governmental funds*.

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

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

The School District maintains one governmental fund. The major fund is the General Fund and it is presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with budgetary requirements.

The School District does not maintain any *Proprietary funds* or *Fiduciary funds*.

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

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

### **Other Information**

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

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

The assets of the School District are classified as current assets as the School District does not possess any capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2012. The School District does not have any long-term liabilities such as long-term debt obligations and compensated absences payable.

The assets of the primary government activities did not exceed liabilities by \$32,223 with an unrestricted deficit balance of \$52,223. The net assets of the primary government do not include internal balances.

Net assets of \$20,000 have been restricted for the 2012/13 budget appropriation.

**Hi-Nella School District  
Comparative Summary of Net Assets  
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current assets	\$ 48,057	\$ 50,736			\$ 48,057	\$ 50,736
Capital assets						
<b>Total assets</b>	<b>48,057</b>	<b>50,736</b>			<b>48,057</b>	<b>50,736</b>
<b>Liabilities:</b>						
Current Liabilities	80,280	2,500			80,280	2,500
Noncurrent Liabilities						
<b>Total liabilities</b>	<b>80,280</b>	<b>2,500</b>			<b>80,280</b>	<b>2,500</b>
<b>Net assets (Deficit)</b>	<b>\$ (32,223)</b>	<b>\$ 48,236</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (32,223)</b>	<b>\$ 48,236</b>
<b>Net assets consist of:</b>						
Restricted net assets	\$ 20,000	\$ 100,000			\$ 20,000	\$ 100,000
Unrestricted net assets	(52,223)	(51,764)			(52,223)	(51,764)
<b>Net assets</b>	<b>\$ (32,223)</b>	<b>\$ 48,236</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (32,223)</b>	<b>\$ 48,236</b>

**Hi-Nella School District  
Comparative Schedule of Changes in Net Assets  
As of and for the Fiscal Year Ended June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Revenues:						
General Revenues:						
Property Taxes	\$ 502,485	\$ 502,485			\$ 502,485	\$ 502,485
Unrestricted Federal and State Aid	783,198	730,722			783,198	730,722
Other Revenues	2,768	23,813			2,768	23,813
<b>Total Revenues</b>	<b>1,288,451</b>	<b>1,257,020</b>			<b>1,288,451</b>	<b>1,257,020</b>
Expenses:						
Governmental Activities:						
Tuition	1,098,098	1,176,248			1,098,098	1,176,248
Administrative Services	50,440	58,880			50,440	58,880
Transportation	117,217	91,452			117,217	91,452
Building services	103,155	159,000			103,155	159,000
<b>Total Expenses</b>	<b>1,368,910</b>	<b>1,485,580</b>			<b>1,368,910</b>	<b>1,485,580</b>
Increase in net assets						
Before transfers	(80,459)	(228,560)			(80,459)	(228,560)
Transfers						
Changes in net assets	(80,459)	(228,560)			(80,459)	(228,560)
Net assets, July 1,	48,236	276,796			48,236	276,796
Net assets, June 30, (Deficit)	<u>\$ (32,223)</u>	<u>\$ 48,236</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (32,223)</u>	<u>\$ 48,236</u>

**Governmental Activities**

Governmental activities decreased the net assets of the School District by \$80,459 during the current fiscal year, thereby accounting for all of the total decrease in the net assets of the School District. Key elements of the decrease in net assets for governmental activities are as follows:

- The district spent 97.44% of the 2011/2012 budget in comparison to 94.97% of the 2010/11 budget.
- The district continues to use fund balance for use in construction of a municipal building.

**Financial Analysis of the Governmental Funds**

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a deficit ending fund balance of \$32,223, a decrease of \$80,459 in comparison with the prior year. All of this decrease is the result of an increase in budget expenditures over the prior year and the continuing cost construction of a municipal building.

The unreserved deficit fund balance for the School District at the end of the fiscal year represents the unreserved deficit fund balance for the General Fund of \$52,223. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as a revenue source in the subsequent year's budget in the amount of \$20,000.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget is \$55,118 and represents transfer of fund balance to fund the additional tuition costs incurred during the year.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$20,127, while total fund balance (budgetary basis) was \$40,127. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$1,368,910. Unassigned fund balance (budgetary basis) represents 1.47% of expenditures while total fund balance (budgetary basis) represents 2.93% of that same amount.

### **Capital Asset and Debt Administration**

The School District does not possess any capital assets.

*Long-term debt* – The School District does not have any outstanding long-term debt at June 30, 2012.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$1,175,631 and the legal debt margin was \$1,175,631.

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

The following factors were considered and incorporated into the preparation of the School District's budget for the 2012-13 fiscal year:

Hi-Nella is experiencing no development in housing and should not have any significant impact on the school district. The Hi-Nella Board of Education has agreed to a phase-in agreement for sending/receiving tuition with the Stratford Board of Education.

### **Requests for Information**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hi-Nella School District Business Administrator, 501 Warwick Road, Somerdale, New Jersey, 08083, telephone number (856) 566-4197.

**Basic Financial Statements**

**District-Wide Financial Statements**

**HI-NELLA SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 48,057		\$ 48,057
	<u>48,057</u>	<u>—</u>	<u>48,057</u>
Total Assets			
	<u>48,057</u>	<u>—</u>	<u>48,057</u>
<b>LIABILITIES:</b>			
Accounts Payable	80,280		80,280
	<u>80,280</u>	<u>—</u>	<u>80,280</u>
Total Liabilities			
	<u>80,280</u>	<u>—</u>	<u>80,280</u>
<b>NET ASSETS:</b>			
Restricted for:			
General Fund	20,000		20,000
Unrestricted (Deficit)	<u>(52,223)</u>	<u>—</u>	<u>(52,223)</u>
Total Net Assets (Deficit)	<u>\$ (32,223)</u>	<u>—</u>	<u>\$ (32,223)</u>

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

**HI-NELLA SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

20

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Support Services:							
Tuition	\$ 1,098,098				\$ (1,098,098)		\$ (1,098,098)
General administrative services	25,160				(25,160)		(25,160)
Central services	25,280				(25,280)		(25,280)
Custodial services	103,155				(103,155)		(103,155)
Pupil transportation	117,217				(117,217)		(117,217)
Total Governmental Activities	<u>1,368,910</u>				<u>(1,368,910)</u>		<u>(1,368,910)</u>
<b>Business-Type Activities:</b>							
Total Business-Type Activities							
<b>Total Primary Government</b>	<u>\$ 1,368,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,368,910)</u>		<u>(1,368,910)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes, levied for general purposes, net					502,485		502,485
Federal and State aid not restricted					783,198		783,198
Miscellaneous Income					2,768		2,768
Transfers							
Total general revenues, special items, and transfers					<u>1,288,451</u>		<u>1,288,451</u>
Change in Net Assets					<u>(80,459)</u>		<u>(80,459)</u>
Net Assets - July 1, 2011					48,236		48,236
Net Assets - June 30, 2012 (Deficit)					<u>\$ (32,223)</u>	<u>\$ -</u>	<u>\$ (32,223)</u>

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

**Fund Financial Statements**

**HI-NELLA SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ 48,057	.	\$ 48,057
	<u>48,057</u>	<u>-</u>	<u>48,057</u>
<b>Total Assets</b>	<u><u>48,057</u></u>	<u><u>\$ -</u></u>	<u><u>48,057</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	<u>80,280</u>		<u>80,280</u>
<b>Total Liabilities</b>	<u>80,280</u>		<u>80,280</u>
Fund Balances:			
Assigned to:			
Subsequent year's budget	20,000		20,000
Unassigned	<u>(52,223)</u>		<u>(52,223)</u>
<b>Total Fund Balances (Deficit)</b>	<u>(32,223)</u>		<u>(32,223)</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 48,057</u></u>	<u><u>\$ -</u></u>	
			<u><u>\$ (32,223)</u></u>
			<b>Net assets of governmental activities (Deficit)</b>

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

**HI-NELLA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Local sources:			
Local tax levy	\$ 502,485		\$ 502,485
Miscellaneous	2,768		2,768
<b>Total local sources</b>	<b>505,253</b>		<b>505,253</b>
State sources	755,861		755,861
Federal sources	27,337		27,337
<b>Total Revenues</b>	<b>1,288,451</b>		<b>1,288,451</b>
<b>EXPENDITURES:</b>			
Current expense:			
Support services and undistributed costs:			
Tuition	1,098,098		1,098,098
General administrative services	25,160		25,160
Central services	25,280		25,280
Custodial services	103,155		103,155
Pupil transportation	117,217		117,217
<b>Total Expenditures</b>	<b>1,368,910</b>		<b>1,368,910</b>
<b>Net Change in Fund Balances</b>	<b>(80,459)</b>		<b>(80,459)</b>
Fund Balances - July 1, 2011	48,236		48,236
<b>Fund Balances - June 30, 2012 (Deficit)</b>	<b>\$ (32,223)</b>	<b>\$ -</b>	<b>\$ (32,223)</b>

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

**Hi-Nella School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Hi-Nella School District ("School District") is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board of Education is comprised of five members elected to three-year terms. These terms are staggered so that two member's terms expire each year. The purpose of the School District is to provide educational services for resident students in grades K through 8. The Hi-Nella School District is considered a non-operating school district as all K – 8 students attend the Oaklyn School District and all students in grades 9-12 attend the Sterling Regional High School District, both on a tuition basis. The Hi-Nella School District has an approximate enrollment at June 30, 2012 of 111 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

**Basis of Presentation**

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

The School District maintains no business-type activities, accordingly, there are no financial statements presented.

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

**Government-wide Statements** - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There is one category of funds: governmental.

**Hi-Nella School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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

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

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

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

**Measurement Focus**

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

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

**Basis of Accounting**

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

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

**Hi-Nella School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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

**Revenues - Exchange and Non-exchange Transactions (Continued)** - Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

**Expenses/Expenditures** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets/Budgetary Control** - Annual appropriated budgets are prepared in the spring of each fiscal year for the general fund. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. 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 budget, as detailed on Exhibit C-1 and Exhibit C-2 includes all amendments to the adopted budget, if any.

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

**Encumbrances** - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance 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 governmental funds, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

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.

**Hi-Nella School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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

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

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

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

**Tuition Payable** - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

**Prepaid Expenses** - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

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

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

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

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

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

**Hi-Nella School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

**Fund Balance** – The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

**Nonspendable** – The nonspendable fund balance 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. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2012.

**Restricted** – This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, 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 imposing the commitment.

**Assigned** – This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

**Unassigned** – This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

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

**Hi-Nella School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17.9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$51,979 at June 30, 2012.

**3. RISK MANAGEMENT**

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

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

**Joint Insurance Pool** - The School District is a member of the School Alliance Insurance Pool Joint Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

The Fund publishes its own financial report which can be obtained by writing to: School Alliance Insurance Fund, 51 Everett Drive, Suite B-40, West Windsor, New Jersey, 08550.

**4. DEFICIT UNASSIGNED FUND BALANCE AND UNRESTRICTED NET ASSETS**

The School District has a deficit unassigned fund balance of \$52,223 in the General Fund as of June 30, 2012 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$52,223 is equal to or less than the June state aid payment.

**Hi-Nella School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**5. FUND BALANCES**

***RESTRICTED***

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. There are no specific restrictions of the School District's fund balance as of June 30, 2012.

***ASSIGNED***

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

**General Fund:**

**Designated for Subsequent Year's Expenditures** – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2013, \$20,000 of general fund balance at June 30, 2012.

***UNASSIGNED***

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

**General Fund** – As of June 30, 2012, the fund balance of the general fund was a deficit of \$52,223, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 4).

**HI-NELLA SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local Tax Levy	\$ 502,485		\$ 502,485	\$ 502,485	
Unrestricted misc. revenues	6,000		6,000	2,768	\$ (3,232)
<b>Total local sources</b>	<b>508,485</b>		<b>508,485</b>	<b>505,253</b>	<b>(3,232)</b>
State sources:					
Categorical special education aid	46,181		46,181	46,181	
Equalization aid	650,047		650,047	650,047	
Categorical security aid	19,838		19,838	19,838	
Categorical transportation aid	24,776		24,776	39,543	14,767
<b>Total state sources</b>	<b>740,842</b>		<b>740,842</b>	<b>755,609</b>	<b>14,767</b>
Federal sources:					
Education Jobs Fund	26,507	\$ 830	27,337	27,337	
<b>Total federal sources</b>	<b>26,507</b>	<b>830</b>	<b>27,337</b>	<b>27,337</b>	
<b>TOTAL REVENUES</b>	<b>1,275,834</b>	<b>830</b>	<b>1,276,664</b>	<b>1,288,199</b>	<b>11,535</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - reg.	879,311	(25,274)	854,037	854,165	(128)
Tuition to other LEAs within the state - spec.	111,592	23,314	134,906	134,906	
Tuition to CSSSD, ESC & Regional Day		48,628	48,628	48,374	254
Tuition to county voc. school district - regular	5,700		5,700	5,700	5,700
Tuition to priv. sch. for the disabled in state	63,825	(3,100)	60,725	60,653	72
<b>Total undistributed expenditures - instruction</b>	<b>1,060,428</b>	<b>43,568</b>	<b>1,103,996</b>	<b>1,098,098</b>	<b>5,898</b>
Speech, OT, PT & Related Services:					
Purchased professional - educational services	500		500	500	500
<b>Total speech, ot, pt, &amp; related services</b>	<b>500</b>		<b>500</b>	<b>500</b>	<b>500</b>
General Administration:					
Legal services	21,000	(3,560)	17,440	13,773	3,667
Audit fees	3,100		3,100	3,000	100
Communications / telephone	700	(450)	250	250	
BOE other purchased services	450		450		450
Other purchased services	9,795		9,795	6,643	3,152
Supplies and materials	400		400	325	75
Miscellaneous expenditures	275		275		275
BOE membership dues	1,250		1,250	1,169	81
<b>Total general administration</b>	<b>36,970</b>	<b>(4,010)</b>	<b>32,960</b>	<b>25,160</b>	<b>7,800</b>

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

(CONTINUED TO NEXT PAGE)

**HI-NELLA SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Central Services:</b>					
Purchased professional services	\$ 24,720	\$ 560	\$ 25,280	\$ 25,280	
<b>Total central services</b>	<b>24,720</b>	<b>560</b>	<b>25,280</b>	<b>25,280</b>	
<b>Undistributed Expenditures - Custodial Services</b>					
Rental of Land & Bldg. other than lease Pur.	150,000	(26,063)	123,937	103,155	\$ 20,782
<b>Total Undist. Expend-Oper. &amp; Maint. Of Plant</b>	<b>150,000</b>		<b>123,937</b>	<b>103,155</b>	<b>20,782</b>
<b>Student Transportation Services:</b>					
Contr. Serv. (not between home & sch) - vendor	3,500		3,500	3,500	
Contr. Serv. (between home & sch) - joint agree	700		700		700
Contr. Serv. (regular students) - ESC	76,000	15,000	91,000	91,000	
Contr. Serv. (spl. ed. students) - ESC	16,000	1,681	17,681	17,681	
Contr. Serv. - Aid in Lieu of Payments	7,016	(1,681)	5,335	5,036	299
<b>Total student transportation</b>	<b>103,216</b>	<b>15,000</b>	<b>118,216</b>	<b>117,217</b>	<b>999</b>
<b>Total Undistributed Expenditures</b>	<b>1,375,834</b>	<b>55,118</b>	<b>1,404,889</b>	<b>1,368,910</b>	<b>35,979</b>
<b>Total General Current Expense</b>	<b>1,375,834</b>	<b>55,118</b>	<b>1,404,889</b>	<b>1,368,910</b>	<b>35,979</b>
<b>TOTAL EXPENDITURES</b>	<b>1,375,834</b>	<b>55,118</b>	<b>1,404,889</b>	<b>1,368,910</b>	<b>35,979</b>
<b>Excess (Deficiency) of Revenues</b>					
Over (Under) Expenditures:	(100,000)	(54,288)	(128,225)	(80,711)	47,514
Fund Balance - July 1, 2011	120,838		120,838	120,838	
<b>Fund Balance - June 30, 2012</b>	<b>\$ 20,838</b>	<b>\$ (54,288)</b>	<b>\$ (7,387)</b>	<b>\$ 40,127</b>	<b>\$ 47,514</b>
<b>Recapitulation of Fund Balance:</b>					
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				\$ 20,000	
Unassigned Fund Balance				20,127	
				40,127	
<b>Reconciliation to Governmental Funds Statements (GAAP):</b>					
Last State Aid Payment not Recognized on GAAP Basis				(72,350)	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<b>\$ (32,223)</b>	

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

**HI-NELLA SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Education Jobs Fund**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Federal sources:					
Education Jobs Fund	\$ 26,507	\$ 830	\$ 27,337	\$ 27,337	
<b>Total Revenues</b>	<u>26,507</u>	<u>830</u>	<u>27,337</u>	<u>27,337</u>	
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures - Instruction					
Tuition to other LEAs within the state - reg.	26,507	830	27,337	27,337	
<b>Total - Regular Programs - Instruction</b>	<u>26,507</u>	<u>830</u>	<u>27,337</u>	<u>27,337</u>	
<b>Total Expenditures</b>	<u>26,507</u>	<u>830</u>	<u>27,337</u>	<u>27,337</u>	
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HI-NELLA SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budgetary Comparison**  
**For the Fiscal Year Ended June 30, 2012**

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 1,288,199	
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	72,602	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(72,350)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 1,288,451	\$ -
 <b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,368,910	
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	---	---
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,368,910	\$ -

Required Supplementary Information - Part II

**Budgetary Comparison Schedules**

**Other Supplementary Information**

**Special Revenue Fund**

**The District does not maintain any special revenue funds.**

**Capital Projects Fund**

**The District does not maintain any Capital Projects Fund.**

## Proprietary Funds

The District does not maintain any proprietary funds.

## Fiduciary Funds

The District does not maintain any Fiduciary Funds.

## Long-Term Debt Schedules

The District has no long-term debt.

**Statistical Section**

**Hi-Nella School District**  
**Net Assets by Component,**  
**Last Nine Fiscal Years**  
*(accrual basis of accounting)*

J-1

**Fiscal Year Ending June 30,**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities:</b>									
Restricted for:									
Other purposes	\$ 123,808	\$ 45,705	\$ 114,356	\$ 100,000	\$ 100,000	\$ 175,875	\$ 327,465	\$ 100,000	\$ 20,000
Unrestricted	7,765	67,813	63,818	159,087	199,013	170,710	(50,669)	(51,764)	(52,223)
<b>Total governmental activities net assets</b>	<u>\$ 131,573</u>	<u>\$ 113,518</u>	<u>\$ 178,174</u>	<u>\$ 259,087</u>	<u>\$ 299,013</u>	<u>\$ 346,585</u>	<u>\$ 276,796</u>	<u>\$ 48,236</u>	<u>\$ (32,223)</u>
<b>Business-type activities:</b>									
Invested in capital assets, net of related debt			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted			-	-	-	-	-	-	-
<b>Total business-type activities net assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
<b>District-wide:</b>									
Restricted:									
Other purposes	\$ 123,808	\$ 45,705	\$ 114,356	\$ 100,000	\$ 100,000	\$ 175,875	\$ 327,465	\$ 100,000	\$ 20,000
Unrestricted	7,765	67,813	63,818	159,087	199,013	170,710	(50,669)	(51,764)	(52,223)
<b>Total district net assets</b>	<u>\$ 131,573</u>	<u>\$ 113,518</u>	<u>\$ 178,174</u>	<u>\$ 259,087</u>	<u>\$ 299,013</u>	<u>\$ 346,585</u>	<u>\$ 276,796</u>	<u>\$ 48,236</u>	<u>\$ (32,223)</u>

44

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

HI-Nella School District  
 Changes in Net Assets, Last Nine Fiscal Years  
 (accrual basis of accounting)

Fiscal Year Ending June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>									
Governmental activities:									
Support Services:									
Tuition	\$ 1,405,153	\$ 1,367,199	\$ 1,363,405	\$ 1,305,454	\$ 1,380,100	\$ 1,123,084	\$ 1,214,137	\$ 1,176,248	\$ 1,098,098
Student & instruction related services	12,875		170	95					
General and business administrative services	25,333	25,973	30,827	32,081	35,952	36,004	62,525	58,880	50,440
Plant operations and maintenance	359							159,000	103,155
Pupil transportation	96,666	126,562	112,932	77,634	79,424	86,904	103,081	91,452	117,217
<b>Total governmental activities expenses</b>	<b>1,540,386</b>	<b>1,519,734</b>	<b>1,507,334</b>	<b>1,415,264</b>	<b>1,495,476</b>	<b>1,245,992</b>	<b>1,379,743</b>	<b>1,485,580</b>	<b>1,368,910</b>
Business-type activities:									
<b>Total business-type activities expense</b>	<b>-</b>								
<b>Total district expenses</b>	<b>\$ 1,540,386</b>	<b>\$ 1,519,734</b>	<b>\$ 1,507,334</b>	<b>\$ 1,415,264</b>	<b>\$ 1,495,476</b>	<b>\$ 1,245,992</b>	<b>\$ 1,379,743</b>	<b>\$ 1,485,580</b>	<b>\$ 1,368,910</b>
<b>Net (Expense)/Revenue:</b>									
Governmental activities	\$ (1,540,386)	\$ (1,519,734)	\$ (1,507,334)	\$ (1,415,264)	\$ (1,495,476)	\$ (1,245,992)	\$ (1,379,743)	\$ (1,485,580)	\$ (1,368,910)
Business-type activities	-	-	-	-	-	-	-	-	-
<b>Total district-wide net expense</b>	<b>\$ (1,540,386)</b>	<b>\$ (1,519,734)</b>	<b>\$ (1,507,334)</b>	<b>\$ (1,415,264)</b>	<b>\$ (1,495,476)</b>	<b>\$ (1,245,992)</b>	<b>\$ (1,379,743)</b>	<b>\$ (1,485,580)</b>	<b>\$ (1,368,910)</b>
<b>General Revenues and Other Changes in Net Assets:</b>									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 769,835	\$ 750,793	\$ 824,183	\$ 741,785	\$ 713,642	\$ 502,485	\$ 502,485	\$ 502,485	\$ 502,485
Unrestricted grants and contributions	719,732	746,086	738,617	742,281	795,403	778,837	794,108	730,722	783,198
Miscellaneous income	2,029	4,800	9,190	12,111	26,357	12,242	13,361	23,813	2,768
<b>Total governmental activities</b>	<b>1,491,596</b>	<b>1,501,679</b>	<b>1,571,990</b>	<b>1,496,177</b>	<b>1,535,402</b>	<b>1,293,564</b>	<b>1,309,954</b>	<b>1,257,020</b>	<b>1,288,451</b>
Business-type activities:									
<b>Total business-type activities</b>	<b>-</b>								
<b>Total district-wide</b>	<b>\$ 1,491,596</b>	<b>\$ 1,501,679</b>	<b>\$ 1,571,990</b>	<b>\$ 1,496,177</b>	<b>\$ 1,535,402</b>	<b>\$ 1,293,564</b>	<b>\$ 1,309,954</b>	<b>\$ 1,257,020</b>	<b>\$ 1,288,451</b>
<b>Change in Net Assets:</b>									
Governmental activities	\$ (48,790)	\$ (18,055)	\$ 64,656	\$ 80,913	\$ 39,926	\$ 47,572	\$ (69,789)	\$ (228,560)	\$ (80,459)
Business-type activities	-	-	-	-	-	-	-	-	-
<b>Total district-wide</b>	<b>\$ (48,790)</b>	<b>\$ (18,055)</b>	<b>\$ 64,656</b>	<b>\$ 80,913</b>	<b>\$ 39,926</b>	<b>\$ 47,572</b>	<b>\$ (69,789)</b>	<b>\$ (228,560)</b>	<b>\$ (80,459)</b>

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

**Hi-Nella School District**  
**Fund Balances, Governmental Funds,**  
**Last Nine Fiscal Years**  
*(modified accrual basis of accounting)*

J-3

	Fiscal Year Ending June 30,								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:									
Restricted for:									
Excess surplus		\$ 5,705	\$ 32,356			\$ 7,410			
Assigned to:									
Designated for subsequent year's budget	\$ 123,808	40,000	82,000	\$ 100,000	\$ 100,000	168,465	\$ 327,465	\$ 100,000	\$ 20,000
Unassigned	7,765	67,813	63,818	159,087	199,013	170,710	(50,669)	(51,764)	(52,223)
Total general fund	<u>\$ 131,573</u>	<u>\$ 113,518</u>	<u>\$ 178,174</u>	<u>\$ 259,087</u>	<u>\$ 299,013</u>	<u>\$ 346,585</u>	<u>\$ 276,796</u>	<u>\$ 48,236</u>	<u>\$ (32,223)</u>

46

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

Hi-Nella School District  
 Changes in Fund Balances, Governmental Funds,  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

J-4

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Tax levy	\$ 867,433	\$ 769,835	\$ 750,793	\$ 824,183	\$ 741,785	\$ 713,642	\$ 502,485	\$ 502,485	\$ 502,485	\$ 502,485
Miscellaneous	2,296	2,029	4,800	9,190	12,111	26,357	12,242	13,361	23,813	2,768
State sources	676,600	720,099	746,086	738,617	741,237	795,403	819,928	691,330	730,722	755,861
Federal sources								102,778		27,337
<b>Total revenue</b>	<b>1,546,329</b>	<b>1,491,963</b>	<b>1,501,679</b>	<b>1,571,990</b>	<b>1,495,133</b>	<b>1,535,402</b>	<b>1,334,655</b>	<b>1,309,954</b>	<b>1,257,020</b>	<b>1,288,451</b>
<b>Expenditures</b>										
<b>Support Services:</b>										
Tuition	1,401,308	1,405,520	1,367,199	1,383,405	1,305,454	1,380,100	1,123,084	1,214,137	1,176,248	1,098,098
Student & instruction related services	9,052	12,875		170	95					
General and business admin services	26,681	25,333	25,973	30,827	32,081	35,952	36,004	62,525	58,880	50,440
Plant operations and maintenance	350	359							159,000	103,155
Pupil transportation	81,898	96,666	126,562	112,932	77,634	79,424	86,904	103,081	91,452	117,217
Other support services										
<b>Capital outlay</b>										
<b>Total expenditures</b>	<b>1,519,289</b>	<b>1,540,753</b>	<b>1,519,734</b>	<b>1,507,334</b>	<b>1,415,264</b>	<b>1,495,476</b>	<b>1,245,992</b>	<b>1,379,743</b>	<b>1,485,580</b>	<b>1,368,910</b>
Excess (Deficiency) of revenues over (under) expenditures	27,040	(48,790)	(18,055)	64,656	79,869	39,926	88,663	(69,789)	(228,560)	(80,459)
<b>Other Financing sources (uses)</b>										
Transfers in										
Transfers out										
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 27,040</b>	<b>\$ (48,790)</b>	<b>\$ (18,055)</b>	<b>\$ 64,656</b>	<b>\$ 79,869</b>	<b>\$ 39,926</b>	<b>\$ 88,663</b>	<b>\$ (69,789)</b>	<b>\$ (228,560)</b>	<b>\$ (80,459)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

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

J-5

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Prior Year Refunds</u>	<u>Safety Grant</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 1,918	\$ 362		\$ 16	\$ 2,296
2004	1,818	211			2,029
2005	4,410	390			4,800
2006	7,264	31		1,895	9,190
2007	12,111				12,111
2008	10,504	15,853			26,357
2009	2,875	9,367			12,242
2010	1,056	9,941	\$ 2,152	212	13,361
2011	513	21,120	2,180		23,813
2012	550		2,098	120	2,768
	<u>\$ 43,019</u>	<u>\$ 57,275</u>	<u>\$ 6,430</u>	<u>\$ 2,243</u>	<u>\$ 108,967</u>

Source: District records

**NI-Nella School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Ofarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Tax-Exempt Property</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized) Value</u>
2003	\$ 116,000	\$ 11,709,400	\$ 140,000	\$ 11,600	\$ 4,770,100	\$ 532,400	\$ 6,104,900	\$ 23,384,400	\$ 84,565	\$ 23,468,965	\$ 4,350,100	\$ 3.277	\$ 26,300,806
2004	96,000	11,709,400	140,000	11,600	4,629,800	432,400	6,104,900	23,124,100	71,507	23,195,607	4,350,100	3.402	28,343,943
2005	96,000	11,709,400	140,000	11,600	5,025,800		6,104,900	23,097,700	59,347	23,147,047	4,350,100	3.385	31,712,682
2006	34,300	11,718,400	140,000	11,600	5,075,800		6,104,900	23,085,000	47,626	23,132,626	4,022,600	3.190	35,654,698
2007	34,300	11,718,400	140,000	11,600	4,754,800		6,104,900	22,764,000	43,808	22,807,808	4,022,600	2.666	39,127,245
2008	34,300	11,718,400	140,000	11,600	4,754,800		6,104,900	22,764,000	42,363	22,806,363	4,022,600	2.666	42,653,806
2009	34,300	11,720,400	140,000	11,600	4,772,800		6,104,900	22,784,000	48,406	22,832,406	4,022,600	2.201	40,579,712
2010	34,300	11,705,400	140,000	11,600	4,913,200		6,104,900	22,909,400	53,688	22,963,088	4,022,600	2.188	35,710,517
2011	34,300	11,705,400	140,000	11,600	2,884,600		8,294,900	23,050,800	39,656	23,090,456	4,022,600	2.176	39,262,466
2012	135,800	18,953,600	144,100	15,300	3,388,800	355,800	16,798,000	39,771,400	69,350	39,840,750	5,247,900	1.348	Not available

Source: Municipal Tax Assessor

**Note:**

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Fiscal Year Ended June 30,	Hi-Nella School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Hi-Nella	Camden County	
2003	\$ 3.488	\$ -	\$ 3.488	\$ 0.997	\$ 1.080	\$ 5.565
2004	3.277	-	3.277	1.089	1.075	5.441
2005	3.402	-	3.402	1.108	1.126	5.636
2006	3.385	-	3.385	1.210	1.246	5.841
2007	3.190	-	3.190	1.336	1.194	5.720
2008	2.666	-	2.666	1.487	1.191	5.344
2009	2.201	-	2.201	1.621	1.102	4.924
2010	2.188	-	2.188	1.715	1.015	4.918
2011	2.176	-	2.176	1.779	1.213	5.168
2012	1.348	-	1.348	1.150	0.845	3.343

Source: Municipal Tax Collector

**Note:** NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.
- b Rates for debt service are based on each year's requirements.

**Ni-Nella School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

J-8

15

Taxpayer	2012	
	Taxable Assessed Value	% of Total District Net Assessed Value
Fox Ridge Apartments	\$ 5,900,000	14.81%
South Penn Association	2,190,000	5.50%
Cammarata, Guiseppe, Carol, Frank	485,000	1.22%
Hi-Nella Properties	397,500	1.00%
SRA Realty Holdings, LLC	396,000	0.99%
Hudson United Bank	364,300	0.91%
Rubinson, Victor	204,900	0.51%
Jacobs Michaels Import Clinic	200,100	0.50%
Sterling Storage	189,200	0.47%
Venuto, Ralph & Thomas	176,300	0.44%
<b>Total</b>	<b>\$ 10,503,300</b>	<b>26.36%</b>

Taxpayer	2003	
	Taxable Assessed Value	% of Total District Net Assessed Value
Fox Ridge Apartments	\$ 5,900,000	25.14%
Village Green Apartments	2,190,000	9.33%
Edward B. Warrington	686,000	2.92%
Eaton Aerospace	532,400	2.27%
Cammarat, Guiseppe, Carol, Frank	516,300	2.20%
Hudson United Bank	394,300	1.68%
Richard Reis	204,900	0.87%
Kells Import Clinic	200,100	0.85%
Ralph & Thomas Venuto	176,300	0.75%
Allibone	167,600	0.71%
<b>Total</b>	<b>\$ 10,967,900</b>	<b>46.73%</b>

Source: Municipal Tax Assessor

**Ni-Nella School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

J-9

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Calendar Year</u>	<u>Collected within the Fiscal Year of the Levy<sup>a</sup></u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2003	\$ 867,433	\$ 867,433	100.00%	-
2004	769,835	769,835	100.00%	-
2005	750,793	750,793	100.00%	-
2006	824,183	824,183	100.00%	-
2007	741,785	741,785	100.00%	-
2008	713,642	713,642	100.00%	-
2009	502,485	502,485	100.00%	-
2010	502,485	502,485	100.00%	-
2011	502,485	502,485	100.00%	-
2012	502,485	502,485	100.00%	-

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

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

**Hi-Nella School District**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

**J-10**

**Not Applicable as School District has no debt outstanding for the last ten years.**

**Hi-Nella School District**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
*(dollars in thousands, except per capita)*

J-11

Not Applicable as School District has no debt outstanding for the last ten years.

**Hi-Nella School District**  
**Ratios of Overlapping Governmental Activities Debt**  
**As of December 31, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Hi-Nella	\$ 418,000 (1)	100.000%	\$ 418,000
Camden County General Obligation Debt	211,014,203 (1)	0.075%	157,343
			575,343
<b>Hi-Nella School District Direct Debt</b>			-
<b>Total direct and overlapping debt</b>			<b>\$ 575,343</b>

**Sources:**

- (1) Entity's Audit Report
- (2) The County percentage is based upon a calculation reflecting the Borough's share of the 2011 Equalized Valuation. The source for this computation was the 2011 County Abstract of Ratables, provided by the County Board of Taxation.

Hi-Nella School District  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years  
 (dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis	
	2011	\$ 43,418,346
	2010	38,842,659
	2009	35,302,138
	[A]	<u>\$ 117,563,143</u>
Average equalized valuation of taxable property	[A/3]	\$ 39,187,714
Debt limit (3% of average equalized valuation)	[B]	1,175,631 <sup>a</sup>
Net bonded school debt	[C]	-
Legal debt margin	[B-C]	<u>\$ 1,175,631</u>

\$

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
Debt limit	\$ 703,781	\$ 1,025,779	\$ 860,045	\$ 956,066	\$ 1,066,220	\$ 1,174,968	\$ 1,223,339	\$ 1,181,205	\$ 1,144,850	\$ 1,175,631
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 703,781</u>	<u>\$ 1,025,779</u>	<u>\$ 860,045</u>	<u>\$ 956,066</u>	<u>\$ 1,066,220</u>	<u>\$ 1,174,968</u>	<u>\$ 1,223,339</u>	<u>\$ 1,181,205</u>	<u>\$ 1,144,850</u>	<u>\$ 1,175,631</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 8 district.

**Hi-Nella School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

J-14

<b>Year</b>	<b>Population <sup>a</sup></b>	<b>Personal Income <sup>b</sup></b>	<b>Per Capita Personal Income <sup>c</sup></b>	<b>Unemployment Rate <sup>d</sup></b>
2002	1,024	\$ 33,313,792	\$ 32,533	4.8%
2003	1,019	34,413,668	33,772	6.8%
2004	1,014	35,444,370	34,955	7.1%
2005	1,011	36,698,289	36,299	6.3%
2006	1,007	38,941,697	38,671	7.3%
2007	1,005	40,461,300	40,260	9.7%
2008	1,000	41,992,000	41,992	8.9%
2009	1,000	41,406,000	41,406	11.6%
2010	870	37,166,400	42,720	17.6%
2011	869	e	e	18.4%

**Source:**

- <sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development
- <sup>b</sup> Personal income has been established based upon the municipal population and per capita personal income presented.
- <sup>c</sup> Per Capita personal income by municipality is estimated based upon the 2000 Census published by the US Bureau of Economic Analysis, U.S. Dept. of Commerce.
- <sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development
- <sup>e</sup> Information not available

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

**J-16**

Not applicable as the District did not have any employees for the last ten fiscal years.

Hi-Nella School District  
 Operating Statistics,  
 Last Ten Fiscal Years

J-17

69

<u>Fiscal Year</u>	<u>Resident Enrollment</u>	<u>Operating Expenditures <sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff <sup>b</sup></u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE) <sup>c</sup></u>	<u>Average Daily Attendance (ADA) <sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2003	136	\$ 1,519,289	\$ 11,171.24	10.68%	0	N/A	N/A	N/A	N/A	N/A
2004	147	1,540,753	10,481.31	-6.18%	0	N/A	N/A	N/A	N/A	N/A
2005	154	1,519,734	9,868.40	-5.85%	0	N/A	N/A	N/A	N/A	N/A
2006	132	1,507,334	11,419.20	15.71%	0	N/A	N/A	N/A	N/A	N/A
2007	118	1,415,264	11,993.76	5.03%	0	N/A	N/A	N/A	N/A	N/A
2008	106	1,495,476	14,108.26	17.63%	0	N/A	N/A	N/A	N/A	N/A
2009	92	1,245,992	13,543.39	-4.00%	0	N/A	N/A	N/A	N/A	N/A
2010	100	1,379,743	13,797.43	1.88%	0	N/A	N/A	N/A	N/A	N/A
2011	97	1,485,580	15,315.26	11.00%	0	N/A	N/A	N/A	N/A	N/A
2012	111	1,368,910	12,332.52	-19.48%	0	N/A	N/A	N/A	N/A	N/A

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures from Exhibit J-4 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).

N/A Not Applicable as School District is a Non-Operating School District

**Oaklyn School District  
School Building Information  
Last Ten Fiscal Years**

**J-18**

**Not Applicable as District is a Non-Operating School District.**

**Hi-Nella School District  
Schedule of Required Maintenance  
Last Ten Fiscal Years**

**J-19**

**Not Applicable as District is a Non-Operating School District.**

Hi-Nella School District  
 Insurance Schedule  
 June 30, 2012

J-20

	<u>Coverage</u>	<u>Self-insured Retention</u>	<u>Deductible</u>
School Package Policy (1)			
General Liability	\$ 6,000,000		\$ 1,000
School Board Legal Liability	1,000,000		5,000
Surety Bonds (2)			
Treasurer	125,000		
Board Secretary	60,000		

- (1) New Jersey School Boards Insurance Group  
 (2) Selective Insurance Company

Source: District records

**Single Audit Section**

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

**Certified Public Accountants  
Registered Municipal Accountants**

12000 Lincoln Drive West, Suite 402  
Marlton, New Jersey 08053  
(856) 983-2244  
Fax (856) 983-6674  
E-Mail: [iscpas@concentric.net](mailto:iscpas@concentric.net)

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

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

The Honorable President and Members  
of the Board of Education  
Hi-Nella School District  
County of Camden  
Hi-Nella, New Jersey

### **Compliance**

We have audited Hi-Nella School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2012. The School District's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Hi-Nella School District, in the County of Camden, State of New Jersey complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with State of New Jersey Circular 04-04-OMB and which are described in the accompanying Schedule of Findings and Questioned Costs as items #2012-1.

## Internal Control Over Compliance

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

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

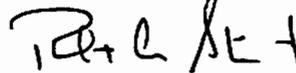
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did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

The Hi-Nella School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit School District's responses and, accordingly, we express no opinion on the responses.

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

Respectfully submitted,

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



Robert A. Stewart  
Public School Accountant

Marlton, New Jersey  
October 19, 2012

HI-NELLA SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance, June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2012		
					(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education:</b>														
<b>General Fund:</b>														
Education Jobs Fund	84.410A	Not available	\$ 27,337	7/1/11 - 6/30/12				\$ 27,337	\$ (27,337)					
<b>Total U.S. Department of Education</b>								<b>27,337</b>	<b>(27,337)</b>					
<b>Total Federal Awards</b>					<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,337</b>	<b>\$ (27,337)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

HI-NELLA SCHOOL DISTRICT  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance June 30, 2011			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2012		
				(Accounts Receivable)	Deferred Revenue	Due to Grantor				(Accounts Receivable)	Deferred Revenue	Due to Grantor
<b>State Department of Education</b>												
<b>General Fund:</b>												
Equalization Aid	11-495-034-5120-078	\$ 650,047	07/01/10 - 06/30/11	\$ (72,602)			\$ 72,602					
Equalization Aid	12-495-034-5120-078	650,047	07/01/11 - 06/30/12				577,697	\$ (650,047)		\$ (72,350)		
Special Education Categorical Aid	12-495-034-5120-089	46,181	07/01/11 - 06/30/12				46,181	(46,181)				
Security Aid	12-495-034-5120-094	19,838	07/01/11 - 06/30/12				19,838	(19,838)				
Transportation Aid	12-495-034-5120-014	39,543	07/01/11 - 06/30/12				39,543	(39,543)				
Nonpublic Transportation Aid	11-495-034-5120-014	348	07/01/10 - 06/30/11	(348)			348					
<b>Total General Fund</b>				<b>(72,950)</b>	<b>-</b>	<b>-</b>	<b>756,209</b>	<b>(755,609)</b>	<b>-</b>	<b>(72,350)</b>	<b>-</b>	<b>-</b>
<b>Total State Financial Assistance</b>				<b>\$ (72,950)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 756,209</b>	<b>\$ (755,609)</b>	<b>\$ -</b>	<b>\$ (72,350)</b>	<b>\$ -</b>	<b>\$ -</b>

87

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

**Hi-Nella School District  
Notes to the Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2012**

**I. GENERAL**

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

**2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting. This basis of accounting is described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more of the June state aid payments in the subsequent year.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$252 for the general fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general fund. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

Fund	Federal	State	Total
General	\$ 27,337	\$ 755,861	\$ 783,198
Total	\$ 27,337	\$ 755,861	\$ 783,198

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

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

**5. MAJOR PROGRAMS**

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



**HI-NELLA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Section 1 – Summary of Auditor’s Results (Continued)**

**State Awards**

Dollar threshold used to distinguish between type A and type B programs:           \$300,000          

Auditee qualified as low-risk auditee?                          X       yes                                       no

Internal Control over major programs:

    Material weaknesses identified?                                       yes                          X       no

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

Type of auditor’s report on compliance for major programs:                   UNQUALIFIED                  

Any audit findings disclosed that are required to be reported  
in accordance with N.J. OMB Circular 04-04?                          X       yes                                       no

Identification of major programs:

<b><u>State Grant/Project Number(s)</u></b>	<b><u>Name of State Program</u></b>
12-495-034-5120-078	Equalization Aid

**HI-NELLA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section 2 -- Schedule of Financial Statement Findings***

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

None

**HI-NELLA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Section 3 -- Schedule of Federal Awards and State Financial Assistance  
Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal and State programs, as required by OMB Circular A-133 and New Jersey Circular 04-04-OMB.

**FEDERAL AWARDS**

A Federal single audit was not required.

**STATE AWARDS**

***Finding #2012-1***

**Information on state program:**

Equalization Aid; GMIS No. 12-495-034-5120-078; State Department of Education.

**Criteria or specific requirement:**

N.J.A.C. 6A:23-2.12 requires that the Board of Education certify as to the availability of funds on a monthly basis so as to avoid overexpenditures of budget line item accounts.

**Condition:**

One budgetary line item account was overexpended at year end by \$128.00 despite the Board Secretary's monthly certification to the contrary.

**Context:**

The Board Secretary did not notice that the account was over-expended and the budgetary software does not give the user a warning that they are about to incur an overexpenditure.

**Effect:**

Violation of N.J.A.C. 6A:23a-16.10c(4).

**Cause:**

Oversight on part of business administrator.

**Recommendation:**

The Board Secretary should not approve the issuance of purchase order's that would cause an over-expenditure of a budgetary line-item account prior to the Board of Education approving the requested transfer of funds to cover such orders.

**View of responsible officials and planned corrective action:**

Management agrees with the above finding and will address the matter as part of their corrective action plan.

**HI-NELLA SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENED JUNE 30, 2012**

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with *Government Auditing Standards*, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**FINANCIAL STATEMENT FINDINGS**

There were no prior year audit findings.

**FEDERAL AWARDS**

A Federal single audit was not required.

**STATE AWARDS**

There were no prior year audit findings.