

HI-NELLA SCHOOL DISTRICT



**HI-NELLA BOARD OF EDUCATION
CAMDEN COUNTY, NEW JERSEY**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

HI-NELLA SCHOOL DISTRICT
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INTRODUCTORY SECTION

Hi-Nella Board of Education



SJTP Technology Center

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

September 30, 2013

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, 2013 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 1 to 8 grades, Stratford Public Schools (pre K to 8,) and Sterling for 9 through 12th 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. Strafford provided busing to Parkview School.

2. **ECONOMIC CONDITION AND OUTLOOK:** Hi-Nella is experiencing no development in housing and should not have any significant impact on the school district. Numerous meetings have been held regarding the number of students attending school from the two apartment complexes in town. Effective July 1, 2013, the Treasurer of School Monies position was eliminated and the job tasks will be handled by SJTP through shared services and Joseph S. Giambri, Sr., will be assuming the jobs of the Board Secretary and the School Business Administrator.
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:** The 2013-14 budget presented to the Board in April was not in balance. After raising taxes, 35%, to the "CAP" limit, the revenue was \$500,000 short to meet all anticipated appropriation. We requested a \$500,000 loan. As of today, we have not received the requested loan. We are looking into alternate ways to balance our 2013-14 Budget.
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, Josh Fleig and Melissa Engelhardt 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,

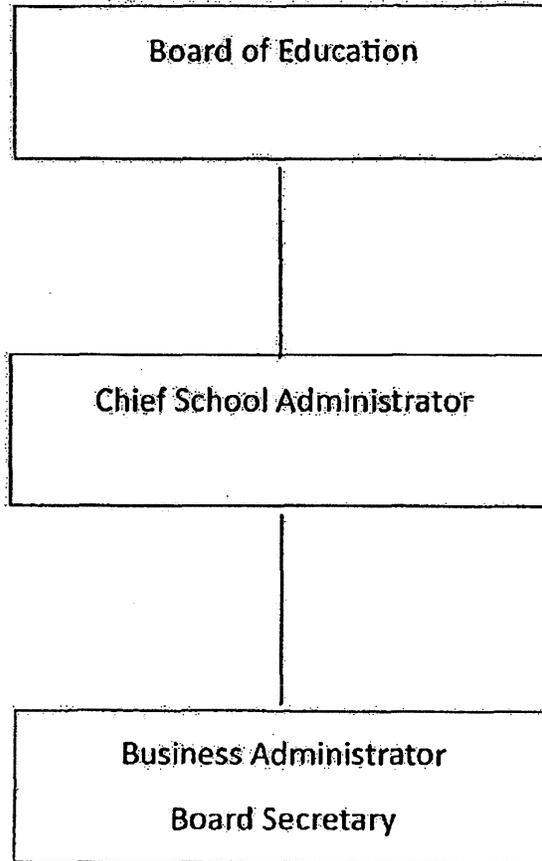


Joseph Giambri
Chief School Administrator

HI-NELLA BOARD OF EDUCATION

Organizational Chart

(Unit Control)



HI-NELLA SCHOOL DISTRICT
HI-NELLA, NJ

Roster of Officials

June 30, 2013

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Karen Cunningham, President	2014
Terri Beth Schules, Vice President	2013
Kathy Schaeffer	2013
John Baugher Jr.	2015
Christine Lewis	2015

Other Officials

Joshua M. Fleig, Board Secretary
Melissa Engelhardt, School Business Administrator
Joseph S. Giambri, Sr., Chief School Administrator
Katherine Smith, Treasurer of School Funds
Susan Hodges, Esq., Attorney

**HI-NELLA SCHOOL DISTRICT
HI-NELLA, NJ**

Consultants and Advisors

June 30, 2013

Auditor / Accountant

L. Jarred Corn, CPA, RMA, PSA
Bowman & Company LLP
601 White Horse Road
Voorhees, New Jersey 08043-2493

Attorney

Susan Hodges, Esquire
Archer & Greiner, P.C.
One Centennial Square
Haddonfield, New Jersey 08033

Official Depository

TD Bank
1701 Route 70 East
Cherry Hill, New Jersey 08034

Insurance Broker

KEH Insurance Agency
1415 Route 70 East
Cherry Hill, New Jersey 08034

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, New Jersey 08016

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hi-Nella School District
Hi-Nella, New Jersey 08083

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hi-Nella School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hi-Nella School District in the County of Camden, State of New Jersey, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2013, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

In addition, the accompanying financial statements have been prepared assuming that Hi-Nella School District will continue as a going concern. As discussed in note 6 to the financial statements, there exists the possibility, based on State of New Jersey legislation, that the Hi-Nella School District could potentially be dissolved. This condition raises substantial doubt about the Hi-Nella School District to continue as a going concern. The details of this condition are further described in note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hi-Nella School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedule of Expenditures of State Financial Assistance, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2013 on our consideration of the Hi-Nella School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hi-Nella School District's internal control over financial reporting and compliance.

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

L. Jarred Corn

L. Jarred Corn
Certified Public Accountant
Public School Accountant No. CS 00219700

Voorhees, New Jersey
September 30, 2013

**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**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hi-Nella School District
Hi-Nella, New Jersey 08083

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement 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 Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities and each major fund of the Hi-Nella School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hi-Nella School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Administration and Finance, Department of Education, State of New Jersey.

Purpose of this Report

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

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

L. Jarred Corn

L. Jarred Corn
Certified Public Accountant
Public School Accountant No. CS 00219700

Voorhees, New Jersey
September 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION
PART I

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

As management of the Hi-Nella School District (hereafter referred to as the "School District"), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the information furnished in our letter of transmittal, notes to the basic financial statements, and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the School District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, totaled \$31,633.86 at the close of the current fiscal year.
- As of the close of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$31,633.86, an increase of \$63,856.36 in comparison with the prior fiscal year. A contributing factor to the increase in fund balance was a result of a cancellation of a fiscal year 2012 accounts payable in the amount of \$65,000.00 for rent, which was realized by the School District as miscellaneous revenue during fiscal year 2013.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements for the governmental activities tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds.

Reporting the School District as a Whole

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

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

In the statement of net position and the statement of activities, we divide the School District into two kinds of activities, those being governmental activities and business-type activities. In the governmental activities, this is where all of the School District's basic services are reported and are supported from property taxes and intergovernmental revenues. The business-type activities are supported from user fees and charges. For the fiscal year ended June 30, 2013, the School District had no business-type activities.

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

USING COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

Reporting the School District's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds, not the School District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. For the fiscal year ended June 30, 2013, the School District had no proprietary funds or fiduciary funds.

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

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

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, capital projects fund, and debt service fund, which are all considered to be major funds. For the fiscal year ended June 30, 2013, however, the School District had no activity reportable in the special revenue fund, capital projects fund, or debt service fund.

The School District adopts an annual budget for its general fund, special revenue fund (if applicable), and debt service fund (if applicable). Budgetary comparison schedules have been provided to demonstrate compliance with these budgets. As previously stated, the School District had no activity reportable in the special revenue fund or debt service fund for the fiscal year ended June 30, 2013, thus no budgets were adopted for those respective funds.

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

THE SCHOOL DISTRICT AS A WHOLE

During fiscal year 2013, the School District's net position increased by \$63,856.36, increasing from a deficit of \$32,222.50 in fiscal year 2012 to \$31,633.86 in fiscal year 2013. Our analysis that follows on the next page focuses on the net position (Table 1) and changes in net position (Table 2) of the School District's governmental-type activities.

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

TABLE 1		
NET POSITION		
	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 31,633.86	\$ 48,057.50
Total Assets	<u>31,633.86</u>	<u>48,057.50</u>
Other Liabilities	<u> </u>	80,280.00
Total Liabilities	<u> </u>	<u>80,280.00</u>
Unrestricted	<u>31,633.86</u>	<u>(32,222.50)</u>
Total Net Position	<u><u>\$ 31,633.86</u></u>	<u><u>\$ (32,222.50)</u></u>

In total, assets decreased by \$16,423.64 and liabilities decreased by \$80,280.00. The decrease in assets was primarily attributable to a reduction of cash and cash equivalents resulting from the liquidation of fiscal year 2012 accounts payable. Consequently, the decrease in liabilities resulted from the liquidation of the prior fiscal year's accounts payable. In addition, as of June 30, 2013, the School District had no accounts payable. The entire net position of the School District, \$31,633.86, is unrestricted.

TABLE 2		
CHANGES IN NET POSITION		
	Governmental Activities	
	<u>2013</u>	<u>2012</u>
REVENUES:		
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes	\$ 571,678.00	\$ 502,485.00
Federal and State Aid - Unrestricted	792,386.00	783,198.00
Miscellaneous	<u>65,572.82</u>	<u>2,768.00</u>
Total Revenues	<u>1,429,636.82</u>	<u>1,288,451.00</u>
EXPENSES:		
Tuition	1,260,004.62	1,098,098.00
Other Administrative Services	16,997.55	25,160.00
School Administrative Services	24,720.00	25,280.00
Plant Operations and Maintenance	<u> </u>	103,155.00
Pupil Transportation	<u>64,058.29</u>	<u>117,217.00</u>
Total Expenses	<u>1,365,780.46</u>	<u>1,368,910.00</u>
Change in Net Position	63,856.36	(80,459.00)
Net Position, July 1	<u>(32,222.50)</u>	<u>48,236.50</u>
Net Position, June 30	<u><u>\$ 31,633.86</u></u>	<u><u>\$ (32,222.50)</u></u>

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

During fiscal year 2013, the School District's total revenues increased by \$141,185.82, increasing from 1,288,451.00 in fiscal year 2012 to \$1,429,636.82 in fiscal year 2013. The net change in total revenues is largely attributable to the following:

- property taxes (levied for general purposes) increased from fiscal year 2012 by \$69,193.00, or 14%
- miscellaneous income increased from fiscal year 2012 by \$62,804.82, resulting from the cancellation of a fiscal year 2012 accounts payable in the amount of \$65,000.00 for rent

Property taxes constituted approximately forty percent (40%) of total revenues for the School District for the fiscal year 2013. In addition, federal and state aid constituted approximately fifty-five percent (55%) of total revenues for the School District. Lastly, miscellaneous income constituted approximately five percent (5%) of total revenues for the School District.

During fiscal year 2013, the School District's total expenses decreased by \$3,129.54, decreasing from \$1,368,910.00 in fiscal year 2012 to \$1,365,780.46 in fiscal year 2013.

THE SCHOOL DISTRICT'S FUNDS

Governmental Funds

As the School District completed the fiscal year, its governmental funds reported a *combined* fund balance of \$31,633.86, which is higher than last fiscal year's total of a deficit balance in the amount of \$32,222.50. Of the combined ending fund balances of \$31,633.86, unassigned fund balance was \$11,633.86. The remainder of fund balance is assigned to indicate that it is not available for new spending because it has already been assigned to the fiscal year 2014 budget for subsequent year's expenditures (\$20,000.00).

General fund - The general fund is the general operating fund of the School District and is used to account for the inflows and outflows its of financial resources. The acquisition of certain capital assets, such as equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,633.86.

During the current fiscal year, the fund balance of the School District's general fund increased by \$63,856.36. The primary factor affecting the fund balance of the general fund, which has been previously identified, is as follows:

- property taxes (levied for general purposes) increased from fiscal year 2012 by \$69,193.00, or 14%
- miscellaneous income increased from fiscal year 2012 by \$62,804.82, resulting from the cancellation of a fiscal year 2012 accounts payable in the amount of \$65,000.00 for rent

Special revenue fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources, such as state or federal government grants, that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. For the fiscal year ended June 30, 2013, the School District had no activity reportable in its special revenue fund.

Capital projects fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities, other than those financed by the proprietary funds. Generally, the financial resources of the capital projects fund are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds, which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. For the fiscal year ended June 30, 2013, the School District had no activity reportable in its capital projects fund.

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

THE SCHOOL DISTRICT'S FUNDS (CONT'D)

Governmental Funds (Cont'd)

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. For the fiscal year ended June 30, 2013, the School District had no activity reportable in its debt service fund.

Proprietary Funds

As previously stated, the School District did not maintain any proprietary funds during the fiscal year ended June 30, 2013.

General Fund Budgetary Highlights

Budget modifications during the fiscal year ended June 30, 2013 consisted of budgetary line item transfers approved by the Board of Education.

The final budgetary basis revenue estimate was \$1,374,124.00, which remained unchanged from the original budgeted estimate. Total budgeted revenues realized equaled \$1,433,696.82, which was \$59,572.82 in excess of the budget estimate, thus replenishing fund balance. This excess was directly attributable to the School District's unrestricted miscellaneous revenues realized, which primarily consisted of the aforementioned cancellation of a fiscal year 2012 accounts payable in the amount of \$65,000.00.

The final budgetary basis expenditure appropriation estimate was \$1,394,124.00, which remained unchanged from the original budgeted estimate. Actual expenditures incurred of \$1,365,780.46 were less than the final budget estimate by \$28,343.54.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the fiscal year ended June 30, 2013, the School District had no recorded capital assets or capital asset activity.

Debt

During the fiscal year ended June 30, 2013, the School District had no recorded debt or debt service activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the fiscal year 2013, the School District was able to sustain its budget through property taxes, state sources, and other various revenue sources. As previously stated, property taxes constituted approximately forty percent (40%) of total revenues, state aid constituted approximately fifty-five percent (55%) of total revenues, and miscellaneous revenues constituted approximately five percent (5%) of total revenues of the School District.

In preparing the fiscal year 2014 budget, the School District has applied for a loan from the State of New Jersey to assist with the payment of fiscal year 2014 expenditures. In addition, the School District anticipates receiving approximately \$294,000.00 from the Borough of Hi-Nella.

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Hi-Nella School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hi-Nella School District School Business Administrator, 801 Preston Avenue, Somerdale, New Jersey, 08083.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HI-NELLA SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 10,810.86		\$ 10,810.86
Accounts Receivable, net (note 3)	<u>20,823.00</u>	<u> </u>	<u>20,823.00</u>
Total Assets	<u>31,633.86</u>	<u> </u>	<u>31,633.86</u>
NET POSITION:			
Unrestricted	<u>31,633.86</u>	<u> </u>	<u>31,633.86</u>
Total Net Position	<u><u>\$ 31,633.86</u></u>	<u><u> </u></u>	<u><u>\$ 31,633.86</u></u>

The accompanying notes to financial statements are an integral part of this statement.

HI-NELLA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Support Services:							
Tuition	\$ 1,260,004.62				\$ (1,260,004.62)		\$ (1,260,004.62)
Other Administrative Services	16,997.55				(16,997.55)		(16,997.55)
School Administrative Services	24,720.00				(24,720.00)		(24,720.00)
Pupil Transportation	64,058.29				(64,058.29)		(64,058.29)
Total Governmental Activities	<u>1,365,780.46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,365,780.46)</u>	<u>-</u>	<u>(1,365,780.46)</u>
Business-Type Activities	-	-	-	-	-	-	-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 1,365,780.46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,365,780.46)</u>	<u>-</u>	<u>(1,365,780.46)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					571,678.00		571,678.00
Federal and State Aid - Unrestricted					792,386.00		792,386.00
Miscellaneous					65,572.82		65,572.82
Total General Revenue					<u>1,429,636.82</u>	<u>-</u>	<u>1,429,636.82</u>
Change in Net Position					63,856.36	-	63,856.36
Net Position, July 1					<u>(32,222.50)</u>	<u>-</u>	<u>(32,222.50)</u>
Net Position, June 30					<u>\$ 31,633.86</u>	<u>-</u>	<u>\$ 31,633.86</u>

The accompanying notes to financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HI-NELLA SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 10,810.86				\$ 10,810.86
Intergovernmental Accounts Receivable:					
Other	20,823.00				20,823.00
Total Assets	<u>\$ 31,633.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 31,633.86</u>
LIABILITIES AND FUND BALANCES:					
Fund Balances (note 5):					
Assigned:					
Designated for Subsequent Year's Expenditures	20,000.00				20,000.00
Unassigned	11,633.86				11,633.86
Total Fund Balances	<u>31,633.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,633.86</u>
Total Liabilities and Fund Balances	<u>\$ 31,633.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 31,633.86</u>
Net Position of Governmental Activities					<u>\$ 31,633.86</u>

The accompanying notes to 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, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local Tax Levy	\$ 571,678.00				\$ 571,678.00
Unrestricted Miscellaneous Revenues	65,572.82				65,572.82
State Sources	792,386.00				792,386.00
	<u>1,429,636.82</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,429,636.82</u>
Total Revenues					
EXPENDITURES:					
Current:					
Support Services and Undistributed Costs:					
Tuition	1,260,004.62				1,260,004.62
Other Administrative Services	16,997.55				16,997.55
School Administrative Services	24,720.00				24,720.00
Pupil Transportation	64,058.29				64,058.29
	<u>1,365,780.46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,365,780.46</u>
Total Expenditures					
Net Change in Fund Balances	63,856.36	-	-	-	63,856.36
Fund Balance, July 1	<u>(32,222.50)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,222.50)</u>
Fund Balance, June 30	<u>\$ 31,633.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 31,633.86</u>

The accompanying notes to financial statements are an integral part of this statement.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hi-Nella School District (the "School District") have been prepared to conform 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 following is a summary of the more significant of these policies.

Description of the Reporting Entity

The School District is a Type II district located in the County of Camden, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of 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 kindergarten through twelfth. The Hi-Nella School District is considered a non-operating school district as all students in grades kindergarten through eighth attend the Oaklyn School District and all students in grades nine through twelve attend the Sterling Regional High School District, both on a tuition basis. The School District has an approximate enrollment at June 30, 2013 of 130 students.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board 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, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Component Units

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented (discretely presented, blended, or included in the fiduciary fund financial statements).

Based on the aforementioned, the School District has determined that no component units exist for the fiscal year ended June 30, 2013.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Government-wide Financial Statements - The statement of net position 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 government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District 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. For the fiscal year ended June 30, 2013, the School District had no recorded program revenue. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - The School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column.

The governmental funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services.

Governmental Funds - Governmental funds are those through which most School District functions are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities, except those accounted for in the proprietary fund and fiduciary funds (for the fiscal year ended June 30, 2013, the School District did not maintain any proprietary or fiduciary fund types), are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the School District's major governmental funds:

General Fund - The general fund is the primary operating fund of the School District. It 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, ad valorem tax revenues, 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Fund Financial Statements (Cont'd) -****Governmental Funds (Cont'd) -**

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. During the fiscal year ended June 30, 2013, the School District did not have any activity reportable in its special revenue fund.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. During the fiscal year ended June 30, 2013, the School District did not have any activity reportable in its capital projects fund.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. During the fiscal year ended June 30, 2013, the School District did not have any activity reportable in its debt service fund.

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.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e. both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants, and interest on investments. The School District considers all revenues, with the exception of the expenditure-driven grants, as available if they are collected within sixty (60) days after fiscal year-end.

The expenditure driven grants are considered available if received within one fiscal year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at fiscal year-end when revenue is recognized for taxes received by the School District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due / paid.

In applying the susceptible to accrual concept to revenues from federal and state sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the School District will receive any amounts; therefore, revenues are recognized based on the occurrence of expenditures.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)****Basis of Accounting (Cont'd) -****Modified Accrual (Cont'd) -**

In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In cases where monies are received and all eligibility requirements, including timing, have been satisfied, but the occurrence of expenditure has yet to happen, amounts are reported as unearned revenue. Conversely, where monies are received but eligibility requirements, including timing, have yet to be satisfied, such amounts are reported as deferred inflows of resources.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

Property Taxes - 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 moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgets / Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A: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 year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. 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 revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control (Cont'd)**

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1, includes all amendments to the adopted budget, if any.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation, is utilized for budgetary control purposes. 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 the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. 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 institutional 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 amount of their deposits to the governmental units.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements represent payments made to vendors for services that will benefit periods beyond June 30, 2013. As of June 30, 2013, no such prepayments exist.

In the governmental fund financial statements, 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.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2013 and 2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. 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 governmental fund financial statements when due. As of June 30, 2013, no such accrued liabilities and long-term obligations exist.

Net Position

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

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**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" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted 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 (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed 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. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. 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 (resolution) it employed to previously commit those amounts.

Assigned - 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. *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. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification 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 policy of the School District to spend restricted fund balances first. Moreover, 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, and then unassigned.

Accounting Estimates

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The School District does not have any SCAs and therefore the adoption of GASBS 60 does not have any impact on the School District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The School District elected to early implement GASBS 61 effective for fiscal year 2013. The adoption of GASBS 61, however, does not have any impact on the School District's financial statements.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS 62 does not have any impact on the School District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS 63, however, does not have any impact on the School District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The School District elected to early implement GASBS 65 effective for fiscal year 2013. The adoption of GASBS 65 does not have any impact on the School District's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements**

In March 2012, the GASB issued Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The School District does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the School District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. The School District does not have any employees enrolled in any state or local pension plans; therefore, the adoption of GASB 68 will not have any impact on the School District's financial statements.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements although no impact is expected.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might 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 Act (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. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition.

As of June 30, 2013, the School District's bank balance of \$180,379.66 was fully insured by FDIC.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of amounts due from other governmental entities. All receivables are considered collectible in full.

Accounts receivable as of fiscal year end for the School District's individual major funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>				<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
Tuition Refund	\$ 20,823.00	-	-	-	\$ 20,823.00

Note 4: 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; injuries to employees; 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 New Jersey School Boards Association Insurance Group. The Fund provides its members with the following coverage:

Comprehensive General Liability
Property
Automobile
Equipment Breakdown
Electronic Data Processing
Crime

The Fund provides the School District with the following coverage:

General and Automobile Liability

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 for the fiscal year ended June 30, 2013, which can be obtained from:

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, New Jersey 08016

Note 5: FUND BALANCES**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 -

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2014 \$20,000.00 of general fund balance at June 30, 2013.

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, 2013, \$11,633.86 of general fund balance was unassigned.

Note 6: GOING CONCERN

Dissolution of Non-Operating School Districts - In 2009, the Governor of the State of New Jersey signed legislation establishing procedures for merging the school districts with larger, neighboring districts where children from the non-operating districts already attend classes. The legislation was to ensure compliance with a 2007 law that included numerous requirements to enhance efficiency and accountability in the operation of school districts. The Hi-Nella School District was among several non-operating school districts in the State of New Jersey identified for possible dissolution. Although no formal plan of dissolution has been currently established for the Hi-Nella School District, there is the potential, however, that the School District could be dissolved July 1, 2014 pending a report from the Executive County Superintendent.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

HI-NELLA SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 571,678.00		\$ 571,678.00	\$ 571,678.00	
Unrestricted Miscellaneous Revenues	6,000.00		6,000.00	65,572.82	\$ 59,572.82
Total - Local Sources	577,678.00	-	577,678.00	637,250.82	59,572.82
State Sources:					
Categorical Special Education Aid	52,014.00		52,014.00	52,014.00	
Equalization Aid	679,776.00		679,776.00	679,776.00	
Categorical Security Aid	21,817.00		21,817.00	21,817.00	
Categorical Transportation Aid	42,839.00		42,839.00	42,839.00	
Total - State Sources	796,446.00	-	796,446.00	796,446.00	-
Total Revenues	1,374,124.00	-	1,374,124.00	1,433,696.82	59,572.82
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Regular	1,047,544.00	\$ 5,178.00	1,052,722.00	1,052,722.00	
Tuition to Other LEA's Within the State - Special	36,608.00	44,269.56	80,877.56	80,877.56	
Tuition to CSSD and Regional Day Schools	58,000.00	(18,866.20)	39,133.80	39,133.80	
Tuition to Private Schools for the Disabled - Within State	97,361.00	(8,018.36)	89,342.64	87,271.26	2,071.38
Total Undistributed Expenditures - Instruction	1,239,513.00	22,563.00	1,262,076.00	1,260,004.62	2,071.38

(Continued)

HI-NELLA SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Support Services - General					
Administration:					
Legal Services	\$ 2,500.00	\$ (250.00)	\$ 2,250.00		\$ 2,250.00
Audit Fees	3,100.00		3,100.00	\$ 3,100.00	
Communications / Telephone	250.00		250.00	125.00	125.00
Miscellaneous Purchased Services (400-500)	15,200.00	(1,520.00)	13,680.00	12,503.80	1,176.20
General Supplies	100.00		100.00		100.00
Miscellaneous Expenditures	275.00		275.00	200.00	75.00
BOE Membership Dues and Fees	1,250.00	(125.00)	1,125.00	1,068.75	56.25
	<u>22,675.00</u>	<u>(1,895.00)</u>	<u>20,780.00</u>	<u>16,997.55</u>	<u>3,782.45</u>
Total Undistributed Expenditures - Support Services - General Administration					
Undistributed Expenditures - Central Services:					
Purchased Professional Services	<u>24,720.00</u>		<u>24,720.00</u>	<u>24,720.00</u>	
Total Undistributed Expenditures - Central Services	<u>24,720.00</u>	<u>-</u>	<u>24,720.00</u>	<u>24,720.00</u>	<u>-</u>
Undistributed Expenditures - Student Transportation Services:					
Contracted Services - (Other than Between Home and School) - Vendors	3,500.00	(350.00)	3,150.00	2,954.34	195.66
Contracted Services (Between Home and School) - Joint Agreements	700.00		700.00		700.00
Contracted Services (Regular Students) - ESCs and CTSA's	41,000.00	(4,100.00)	36,900.00	36,060.37	839.63
Contracted Services (Special Education Students) - ESCs and CTSA's	55,000.00	(15,517.00)	39,483.00	22,674.24	16,808.76
Contracted Services - Aid in Lieu Payments - Nonpublic Schools	7,016.00	(701.00)	6,315.00	2,369.34	3,945.66
	<u>107,216.00</u>	<u>(20,668.00)</u>	<u>86,548.00</u>	<u>64,058.29</u>	<u>22,489.71</u>
Total Undistributed Expenditures - Student Transportation Services					
Total Undistributed Expenditures	<u>1,394,124.00</u>	<u>-</u>	<u>1,394,124.00</u>	<u>1,365,780.46</u>	<u>28,343.54</u>
Total General Current Expense	<u>1,394,124.00</u>	<u>-</u>	<u>1,394,124.00</u>	<u>1,365,780.46</u>	<u>28,343.54</u>
Total Expenditures	<u>1,394,124.00</u>	<u>-</u>	<u>1,394,124.00</u>	<u>1,365,780.46</u>	<u>28,343.54</u>

(Continued)

HI-NELLA SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Modifications / Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (20,000.00)	-	\$ (20,000.00)	\$ 67,916.36	\$ 87,916.36
Fund Balances, July 1	-	-	-	40,127.50	40,127.50
Fund Balances, June 30	<u>\$ (20,000.00)</u>	<u>-</u>	<u>\$ (20,000.00)</u>	<u>\$ 108,043.86</u>	<u>\$ 128,043.86</u>
Recapitulation:					
Assigned:					
Designated for Subsequent Year's Expenditures				\$ 20,000.00	
Unassigned				<u>88,043.86</u>	
				108,043.86	
Reconciliation to Governmental Funds Statements (GAAP):					
Fiscal Year 2013 Last State Aid Payments not Recognized on GAAP Basis				<u>(76,410.00)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 31,633.86</u>	

HI-NELLA SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to Required Supplementary Information
 For the Fiscal Year Ended June 30, 2013

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-series)	\$ 1,433,696.82	-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes, and State aid payment recognized as revenue for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(4,060.00)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,429,636.82</u>	<u>-</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule (C-series)	<u>\$ 1,365,780.46</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 1,365,780.46</u>	<u>-</u>

OTHER SUPPLEMENTARY INFORMATION

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance.

HI-NELLA SCHOOL DISTRICT
 Net Position by Component
 Last Ten Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:										
Restricted			\$ 100,000.00	\$ 327,465.00	\$ 175,875.00	\$ 100,000.00	\$ 100,000.00	\$ 114,356.00	\$ 45,705.00	\$ 123,808.00
Unrestricted	\$ 31,633.86	\$ (32,223.00)	(51,764.00)	(50,669.00)	170,710.00	199,013.00	159,087.00	63,818.00	67,813.00	7,765.00
Total Governmental Activities Net Position	<u>\$ 31,633.86</u>	<u>\$ (32,223.00)</u>	<u>\$ 48,236.00</u>	<u>\$ 276,796.00</u>	<u>\$ 346,585.00</u>	<u>\$ 299,013.00</u>	<u>\$ 259,087.00</u>	<u>\$ 178,174.00</u>	<u>\$ 113,518.00</u>	<u>\$ 131,573.00</u>
Business-Type Activities	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government-Wide:										
Restricted			\$ 100,000.00	\$ 327,465.00	\$ 175,875.00	\$ 100,000.00	\$ 100,000.00	\$ 114,356.00	\$ 45,705.00	\$ 123,808.00
Unrestricted	\$ 31,633.86	\$ (32,223.00)	(51,764.00)	(50,669.00)	170,710.00	199,013.00	159,087.00	63,818.00	67,813.00	7,765.00
Total Government-Wide Net Position	<u>\$ 31,633.86</u>	<u>\$ (32,223.00)</u>	<u>\$ 48,236.00</u>	<u>\$ 276,796.00</u>	<u>\$ 346,585.00</u>	<u>\$ 299,013.00</u>	<u>\$ 259,087.00</u>	<u>\$ 178,174.00</u>	<u>\$ 113,518.00</u>	<u>\$ 131,573.00</u>

Source: Comprehensive Annual Financial Report Exhibit A-1.

HI-NELLA SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental Activities:										
Support Services:										
Tuition	\$ 1,260,004.62	\$ 1,098,098.00	\$ 1,176,248.00	\$ 1,214,137.00	\$ 1,123,084.00	\$ 1,380,100.00	\$ 1,305,454.00	\$ 1,363,405.00	\$ 1,367,199.00	\$ 1,405,153.00
Student and Instruction Related Services						95.00	170.00			12,875.00
Other Administrative Services	16,997.55	25,160.00	58,880.00	62,525.00	36,004.00	35,952.00	32,081.00	30,827.00	25,973.00	25,333.00
School Administrative Services	24,720.00	25,280.00								
Plant Operations and Maintenance		103,155.00	159,000.00							359.00
Pupil Transportation	64,058.29	117,217.00	91,452.00	103,081.00	86,904.00	79,424.00	77,634.00	112,932.00	126,562.00	96,666.00
Total Governmental Activities Expenses	<u>1,365,780.46</u>	<u>1,368,910.00</u>	<u>1,485,580.00</u>	<u>1,379,743.00</u>	<u>1,245,992.00</u>	<u>1,495,476.00</u>	<u>1,415,264.00</u>	<u>1,507,334.00</u>	<u>1,519,734.00</u>	<u>1,540,386.00</u>
Total Government-Wide Expenses	<u>\$ 1,365,780.46</u>	<u>\$ 1,368,910.00</u>	<u>\$ 1,485,580.00</u>	<u>\$ 1,379,743.00</u>	<u>\$ 1,245,992.00</u>	<u>\$ 1,495,476.00</u>	<u>\$ 1,415,264.00</u>	<u>\$ 1,507,334.00</u>	<u>\$ 1,519,734.00</u>	<u>\$ 1,540,386.00</u>
Net (Expense) / Revenue:										
Governmental Activities	\$ (1,365,780.46)	\$ (1,368,910.00)	\$ (1,485,580.00)	\$ (1,379,743.00)	\$ (1,245,992.00)	\$ (1,495,476.00)	\$ (1,415,264.00)	\$ (1,507,334.00)	\$ (1,519,734.00)	\$ (1,540,386.00)
Business-Type Activities	-	-	-	-	-	-	-	-	-	-
Total Government-Wide Expenses	<u>\$ (1,365,780.46)</u>	<u>\$ (1,368,910.00)</u>	<u>\$ (1,485,580.00)</u>	<u>\$ (1,379,743.00)</u>	<u>\$ (1,245,992.00)</u>	<u>\$ (1,495,476.00)</u>	<u>\$ (1,415,264.00)</u>	<u>\$ (1,507,334.00)</u>	<u>\$ (1,519,734.00)</u>	<u>\$ (1,540,386.00)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes, Levied for General Purposes	\$ 571,678.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 713,642.00	\$ 741,785.00	\$ 824,183.00	\$ 750,793.00	\$ 769,835.00
Federal and State Aid - Unrestricted	792,386.00	783,198.00	730,722.00	794,108.00	778,837.00	795,403.00	742,281.00	738,617.00	746,086.00	719,732.00
Miscellaneous	65,572.82	2,768.00	23,813.00	13,361.00	12,242.00	26,357.00	12,111.00	9,190.00	4,800.00	2,029.00
Total Governmental Activities	<u>1,429,636.82</u>	<u>1,288,451.00</u>	<u>1,257,020.00</u>	<u>1,309,954.00</u>	<u>1,293,564.00</u>	<u>1,535,402.00</u>	<u>1,496,177.00</u>	<u>1,571,990.00</u>	<u>1,501,679.00</u>	<u>1,491,596.00</u>
Business-Type Activities	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government-Wide	<u>\$ 1,429,636.82</u>	<u>\$ 1,288,451.00</u>	<u>\$ 1,257,020.00</u>	<u>\$ 1,309,954.00</u>	<u>\$ 1,293,564.00</u>	<u>\$ 1,535,402.00</u>	<u>\$ 1,496,177.00</u>	<u>\$ 1,571,990.00</u>	<u>\$ 1,501,679.00</u>	<u>\$ 1,491,596.00</u>
Change in Net Position:										
Governmental Activities	\$ 63,856.36	\$ (80,459.00)	\$ (228,560.00)	\$ (69,789.00)	\$ 47,572.00	\$ 39,926.00	\$ 80,913.00	\$ 64,656.00	\$ (18,055.00)	\$ (48,790.00)
Business-Type Activities	-	-	-	-	-	-	-	-	-	-
Total Government-Wide	<u>\$ 63,856.36</u>	<u>\$ (80,459.00)</u>	<u>\$ (228,560.00)</u>	<u>\$ (69,789.00)</u>	<u>\$ 47,572.00</u>	<u>\$ 39,926.00</u>	<u>\$ 80,913.00</u>	<u>\$ 64,656.00</u>	<u>\$ (18,055.00)</u>	<u>\$ (48,790.00)</u>

Source: Comprehensive Annual Financial Report Exhibit A-2.

HI-NELLA SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund:										
Restricted					\$ 7,410.00			\$ 32,356.00	\$ 5,705.00	
Assigned	\$ 20,000.00	\$ 20,000.00	\$ 100,000.00	\$ 327,465.00	168,465.00	\$ 100,000.00	\$ 100,000.00	82,000.00	40,000.00	\$ 123,808.00
Unassigned	<u>11,633.86</u>	<u>(52,222.50)</u>	<u>(51,764.00)</u>	<u>(50,669.00)</u>	<u>170,710.00</u>	<u>199,013.00</u>	<u>159,087.00</u>	<u>63,818.00</u>	<u>67,813.00</u>	<u>7,765.00</u>
Total General Fund	<u>\$ 31,633.86</u>	<u>\$ (32,222.50)</u>	<u>\$ 48,236.00</u>	<u>\$ 276,796.00</u>	<u>\$ 346,585.00</u>	<u>\$ 299,013.00</u>	<u>\$ 259,087.00</u>	<u>\$ 178,174.00</u>	<u>\$ 113,518.00</u>	<u>\$ 131,573.00</u>

Source: Comprehensive Annual Financial Report Exhibit B-1.

HI-NELLA SCHOOL DISTRICT
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
Unaudited

	Fiscal Year Ended June 30,									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues:										
Local Tax Levy	\$ 571,678.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 713,642.00	\$ 741,785.00	\$ 824,183.00	\$ 750,793.00	\$ 769,835.00
Unrestricted Miscellaneous Revenues	65,572.82	2,768.00	23,813.00	13,361.00	12,242.00	26,357.00	12,111.00	9,190.00	4,800.00	2,029.00
Federal Sources		27,337.00		102,778.00						
State Sources	792,386.00	755,861.00	730,722.00	691,330.00	819,928.00	795,403.00	741,237.00	738,617.00	746,086.00	720,099.00
Total Revenue	1,429,636.82	1,288,451.00	1,257,020.00	1,309,954.00	1,334,655.00	1,535,402.00	1,495,133.00	1,571,990.00	1,501,679.00	1,491,963.00
Expenditures:										
Current:										
Support Services and Undistributed Costs:										
Tuition	1,260,004.62	1,098,098.00	1,176,248.00	1,214,137.00	1,123,084.00	1,380,100.00	1,305,454.00	1,363,405.00	1,367,199.00	1,405,520.00
Student and Instruction Related Services							95.00	170.00		12,875.00
Other Administrative Services	16,997.55	25,160.00	58,880.00	62,525.00	36,004.00	35,952.00	32,081.00	30,827.00	25,973.00	25,333.00
School Administrative Services	24,720.00	25,280.00								
Plant Operations and Maintenance		103,155.00	159,000.00							359.00
Pupil Transportation	64,058.29	117,217.00	91,452.00	103,081.00	86,904.00	79,424.00	77,634.00	112,932.00	126,562.00	96,666.00
Total Expenditures	1,365,780.46	1,368,910.00	1,485,580.00	1,379,743.00	1,245,992.00	1,495,476.00	1,415,264.00	1,507,334.00	1,519,734.00	1,540,753.00
Net Change in Fund Balances	\$ 63,856.36	\$ (80,459.00)	\$ (228,560.00)	\$ (69,789.00)	\$ 88,663.00	\$ 39,926.00	\$ 79,869.00	\$ 64,656.00	\$ (18,055.00)	\$ (48,790.00)
Debt Service as a Percentage of										
Noncapital Expenditures	-	-	-	-	-	-	-	-	-	-

Source: Comprehensive Annual Financial Report Exhibit B-2.

Revenue Capacity Information

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

HI-NELLA SCHOOL DISTRICT
 General Fund - Unrestricted Miscellaneous Revenues by Source
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
Unaudited

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Interest on Investments	\$ 222.82	\$ 550.00	\$ 513.00	\$ 1,056.00	\$ 2,875.00	\$ 10,504.00	\$ 12,111.00	\$ 7,264.00	\$ 4,410.00	\$ 1,818.00
Refund of Prior Year's Expenditures			21,120.00	9,941.00	9,367.00	15,853.00		31.00	390.00	211.00
Safety Grant		2,098.00	2,180.00	2,152.00						
Cancellation of Accounts Payable	65,000.00									
Miscellaneous	350.00	120.00		212.00				1,895.00		
	<u>\$ 65,572.82</u>	<u>\$ 2,768.00</u>	<u>\$ 23,813.00</u>	<u>\$ 13,361.00</u>	<u>\$ 12,242.00</u>	<u>\$ 26,357.00</u>	<u>\$ 12,111.00</u>	<u>\$ 9,190.00</u>	<u>\$ 4,800.00</u>	<u>\$ 2,029.00</u>

Source: School District records.

HI-NELLA SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Years
Unaudited

Year Ended <u>Dec. 31</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	Total Assessed Value	Public Utilities ⁽¹⁾	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ⁽²⁾
2013	\$ 135,800.00	\$ 18,932,700.00	\$ 144,100.00	\$ 15,300.00	\$ 3,368,800.00	\$ 355,800.00	\$ 16,798,000.00	\$ 39,750,500.00	\$ 60,958.00	\$ 39,811,458.00	*	*	\$ 1.687
2012	135,800.00	18,953,600.00	144,100.00	15,300.00	3,368,800.00	355,800.00	16,798,000.00	39,771,400.00	69,350.00	39,840,750.00	\$ 5,247,900.00	\$ 43,634,122.00	1.348
2011	34,300.00	11,705,400.00	140,000.00	11,600.00	2,864,600.00	-	8,294,900.00	23,050,800.00	39,656.00	23,090,456.00	4,022,600.00	39,262,466.00	2.176
2010	34,300.00	11,705,400.00	140,000.00	11,600.00	4,913,200.00	-	6,104,900.00	22,909,400.00	53,688.00	22,963,088.00	4,022,600.00	35,710,517.00	2.188
2009	34,300.00	11,720,400.00	140,000.00	11,600.00	4,772,800.00	-	6,104,900.00	22,784,000.00	48,406.00	22,832,406.00	4,022,600.00	40,579,712.00	2.201
2008	34,300.00	11,718,400.00	140,000.00	11,600.00	4,754,800.00	-	6,104,900.00	22,764,000.00	42,363.00	22,806,363.00	4,022,600.00	42,653,806.00	2.666
2007	34,300.00	11,718,400.00	140,000.00	11,600.00	4,754,800.00	-	6,104,900.00	22,764,000.00	43,808.00	22,807,808.00	4,022,600.00	39,127,245.00	2.666
2006	34,300.00	11,718,400.00	140,000.00	11,600.00	5,075,800.00	-	6,104,900.00	23,085,000.00	47,626.00	23,132,626.00	4,022,600.00	35,654,698.00	3.190
2005	96,000.00	11,709,400.00	140,000.00	11,600.00	5,025,800.00	-	6,104,900.00	23,087,700.00	59,347.00	23,147,047.00	4,350,100.00	31,712,682.00	3.385
2004	96,000.00	11,709,400.00	140,000.00	11,600.00	4,629,800.00	432,400.00	6,104,900.00	23,124,100.00	71,507.00	23,195,607.00	4,350,100.00	28,343,943.00	3.402

⁽¹⁾ taxable value of communication equipment.

⁽²⁾ tax rates are per \$100.00 of assessed valuation.

* information not available.

Source: Camden County Board of Taxation.

HI-NELLA SCHOOL DISTRICT
 Direct and Overlapping Property Tax Rates
 Last Ten Years
 (Rate per \$100 of Assessed Value)
Unaudited

Year Ended Dec. 31	District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	<u>Basic Rate</u>	<u>General Obligation Debt Service</u>	<u>Total Direct School Tax Rate</u>	<u>Borough of Hi-Nella</u>	<u>Camden County</u>	
2013	\$ 1.687	-	\$ 1.687	\$ 1.180	\$ 0.756	\$ 3.623
2012	1.348	-	1.348	1.150	0.845	3.343
2011	2.176	-	2.176	1.779	1.213	5.168
2010	2.188	-	2.188	1.715	1.015	4.918
2009	2.201	-	2.201	1.621	1.102	4.924
2008	2.666	-	2.666	1.487	1.191	5.344
2007	2.666	-	2.666	1.336	1.194	5.196
2006	3.190	-	3.190	1.210	1.246	5.646
2005	3.385	-	3.385	1.108	1.126	5.619
2004	3.402	-	3.402	1.089	1.075	5.566

Source: Municipal Tax Collector.

HI-NELLA SCHOOL DISTRICT
Principal Property Tax Payers
Current Year and Nine Years Ago
Unaudited

<u>Taxpayer</u>	2013			2004		
	<u>Taxable Assessed Value</u>	Rank	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	Rank	<u>% of Total District Net Assessed Value</u>
East Coast Fox Ridge Apartments	\$ 11,712,600.00	1	29.42%			
South Penn Associates, LLC	4,800,000.00	2	12.06%	\$ 2,190,000.00	2	9.44%
Cammarata, Guisepppe	769,600.00	3	1.93%			
Sterling Storage	513,600.00	4	1.29%			
Hudson United Bank	441,100.00	5	1.11%	364,300.00	6	1.57%
Hi-Nella Properties	387,100.00	6	0.97%			
SRA Realty Holdings, LLC	355,800.00	7	0.89%			
Rubinson, Victor	285,400.00	8	0.72%			
Leap-Up, LLC	251,500.00	9	0.63%			
Jacob Michaels Import Clinic	225,800.00	10	0.57%			
Fox Ridge Dobbs Drive Association				5,900,000.00	1	25.44%
Allibone, William, & Marie				148,400.00	10	0.64%
Edward B. Warrington				686,000.00	3	2.96%
Eaton Aerospace				532,400.00	4	2.30%
Richard Reis				204,900.00	7	0.88%
Jay Kocher				516,300.00	5	2.23%
Kells Import Clinic				200,100.00	8	0.86%
Ralph and Thomas Venuto				176,300.00	9	0.76%
Total	\$ 19,742,500.00		49.59%	\$ 10,918,700.00		47.07%

Source: Municipal Tax Assessor.

HI-NELLA SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended <u>June 30,</u>	School District Taxes Levied for the <u>Fiscal Year</u>	Collected within the Fiscal Year of the <u>the Levy</u> ⁽¹⁾		Collections in <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2013	\$ 571,678.00	\$ 571,678.00	100.00%	-
2012	502,485.00	502,485.00	100.00%	-
2011	502,485.00	502,485.00	100.00%	-
2010	502,485.00	502,485.00	100.00%	-
2009	502,485.00	502,485.00	100.00%	-
2008	713,642.00	713,642.00	100.00%	-
2007	741,785.00	741,785.00	100.00%	-
2006	824,183.00	824,183.00	100.00%	-
2005	750,793.00	750,793.00	100.00%	-
2004	769,835.00	769,835.00	100.00%	-

⁽¹⁾ School District 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 or certified prior to the end of the school year.

Source: School District records.

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the School District's outstanding debt and its debt capacity.

HI-NELLA SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2012
Unaudited

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Hi-Nella Borough</u>
Municipal Debt: ⁽¹⁾				
Municipal / County General Obligations	\$ 380,000.00	_____	\$ 380,000.00	\$ 380,000.00
	<u>380,000.00</u>	<u>-</u>	<u>380,000.00</u>	<u>380,000.00</u>
Overlapping Debt Apportioned to the Municipality:				
County of Camden: ⁽²⁾				
General:				
Bonds	44,081,645.00	\$ 10,684,251.00 ⁽³⁾	33,397,394.00	34,413.06 ⁽⁵⁾
Loan Agreements	147,285,000.00		147,285,000.00	151,764.17 ⁽⁵⁾
Bonds Issued by Other Public Bodies Guaranteed by the County	<u>681,777,740.00</u>	<u>681,777,740.00</u> ⁽⁴⁾	_____	_____
	<u>873,144,385.00</u>	<u>692,461,991.00</u>	<u>180,682,394.00</u>	<u>186,177.24</u>
	<u>\$ 873,524,385.00</u>	<u>\$ 692,461,991.00</u>	<u>\$ 181,062,394.00</u>	<u>\$ 566,177.24</u>

Sources:

⁽¹⁾ 2012 Annual Debt Statement - Hi-Nella Borough

⁽²⁾ County of Camden

⁽³⁾ includes reserve for payment of bonds, other accounts receivable, and general obligation pension refunding bonds

⁽⁴⁾ deductible in accordance with N.J.S. 40:37A-80

⁽⁵⁾ Such debt is allocated as a proportion of the Borough's share of the total 2012 Equalized Value, which is .10%.
 The source for this computation was the 2012 Table of Equalized Valuations, which is supplied by the New Jersey Division of Taxation.

HI-NELLA SCHOOL DISTRICT
 Legal Debt Margin Information
 Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Calendar Year 2012:

Equalized Valuation Basis: ⁽¹⁾

2012	\$ 39,152,786
2011	43,418,346
2010	<u>38,842,659</u>
	[A] <u>\$ 121,413,791</u>
Average equalized valuation of taxable property	[A/3] \$ 40,471,264
Debt limit (3% of average equalization value) ⁽²⁾	[B] 1,214,137.91
Total Net Debt Applicable to Limit	[C] <u>-</u>
Legal Debt Margin	[B-C] <u>\$ 1,214,137.91</u>

	Fiscal Year Ended June 30,									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limit	\$ 1,214,137.91	\$ 1,175,631.00	\$ 1,144,850.00	\$ 1,181,205.00	\$ 1,223,339.00	\$ 1,174,968.00	\$ 1,066,220.00	\$ 956,066.00	\$ 860,045.00	\$ 1,028,779.00
Total net debt applicable to limit ⁽³⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 1,214,137.91</u>	<u>\$ 1,175,631.00</u>	<u>\$ 1,144,850.00</u>	<u>\$ 1,181,205.00</u>	<u>\$ 1,223,339.00</u>	<u>\$ 1,174,968.00</u>	<u>\$ 1,066,220.00</u>	<u>\$ 956,066.00</u>	<u>\$ 860,045.00</u>	<u>\$ 1,028,779.00</u>
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Sources:

⁽¹⁾ 2012 Annual Debt Statement - Hi-Nella Borough

⁽²⁾ Limit set by N.J.S.A. 18A:24-19 for a K through 8 district.

⁽³⁾ School District records.

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

HI-NELLA SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Year Ended <u>June 30,</u>	<u>Population</u> ⁽¹⁾	<u>Personal Income</u> ⁽²⁾	<u>Per Capita Personal Income</u> ⁽³⁾	<u>Unemployment Rate</u> ⁽⁴⁾
2012	867	*	*	18.3%
2011	869	\$ 37,453,031.00	\$ 43,099.00	18.4%
2010	870	37,166,400.00	42,720.00	17.6%
2009	1,000	41,406,000.00	41,406.00	11.6%
2008	1,000	41,992,000.00	41,992.00	8.9%
2007	1,005	40,461,300.00	40,260.00	9.7%
2006	1,007	38,941,697.00	38,671.00	7.3%
2005	1,011	36,698,289.00	36,299.00	6.3%
2004	1,014	35,444,370.00	34,955.00	7.1%
2003	1,019	34,413,668.00	33,772.00	6.8%

Sources:

⁽¹⁾ *Annual Estimates of the Resident Population for Municipalities in New Jersey, by County: July 1, 2003 to July 1, 2012*

⁽²⁾ *Personal income has been estimated based upon the municipal population and per capita personal income.*

⁽³⁾ *Regional Economic Information System, Bureau of Economic Analysis, November 2012.*

⁽⁴⁾ *New Jersey Department of Labor and Workforce Development Labor Planning and Analysis Local Area Unemployment Statistics - March 30, 2012.*

* *information not available.*

HI-NELLA SCHOOL DISTRICT
Principal Non-Governmental Employers
Current Year and Nine Years Ago
Unaudited

2013				2004		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>

Information regarding the ten principal non-governmental employers for 2013 and 2004 could not be accumulated by the School District as a result of not having a source from which to obtain such information.

Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

HI-NELLA SCHOOL DISTRICT
Full-Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

	Fiscal Year Ended June 30,									
<u>Function / Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>

Not applicable as the School District did not employ any individuals for the last ten fiscal years.

HI-NELLA SCHOOL DISTRICT
 Operating Statistics
 Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u> <u>Year Ended</u> <u>June 30,</u>	<u>Enrollment</u>	<u>Operating</u> <u>Expenditures *</u>	<u>Cost Per</u> <u>Pupil</u>	<u>Percentage</u> <u>Change</u>	<u>Teaching</u> <u>Staff</u> <u>(Certified)</u>	<u>Pupil /</u> <u>Teacher</u> <u>Ratio</u> <u>Elementary</u>	<u>Average Daily</u> <u>Enrollment</u> <u>(ADE)</u>	<u>Average Daily</u> <u>Attendance</u> <u>(ADA)</u>	<u>% Change in</u> <u>Average Daily</u> <u>Enrollment</u>	<u>Student</u> <u>Attendance</u> <u>Percentage</u>
2013	130	\$ 1,365,780.46	\$ 10,506.00	-14.81%	0	N/A	N/A	N/A	N/A	N/A
2012	111	1,368,910.00	12,332.52	-19.48%	0	N/A	N/A	N/A	N/A	N/A
2011	97	1,485,580.00	15,315.26	11.00%	0	N/A	N/A	N/A	N/A	N/A
2010	100	1,379,743.00	13,797.43	1.88%	0	N/A	N/A	N/A	N/A	N/A
2009	92	1,245,992.00	13,543.39	-4.00%	0	N/A	N/A	N/A	N/A	N/A
2008	106	1,495,476.00	14,108.26	17.63%	0	N/A	N/A	N/A	N/A	N/A
2007	118	1,415,264.00	11,993.76	5.03%	0	N/A	N/A	N/A	N/A	N/A
2006	132	1,507,334.00	11,419.20	15.71%	0	N/A	N/A	N/A	N/A	N/A
2005	154	1,519,734.00	9,868.40	-5.85%	0	N/A	N/A	N/A	N/A	N/A
2004	147	1,540,753.00	10,481.31	-6.18%	0	N/A	N/A	N/A	N/A	N/A

Sources: School District records.

HI-NELLA SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
Unaudited

	Fiscal Year Ended June 30,									
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>

School District Building:

Not applicable as the School District does not own any buildings or maintain any school facilities (non-operating school district).

HI-NELLA SCHOOL DISTRICT
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited

Undistributed Expenditures - Required Maintenance for School Facilities

11-000-261-xxx

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
* <u>School Facilities</u>										
<u>Project # (s)</u>										

Not applicable as the School District does not own any buildings or maintain any school facilities (non-operating school district).

HI-NELLA SCHOOL DISTRICT
Insurance Schedule
June 30, 2013
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy ⁽¹⁾		
General Liability	\$ 6,000,000.00	\$ 1,000.00
Educators Legal Liability	1,000,000.00	5,000.00
Surety Bonds ⁽²⁾		
Treasurer	125,000.00	
Board Secretary	60,000.00	

⁽¹⁾ New Jersey School Boards Insurance Group

⁽²⁾ Western Surety Company, Selective Insurance Company

Source: School District records.

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hi-Nella School District
Hi-Nella, New Jersey 08083

Report on Compliance for Each Major State Program

We have audited the Hi-Nella School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on the School District's major state program for the fiscal year ended June 30, 2013. The School District's major state program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey; OMB 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. Those standards, OMB Circular A-133, 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 Hi-Nella School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Major State Program

In our opinion, the Hi-Nella School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Hi-Nella School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

BOWMAN & COMPANY LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

L. Jarred Corn

L. Jarred Corn
Certified Public Accountant
Public School Accountant No. CS 00219700

Voorhees, New Jersey
September 30, 2013

HI-NELLA SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance, Schedule B
 For the Fiscal Year Ended June 30, 2013

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2012	
			From	To	Unearned Revenue / (Accounts Receivable)	Due to Grantor
General Fund:						
New Jersey Department of Education:						
Current Expense:						
State Aid - Public:						
Equalization Aid	495-034-5120-078	\$ 650,047.00	07/01/11	06/30/12	\$ (72,350.00)	
Equalization Aid	495-034-5120-078	679,776.00	07/01/12	06/30/13		
Categorical Special Education Aid	495-034-5120-089	52,014.00	07/01/12	06/30/13		
Categorical Security Aid	495-034-5120-084	21,817.00	07/01/12	06/30/13		
Categorical Transportation Aid	495-034-5120-014	42,839.00	07/01/12	06/30/13		
Total General Fund					(72,350.00)	-
Total State Financial Assistance					\$ (72,350.00)	-

The accompanying notes to financial statements and notes to the schedule of state financial assistance are an integral part of this schedule.

Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2013			(Memo Only)	
			(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30, 2013	Cumulative Total Expenditures
\$ 72,350.00							
614,559.17	\$ (679,776.00)		\$ (65,216.83)			\$ (65,216.83)	\$ (679,776.00)
47,023.84	(52,014.00)		(4,990.16)			(4,990.16)	(52,014.00)
19,723.91	(21,817.00)		(2,093.09)			(2,093.09)	(21,817.00)
38,729.08	(42,839.00)		(4,109.92)			(4,109.92)	(42,839.00)
<u>792,386.00</u>	<u>(796,446.00)</u>	<u>-</u>	<u>(76,410.00)</u>	<u>-</u>	<u>-</u>	<u>(76,410.00)</u>	<u>(796,446.00)</u>
<u>\$ 792,386.00</u>	<u>\$ (796,446.00)</u>	<u>-</u>	<u>\$ (76,410.00)</u>	<u>-</u>	<u>-</u>	<u>\$ (76,410.00)</u>	<u>\$ (796,446.00)</u>

HI-NELLA SCHOOL DISTRICT
Notes to Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2013

Note 1: GENERAL

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

Note 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance is 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 States, 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.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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 June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedule on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

There are no adjustments to reconcile expenditures from the budgetary basis to the GAAP basis for the general fund as budgetary expenditures are recorded on the modified accrual basis. 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:

<u>Fund</u>	<u>State</u>
General Fund	<u>\$ 792,386.00</u>

Note 4: RELATIONSHIP TO STATE FINANCIAL REPORTS

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

Note 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, 2013

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or New Jersey Circular 04-04-OMB? _____ yes X no

Identification of major programs:

GMIS Number(s)

Name of State Program

495-034-5120-078

State Aid - Public:

Equalization Aid

495-034-5120-089

Categorical Special Education Aid

495-034-5120-084

Categorical Security Aid

Dollar threshold used to determine Type A programs \$ 300,000.00

Auditee qualified as low-risk auditee? X yes _____ no

HI-NELLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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, 2013

Section 3- Schedule of Federal Award 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 programs, as required by OMB Circular A-133.

A Federal Single Audit was not required.

HI-NELLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section 4- Schedule of 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 State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

None.

HI-NELLA SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management

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 FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2012-1

Information on the State Programs

State Aid - Public:
Equalization Aid (GMIS No. 495-034-5120-078)

Condition

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

Current Status

This condition has been resolved for the fiscal year ended June 30, 2013.

