

SCHOOL DISTRICT

OF

HI-NELLA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Hi-Nella Board of Education

Hi-Nella, New Jersey

For the Fiscal Year Ended June 30, 2016

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Hi-Nella Board of Education

Hi-Nella, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

Hi-Nella Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE HI-NELLA BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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INTRODUCTORY SECTION

**Hi-Nella Board of Education
111 Warwick Road
Stratford NJ 08084
(856) 784-2917**

Kristen Trebisky
Board Secretary

Karen Willis
Business Administrator

November 16, 2016

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, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo a single audit in conformity with the provisions of Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 15-08 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 questioned costs 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 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, Stratford and other private and public schools
 - Transportation services for Oaklyn, Vocational (no students during year) and Special Education students. Stratford 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. Kirsten Trebisky was appointed as Board Secretary effective July 1, 2014 and Karen Willis has been serving as the Business Administrator since May 2014. At June 30, 2016, the financial condition of the District is in a deficit position of \$1,186,643, on a GAAP basis.

3. **BUDGETARY CONTROLS:** The District entered into a shared service contract with Hi-Nella Borough from January 1, 2014 through June 30, 2014 for the business operations. Effective July 1, 2014, the business operations was brought in-house through payroll. 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. An annual appropriated budget is 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 double entry "QuickBooks" accounting software. The accounting system of the District is organized based on funds. These funds are explained in "Notes to the Financial Statements," Note 1.

5. **FINANCIAL INFORMATION AT FISCAL YEAR-END:** The 2014-15 budget presented to the Board in April was adjusted by the County Executive Superintendent in May 2014. After raising taxes, 35%, to the "CAP" limit, in 2013-14, taxes for 2014-15 were only raised by 2%. We started an enterprise fund to help with alternate ways to fund our 2014-15 budget. Joint Purchasing Department's management fee will be used to help offset prior year tuition adjustment approved by the County and individual schools. NJOFAC completed a financial review of the District and the report was issued in November 2014. A State Monitor has been appointed to assist the District.

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 that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA").

6. CASH MANAGEMENT (CONT'D):

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 Nightlinger, Colavita and Volpa, Pa. 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 Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report. As a result of difficulties in verifying certain tuition and other expenditures, the auditor has disclaimed an opinion.

ACKNOWLEDGEMENTS:

I would like to express my appreciation to the members of the Hi-Nella Board of Education, and to Amy Ward, Account Manager, 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,

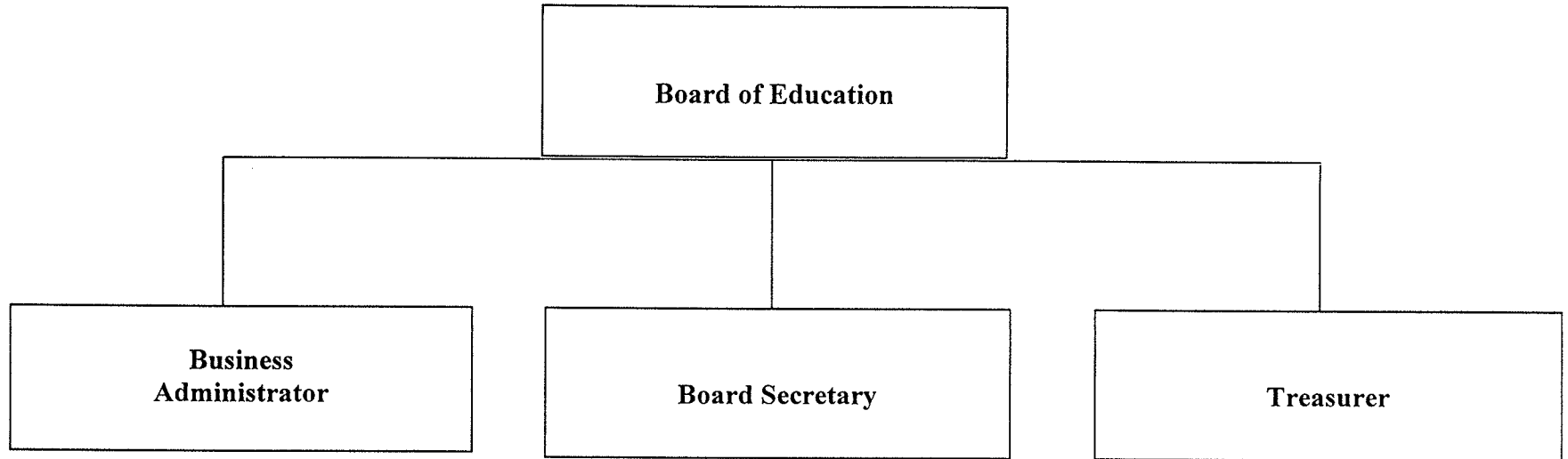


Karen Willis
Business Administrator

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

Organizational Chart

JUNE 30, 2016



HI-NELLA BOARD OF EDUCATION
HI-NELLA, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2016

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
John Baugher Jr., President	2018
Kathy Schaeffer, Vice President	2016
Aracelis Kelly	2016

There are also two vacancies on the Board

<u>OTHER OFFICIALS</u>	<u>Bond Amount</u>
Kirsten Trebisky, Board Secretary	\$60,000
Karen Willis, School Business Administrator	
Katherine Smith, Treasurer	\$155,000
Susan Hodges, Esq., Schwartz, Simon, Edelstein & Celso LLC, Solicitor	

HI-NELLA BOARD OF EDUCATION
HI-NELLA, NEW JERSEY

Consultants and Advisors

AUDITOR

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

ATTORNEY

Susan Hodges, Esq.
Schwartz, Simon, Edelstein & Celso, LLC
1000 Crawford Place, Suite 140
Mt. Laurel, NJ 08054

OFFICIAL DEPOSITORY

First Colonial Community Bank
1040 Haddon Avenue
Collingswood, NJ 08108

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 16, 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education 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, 2016, and the related notes to the financial statements, which collectively comprise the Hi-Nella 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of 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 of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinions

We were unable to perform various audit procedures to the accounts receivable and accounts payable reflected on the School District's statement of net position and the balance sheets of each major fund, as of June 30, 2016. In addition, we were unable to confirm or verify by alternative means the balances in accounts receivable and accounts payable, which are collectively stated at \$200,848 and \$1,663,162 respectively.

Disclaimer of Opinions

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hi-Nella School District, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016. Accordingly, we do not express an opinion on these financial statements.

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, schedule of the School District's proportionate share of the net pension liability and schedule of the School District's contributions, identified 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 Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the combining and individual non-major fund financial statements.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the schedule of expenditures of federal awards and state financial assistance.

The introductory and statistical sections have not been subject 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 a report dated November 16, 2016 on our consideration of the Hi-Nella Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Hi-Nella Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the information furnished in our letter of transmittal, notes to the basic financial statements, and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the School District, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, was a deficit of \$1,204,120 at the close of the current fiscal year.
- As of the close of the current fiscal year, the School District's governmental funds also reported a combined ending fund balances deficit of \$1,186,643, a decrease of \$299,940 in comparison with the prior fiscal year.
- The reason for the decrease in the School District's fiscal year end June 30, 2016 net position and fund balance was a direct result of increased tuition costs. As a non-operating school district, all students that live in the Borough of Hi-Nella attend schools, on a tuition basis, located in the Stratford School District, and the Sterling Regional High School District, depending on the grade level of the student.
- The School District experienced an excess in budget revenues in the amount of \$16,279 as a result of the School District receiving additional revenue from the State of New Jersey that was not anticipated in the adopted 2015-16 fiscal year budget, as well as the receipt of interest income.

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.

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CONT'D)

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.

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, 2016, the School District had no 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, 2016, 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, 2016, thus no budgets were adopted for those respective funds.

Proprietary Funds - The School District maintains one type of proprietary fund; that being an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School District uses an enterprise fund to account for its shared services fund, which was created during the fiscal year ended June 30, 2014.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the shared services fund, which is considered to be a major fund.

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

As previously stated, the School District's net position decreased by \$341,839 during fiscal year 2016, decreasing from \$862,281 in fiscal year 2015 to a deficit of \$1,204,120 in fiscal year 2016. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the School District's governmental-type activities.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Cash and Cash Equivalents	\$ 32,693	\$ 4,564	\$ 229,892	\$ 629	\$ 262,585	\$ 5,193
Internal Balances			1,157	1,157		1,157
Accounts Receivable, net	15,828	11,530	238,032	360,128	253,860	371,658
Prepaid Expenses						
Total Assets	48,521	16,094	469,081	361,914	516,445	378,008
Current Liabilities	1,235,164	902,797	486,558	337,492	1,721,722	1,240,289
Total Liabilities	1,235,164	902,797	486,558	337,492	1,721,722	1,240,289
Unrestricted	(1,186,643)	(886,703)	(17,477)	24,422	(1,204,120)	(862,281)
Total Net Position	\$ (1,186,643)	\$ (886,703)	\$ (17,477)	\$ 24,422	\$ (1,204,120)	\$ (862,281)

In total, assets decreased by \$140,393. The increase in assets was largely attributed by no prepaid expenses related to shared services recorded in the business-type activities. Liabilities increased by \$456,530. This overall increase resulted from the previously mention increase in tuition expenditures of governmental activities and payables resulting from the providing of shared services in the business-type activities. As indicated in the above table, the entire net position of the School District is an unrestricted deficit of \$1,178,418. The net position from business-type activities is \$17,477 and the net position from governmental activities is \$1,160,941.

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues						
Charges for Services			\$ 3,265,186	\$ 4,457,076	\$ 3,265,186	\$ 4,457,076
Operating Grants and Contributions	\$ 2,040	\$ 3,030			2,040	3,030
General Revenues						
Property Taxes, Levied for General Purposes	809,884	780,000			809,884	780,000
Unrestricted State Aid	872,706	865,294			872,706	865,294
Unrestricted Interest and Investment Earnings	551	339	5,025	684	5,576	1,023
Miscellaneous		6,711				6,711
Total Revenues	1,685,181	1,655,374	3,270,211	4,457,760	4,955,392	6,113,134
EXPENSES						
Tuition	1,729,685	1,871,064			1,729,685	1,871,064
Student and Instruction Related Services		3,030				3,030
Other Administrative Services	169,674	1,679			169,674	1,679
Pupil Transportation	85,762	138,140			85,762	138,140
Share Services Fund			3,312,110	4,433,338	3,312,110	4,433,338
Total Expenses	1,985,121	2,013,913	3,312,110	4,433,338	5,297,231	6,447,251
Increase (Decrease) in Net Position before Transfers	(299,940)	(358,539)	(41,899)	24,422	(341,839)	(334,117)
Transfers						
Increase (Decrease) in Net Position	(299,940)	(358,539)	(41,899)	24,422	(341,839)	(334,117)
Net Position, July 1	(886,703)	(528,164)	24,422		(862,281)	(528,164)
Net Position, June 30	\$ (1,186,643)	\$ (886,703)	\$ (17,477)	\$ 24,422	\$ (1,204,120)	\$ (862,281)

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

THE SCHOOL DISTRICT AS A WHOLE (CONT'D)

During fiscal year 2016, the School District's total revenues decreased by \$1,157,742, decreasing from \$6,113,134 in fiscal year 2015 to \$4,955,392 in fiscal year 2016. The net change in total revenues is largely attributable to the following:

- Property taxes (levied for general purposes) increased from fiscal year 2015 by \$29,884.
- Unrestricted state aid increased from fiscal year 2015 by \$7,412.
- Miscellaneous revenues decreased from fiscal year 2015 by \$6,711 along with interest earned increasing by \$4,553.
- Charges for services in the business type activities for the shared services enterprise fund decreased \$1,191,890.

The largest concentration of total revenues of the School District for fiscal year 2016 consisted of charges for services, which represented 65.89% of total revenues, followed by unrestricted state aid 17.61%, property taxes 16.34% and miscellaneous and grants .16%. As previously stated, the charges for services resulted from shared service billings generated by the business-type activities. Governmental activities rely heavily on unrestricted state aid and property taxes, 34%, to fund general operations.

During fiscal year 2016, the School District's total expenses decreased by \$1,150,020, decreasing from \$6,447,251 in fiscal year 2015 to \$5,297,231 in fiscal year 2016. The net change in total expenses is largely attributable to the following:

- Tuition decreased from fiscal year 2015 by \$141,379, as a result of 2015-16 tuition charges for students attending neighboring schools, and related tuition adjustments.
- Pupil transportation decreased from fiscal year 2016 by \$52,378, as a result of expenses incurred for transporting students who have "hazardous" routes to school and would then qualify for transportation.
- Expenses incurred for shared services were \$3,265,186.

THE SCHOOL DISTRICT'S FUNDS

Governmental Funds

As the School District completed the fiscal year, its governmental funds reported a *combined* fund balance deficit of \$1,186,643, which is all associated with the general fund as the School District did not have any transactions that were required to be reported in the remaining governmental fund types, those being the special revenue fund, capital projects fund, and debt service fund. Of the combined ending fund balance deficit (general fund), the unassigned fund balance deficit was \$1,100,957. As no fund balance was available, nothing was assigned to the fiscal year 2016 budget for subsequent year's expenditures.

General fund - The general fund is the general operating fund of the School District and is used to account for the inflows and outflows of its 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.

HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

THE SCHOOL DISTRICT'S FUNDS (CONT'D)

General fund (cont'd) - During the current fiscal year, the fund balance of the School District's general fund increased by \$58,599, from a deficit of \$358,539 in 2015 to a deficit of \$299,940 in 2016. The primary factors affecting the fund balance of the general fund, is as follows:

- Property tax revenue (levied for general purposes) increased from fiscal year 2015 by \$29,884.
- Unrestricted state aid revenues increased from fiscal year 2015 by \$4,382.
- Miscellaneous revenues and interest decreased from fiscal year 2015 by \$3,469.
- Tuition expenditures decreased from fiscal year 2015 by \$141,379, as a result of 2015-16 tuition charges for students attending neighboring schools, and related 2012-13 tuition adjustments
- General Administrative expenditures increased from fiscal year 2015 by \$167,995.
- Student Transportation expenditures decreased from fiscal year 2015 by \$54,418.

Pupil transportation increased from fiscal year 2015 by \$54,418, as a result of expenses incurred for transporting students who have "hazardous" routes to school and would then qualify for transportation.

- Total revenues increased in fiscal year 2016 by \$29,807, or 1.8%, while expenditures decreased disproportionately by \$28,792, or 1.4%, thus contributing to an overall fund balance deficit of \$1,186,643.

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, 2016, the School District had little activity reported in its special revenue fund, with an ending balance of \$0.

Capital projects fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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, 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, or from the general fund by way of transfers from capital outlay or the capital reserve account. For the fiscal year ended June 30, 2016, the School District had no 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. For the fiscal year ended June 30, 2016, the School District had no activity reportable in its debt service fund.

Proprietary Funds

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as non-operating revenues and expenses.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

THE SCHOOL DISTRICT'S FUNDS (CONT'D)

Proprietary Funds (Cont'd)

The School District reports the following major proprietary fund, which is classified as an enterprise fund:

Shared Services Fund - This enterprise fund accounts for the financial activity related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

As previously stated, the School District operated a shared services fund during fiscal year 2016 with fiscal year 2016 financial highlights of the shared services fund are as follows:

- As of fiscal year end, assets totaled \$462,241, primarily consisting of accounts receivable of \$238,032 resulting from charges for shared services.
- As of fiscal year end, current liabilities totaled \$479,718, consisting of accounts payable incurred for the providing of shared services.
- Charges for services resulted in revenue of \$3,265,186, while expenses incurred for providing the shared services totaled \$3,312,110.

General Fund Budgetary Highlights

Budget modifications during the fiscal year ended June 30, 2016 consisted of budgetary line item transfers approved by the Board of Education.

The final budgetary basis revenue estimate was \$1,666,862, which remained unchanged from the original budgeted estimate. Total budgeted revenues realized equaled \$1,683,141, which was budgeted revenue of \$16,279. This increase occurred as a result of the School District receiving additional revenue from the State of New Jersey that was not anticipated in the adopted 2015-16 fiscal year budget in the amount \$15,828, as other state aid revenue.

The final budgetary basis expenditure appropriation estimate was \$1,666,862, which remained unchanged from the original budgeted estimate. Actual expenditures incurred of \$1,983,081 exceed the final budget estimate by \$316,219.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During the fiscal year ended June 30, 2016, the School District had no recorded capital assets or capital asset activity.

Debt

During the fiscal year ended June 30, 2016, the School District had no recorded debt or debt service activity.

**HI-NELLA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In the fiscal year 2016, the School District was not able to sustain its budget through property taxes and state aid. The 2016-17 budget presented to the Board of Education, as adjusted by the County Executive Superintendent. After raising property taxes to the "CAP" limit in the fiscal year 2015-16 budget, property taxes were only be raised by 2% to support the 2016-17 budget. The School District discontinued the shared services fund (enterprise fund) operations and was in need to help with alternate ways to fund the 2015-16 budget.

The results of the 2015-16 school year continued to demonstrate the financial difficulties experienced by the District and resulted in an increased deficit.

As a result of the financial difficulties experienced by the district, the State Department of Education approved an Advanced State Aid Loan in the amount of \$810,000, in an effort to stabilize the budget of the district.

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 Denise DiGiandomenico at the Stratford Board of Education Business Office, 111 Warwick Road, Stratford, New Jersey, 08084.

BASIC FINANCIAL STATEMENTS

DISTRICT - WIDE FINANCIAL STATEMENTS

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

HI-NELLA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 32,693	\$ 223,851	\$ 256,544
Interfund		358	358
Receivables, Net	15,828	238,032	253,860
	<hr/>	<hr/>	<hr/>
Total Assets	48,521	462,241	510,762
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Unearned Revenue	1,150		1,150
Prepaid School Tax	93,830		93,830
Accounts Payable	1,140,184	479,718	1,619,902
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,235,164	479,718	1,714,882
	<hr/>	<hr/>	<hr/>
Net Position			
Unrestricted (Deficit)	(1,186,643)	(17,477)	(1,204,120)
	<hr/>	<hr/>	<hr/>
Total Net Position (Deficit)	\$ (1,186,643)	\$ (17,477)	\$ (1,204,120)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**HI-NELLA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental Activities:						
Support Services:						
Tuition	\$ 1,729,685	\$	\$	\$ (1,729,685)	\$	\$ (1,729,685)
General Administrative Services	169,674			(169,674)		(169,674)
Pupil Transportation	85,762		2,040	(83,722)		(83,722)
Total Governmental Activities	1,985,121		2,040	(1,983,081)		(1,983,081)
Business-type Activities:						
Shared Services Division	3,312,110	3,265,186			(46,924)	(46,924)
Total Business-type Activities	3,312,110	3,265,186			(46,924)	(46,924)
Total Primary Government	\$ 5,297,231	\$ 3,265,186	\$ 2,040	\$ (1,983,081)	\$ (46,924)	\$ (2,030,005)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 809,884	\$	\$ 809,884
Federal and State Aid not Restricted				872,706		872,706
Interest Earned				551	5,025	5,576
Total General Revenues, Special Items, Extraordinary Items and Transfers				1,683,141	5,025	1,688,166
Change in Net Position				(299,940)	(41,899)	(341,839)
Net Position—Beginning (Deficit)				(886,703)	24,422	(862,281)
Net Position—Ending (Deficit)				\$ (1,186,643)	\$ (17,477)	\$ (1,204,120)

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

HI-NELLA SCHOOL DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 26,652	\$	\$ 26,652
Interfund	6,041		6,041
State Aid Receivable	15,828		15,828
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 48,521	\$	\$ 48,521
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Prepaid School Tax	93,830		93,830
Unearned Revenue	1,150		1,150
Accounts Payable	\$ 1,140,184	\$	\$ 1,140,184
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,235,164		1,235,164
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Unassigned Reported In:			
General Fund (Deficit)	(1,186,643)		(1,186,643)
	<hr/>	<hr/>	<hr/>
Total Fund Balances (Deficit)	(1,186,643)		(1,186,643)
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 48,521	\$	
	<hr/> <hr/>	<hr/> <hr/>	

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

Net Position of Governmental Activities	\$ (1,186,643)
	<hr/> <hr/>

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 YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Local Tax Levy	\$ 809,884	\$	\$ 809,884
Interest Earned	551		551
Miscellaneous		2,040	2,040
Total - Local Sources	810,435	2,040	812,475
State Sources	872,706		872,706
Total Revenues	1,683,141	2,040	1,685,181
EXPENDITURES			
Current:			
Support Services:			
Tuition	1,729,685		1,729,685
General Administrative Services	169,674		169,674
Pupil Transportation	83,722	2,040	85,762
Total Expenditures	1,983,081	2,040	1,985,121
Excess (Deficiency) of Revenues Over Expenditures	(299,940)	-	(299,940)
OTHER FINANCING SOURCES (USES)			
Total Other Financing Sources and Uses			
Net Change in Fund Balances	(299,940)		(299,940)
Fund Balance—July 1 (Deficit)	(886,703)		(886,703)
Fund Balance—June 30 (Deficit)	\$ (1,186,643)	\$ -	\$ (1,186,643)

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

HI-NELLA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (299,940)

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

Change in net assets of governmental activities (A-2) \$ (299,940)

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

PROPRIETARY FUNDS

HI-NELLA SCHOOL DISTRICT
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities Enterprise Fund	
	Shared Services Division	Total Enterprise
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 229,892	\$ 229,892
Interfund Receivable from Payroll Account	358	358
Accounts Receivable	238,032	238,032
Total Current Assets	<u>468,282</u>	<u>468,282</u>
Total Assets	<u>\$ 468,282</u>	<u>\$ 468,282</u>
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Interfund Accounts Payable	6,041	6,041
Accounts Payable	\$ 479,718	\$ 479,718
Total Current Liabilities	<u>485,759</u>	<u>485,759</u>
Net Position		
Unrestricted (Deficit)	<u>(17,477)</u>	<u>(17,477)</u>
Total Net Position	<u>(17,477)</u>	<u>(17,477)</u>
Total Liabilities & Net Position	<u>\$ 468,282</u>	<u>\$ 468,282</u>

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

HI-NELLA SCHOOL DISTRICT
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Fund	
	Shared Services Division	Total Enterprise
Operating Revenues:		
Charges for Services:		
Buildings ad Grounds	\$ 1,499,420	\$ 1,499,420
Business Office	29,189	29,189
Fixed Asset	3,030	3,030
Miscellaneous	9,943	9,943
Resale Items	674,232	674,232
Security Projects	447,353	447,353
Shipping	1,033	1,033
Technology	600,986	600,986
Total Operating Revenue:	3,265,186	3,265,186
Operating Expenses:		
Cost of Sales	848,803	848,803
Purchased Professional Services	163,700	163,700
Other Purchased Services	101,882	101,882
Supplies and Materials	78,343	78,343
Technology Expense	287,890	287,890
Contracted Services		
Business Office Expense	1,069	1,069
Buildings and Grounds	1,830,423	1,830,423
Total Operating Expenses	3,312,110	3,312,110
Operating Income (Loss)	(46,924)	(46,924)
Total Non-operating Revenues (Expenses)	5,025	5,025
Income (Loss) Before Contributions & Transfers	(41,899)	(41,899)
Change in Net Position	(41,899)	(41,899)
Total Net Position - Beginning	24,422	24,422
Total Net Position - Ending (Deficit)	\$ (17,477)	\$ (17,477)

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

HI-NELLA SCHOOL DISTRICT
PROPRIETARY FUNDS
BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds	
	Shared Services Division	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 3,265,186	\$ 3,265,186
Payments to Suppliers	(3,040,948)	(3,040,948)
	224,238	224,238
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Net Cash Provided by (Used for) Non-capital Financing Activities	5,025	5,025
Net Increase (Decrease) in Cash and Cash Equivalents	229,263	229,263
Balances—Beginning of Year	629	629
Balances—End of Year	\$ 229,892	\$ 229,892
Reconciliation of Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities:		
Operating Income (Loss)	\$ (46,924)	\$ (46,924)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
(Increase)/Decrease in Accounts Receivable	122,895	122,895
(Increase)/Decrease in Interfund Receivable		
(Increase)/Decrease in Prepaid Expenses		
Increase/(Decrease) in Interfund Accounts Payable	6,041	6,041
Increase/(Decrease) in Accounts Payable	142,226	142,226
Increase/(Decrease) in Unearned Revenue		
Total Adjustments	271,162	271,162
Net Cash Provided by (Used for) Operating Activities	\$ 224,238	\$ 224,238

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

FIDUCIARY FUNDS

HI-NELLA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency Funds Payroll</u>
ASSETS	
Cash and Cash Equivalents	\$ 358
Total Assets	<u>358</u>
LIABILITIES AND NET POSITION:	
Interfund Payable - Enterprise Fund	358
Total Liabilities and Net Position	<u>\$ 358</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, 2016

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 eight attend the Oaklyn School District and the Stratford School District, and all students in grades nine through twelve attend the Sterling Regional High School District, all on a tuition basis. The School District has an approximate enrollment at June 30, 2016 of 141 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

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the School District has no component units, and is not a component unit of another governmental agency.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following 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.

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 expenditures for specified purposes other than debt service or capital projects. Revenue sources may be from Local, State of New Jersey or Federal programs.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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, 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, or from the general fund by way of transfers from capital outlay or the capital reserve account.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary fund:

Shared Services Fund - This enterprise fund accounts for the financial activity related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue (only if needed), and debt service funds (only if needed), and are submitted to the county office of education. 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.

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 assign 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.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Encumbrances (Cont'd)

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. 1BA: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.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures 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.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2016, 2015, 2014 and 2013 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 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. As of June 30, 2016, no such accrued liabilities or 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.

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.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Fund Balance (Cont'd)

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 expenditures are 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 expenditures are 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.

Interfund Activity

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

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.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

New Accounting Standards

The School District has adopted the following GASB statements:

- GASB No. 80 - *Blending Requirements for Certain Component Units - an Amendment of GASB No. 14*: The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 80, did not impact the financial statements of the School District.
- GASB No. 79 - *Certain External Investment Pools and Pool Participants*: This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 79, did not impact the financial statements of the School District.
- GASB Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 78, did not impact the financial statements of the School District.
- GASB No. 77, *Tax Abatement Disclosures*: This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 77, did not impact the financial statements of the School District.
- GASB No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*: The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 76, did not impact the financial statements of the School District.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

New Accounting Standards (Cont'd)

- GASB No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*: The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 73, did not impact the financial statements of the School District.

- GASB No. 72 - *Fair Value Measurement and Application*: This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 72, did not impact the financial statements of the School District.

I. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

GASB No. 82 - *Pensions - an Amendment of GASB No. 67, No. 68 and No. 73*: The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 82 on the School District's financial statements.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

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

I. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE (Cont'd)

- GASB No. 81 - *Irrevocable Split-Interest Agreements*: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 81 on the School District's financial statements.
- GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*: The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.
- GASB No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*: The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 74 on the School District's financial statements.

**HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016**

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 may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2016, \$22,376 of the School District's bank balance of \$272,376 was uninsured and exposed to custodial credit risk.

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 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:

Description	Governmental Funds		Proprietary Fund		Total
	General Fund	Total Governmental Activities	Shared Service Fund	Total Business-Type Activities	
State Awards	\$ 15,828	\$ 15,828			\$ 15,828
Local Governments			238,032	238,032	238,032
	<u>\$ 15,828</u>	<u>\$ 15,828</u>	<u>\$ 238,032</u>	<u>\$ 238,032</u>	<u>\$ 253,860</u>

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
- Comprehensive General Liability Automobile

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, 2016, which can be obtained from:

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

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5: INTERFUND RECEIVABLES PAYABLES

At June 30, 2016, an interfund balance in the amount of \$358 existed between the payroll fund and the enterprise fund.

Note 6: RELATED PARTY TRANSACTIONS

The School District's shared services enterprise fund has entered into a joint purchasing management and services contract with a local family-based New Jersey professional corporation. The corporation is owned by the immediate family members of the former board secretary of the School District. During the tenure of the former board secretary, which was from July 1, 2013 through February 10, 2014, the School District approved shared services contracts in the amount of \$91,602 to the corporation. As of June 30, 2016, there remains an amount due to the corporation for contracts awarded during the aforementioned timeframe. This joint management and services contract agreement continued in force during the 2014-15 but was terminated at June 30, 2016.

Note 7: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 8: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws appropriations.

Note 9: DEFICIT FUND BALANCE

The School District has a deficit fund balance of \$1,186,643 in the general fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. As a result of N.J.S.A. 18A:22-44.2, a general fund balance deficit that exists due to the timing difference of recording the June state aid payments does not alone indicate that a school district is facing financial difficulties. However, the HiNella School District is in poor financial condition and does not appear to be able to fund its budget without financial assistance.

HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 10: FUNDBALANCES

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 – At June 30, 2016, the School District had no available surplus funds to appropriate and include as anticipated revenue for the fiscal year ending June 30, 2016.

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: A deficit exists as of June 30, 2016 in the amount of \$1,186,643.

Note 11: 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 in the future pending a report from the Executive County Superintendent.

Note 12: ECONOMIC DEPENDENCY

The results of the 2015-16 school year reflect a budget basis deficit in the amount of \$1,100,957, which indicates that sufficient funds are not available to meet its obligations of liquidating tuition accounts payable.

Note 13. SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT

The District ended the June 30, 2016 fiscal year with a \$1,186,643 general fund deficit. It had become clear to the District Officials that the sufficient resources and limited tax revenue would not be sufficient to fund a thorough and efficient education. The New Jersey State Legislature passed the "School District Fiscal Accountability Act" pursuant to N.J.S.A. 18A:7A-56, which will provide \$810,000 in advanced State Aid in 2016-17 budget to cover a portion of the deficit. The Legislation specifically required the advance state aid payment to be recorded as revenue for budget purposes in the school year in which the advance state aid payment is provided. The payment will be recorded in long-term debt for GAAP purposes on Exhibit A-1. The Advanced State Aid shall be repaid by the School District through automatic reductions in state aid provided to the School District in subsequent years. The term of the repayment shall not exceed ten years, but may be for a shorter term as determined by the State Treasurer. In any year in which the School District's undesignated general fund balance is greater than 1.5% of general fund expenditures, the amount, which exceeds 1.5% shall be an additional amount applied to the following year's repayment.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

HI-NELLA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 809,884	\$	\$ 809,884	\$ 809,884	\$
Interest Income	100		100	551	451
Total - Local Sources	809,984		809,984	810,435	451
State Sources:					
Categorical Special Education Aid	56,918		56,918	56,918	
Equalization Aid	678,269		678,269	678,269	
Categorical Security Aid	23,730		23,730	23,730	
Transportation Aid	37,528		37,528	37,528	
Under Adequacy Aid	58,093		58,093	58,093	
PARCC Readiness Aid	1,170		1,170	1,170	
Per Pupil Growth Aid	1,170		1,170	1,170	
Other State Aid:					
Extraordinary Aid				15,828	15,828
Total - State Sources	856,878		856,878	872,706	15,828
Federal Sources:					
TOTAL REVENUES	1,666,862		1,666,862	1,683,141	16,279
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Instruction:					
Tuition - Other LEAs Within the State - Regular	1,166,102	(92,113)	1,073,989	1,373,574	(299,585)
Tuition - Other LEAs Within the State - Special	267,310	1	267,311	255,786	11,525
Tuition - Co Spec Serv and Regional Day Schools	11,600		11,600		11,600
Tuition - Private Schls/Handicapped within State	104,399		104,399	100,325	4,074
Tuition - State Facilities	1,750		1,750		1,750
Total Undistributed Expenditures - Instruction	1,551,161	(92,112)	1,459,049	1,729,685	(270,636)
Other Support Services - Students-Related:					
Purchased Professional - Educational Services	6,000		6,000		6,000
Total Other Support Services-Students-Related Services	6,000		6,000		6,000

**HI-NELLA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Undistributed Expenditures: (Continued)					
Support Services General Administration:					
Salaries	\$ 1,200		\$ 1,200	\$ 1,200	\$ -
Legal Services	500	92,113	92,613	158,075	(65,462)
Audit Fees	2,000		2,000	2,000	
Communications / Telephone	500		500		500
Other Purchased Services	100	(100)		1,000	(1,000)
General Supplies	100		100		100
Miscellaneous Expenditures	275	100	375	6,399	(6,024)
BOE Membership Dues and Fees				1,000	(1,000)
Total Support Services General Administration	<u>4,675</u>	<u>184,226</u>	<u>96,788</u>	<u>169,674</u>	<u>(72,886)</u>
Central Services:					
Miscellaneous Purchased Services	1	(1)			
Total Central Services	<u>1</u>	<u>(1)</u>			
Student Transportation Services:					
Contracted Services (Home/School) - Joint Agreements	3,500		3,500	5,685	(2,185)
Contracted Services (Special Ed. Students) - Joint Agreements	25,155		25,155	22,638	2,517
Contracted Services (Reg. Students) ESCs & CTSA	25,616		25,616	33,073	(7,457)
Contracted Services (Special Ed. Students) ESCs & CTSA	49,000		49,000	21,465	27,535
Contr Serv - Aid in Lieu of Payments - Nonpublic	1,754		1,754	861	893
Total Student Transportation Services	<u>\$ 105,025</u>	<u>\$</u>	<u>\$ 105,025</u>	<u>\$ 83,722</u>	<u>\$ 21,303</u>
TOTAL EXPENDITURES - CURRENT EXPENSE	<u>1,666,862</u>		<u>1,666,862</u>	<u>1,983,081</u>	<u>(316,219)</u>
Excess (Deficiency) of Revenues and Other Over (Under) Expenditures	-		-	(299,940)	(299,940)
Other Financing Sources (Uses):					
Net Change in Fund Balance	-		-	(299,940)	(299,940)
Fund Balances, July 1 (Deficit)	(801,017)		(801,017)	(801,017)	
Fund Balances, June 30 (Deficit)	<u>\$ (801,017)</u>	<u>\$</u>	<u>\$ (801,017)</u>	<u>\$ (1,100,957)</u>	<u>\$ (299,940)</u>
Recapitulation:					
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures					
Unassigned Fund Balance (Deficit)				<u>\$ (1,100,957)</u>	
				(1,100,957)	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(85,686)	
Fund Balance per Governmental funds (GAAP) (Deficit)				<u>\$ (1,186,643)</u>	

HI-NELLA SCHOOL DISTRICT
SPECIAL REVENUE FUND
AS OF JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 2,040	\$	\$ 2,040	\$ 2,040	\$
Total Revenues	<u>2,040</u>	<u></u>	<u>2,040</u>	<u>2,040</u>	<u></u>
EXPENDITURES:					
Support Services					
Transportation	2,040		2,040	2,040	
Total Support Services	<u>2,040</u>	<u></u>	<u>2,040</u>	<u>2,040</u>	<u></u>
Total Expenditures	<u>2,040</u>	<u></u>	<u>2,040</u>	<u>2,040</u>	<u></u>
Other Financing Sources (Uses)	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Outflows	<u>2,040</u>	<u></u>	<u>2,040</u>	<u>2,040</u>	<u></u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

HI-NELLA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FISCAL YEAR ENDED JUNE 30, 2016

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 1,683,141	[C-2] \$ 2,040
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	85,686	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until subsequent year.	(85,686)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 1,683,141	[B-2] \$ 2,040
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,983,081	[C-2] \$ 2,040
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$ 1,983,081	[B-2] \$ 2,040

REQUIRED SUPPLEMENTARY INFORMATION - PART III

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

HI-NELLA SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	<u>Safety Grant</u>	<u>Total</u>	
		<u>2016</u>	<u>2015</u>
REVENUES:			
Local Programs	\$ 2,040	\$ 2,040	\$ 3,030
Total Revenues	<u>\$ 2,040</u>	<u>\$ 2,040</u>	<u>\$ 3,030</u>
EXPENDITURES:			
Support Services:			
Transportation	2,040	2,040	3,030
Total Support Services	<u>2,040</u>	<u>2,040</u>	<u>3,030</u>
Facilities Acquisition and Const. Serv. Non-Instructional Equipment			
Total Expenditures	<u>\$ 2,040</u>	<u>\$ 2,040</u>	<u>\$ 3,030</u>

PROPRIETARY FUND DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Shared Services Fund – This enterprise fund accounts for the financial activity related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

ENTERPRISE FUNDS

HI-NELLA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINED SCHEDULE OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

	Shared Services Fund	Total	
		2016	2015
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 229,892	\$ 229,892	\$ 629
Accounts Receivable	238,032	238,032	360,128
Interfund Receivable - Payroll Agency	358	358	1,157
Prepaid Expenses			
Total Current Assets	<u>468,282</u>	<u>468,282</u>	<u>361,914</u>
Fixed Assets:			
Equipment			
Accumulated Depreciation			
Total Fixed Assets			
Total Assets	<u>468,282</u>	<u>468,282</u>	<u>361,914</u>
LIABILITIES:			
Current Liabilities:			
Interfund Accounts Payable	6,041	6,041	
Accounts Payable	479,718	479,718	337,492
Total Current Liabilities	<u>485,759</u>	<u>485,759</u>	<u>337,492</u>
Total Liabilities	<u>485,759</u>	<u>485,759</u>	<u>337,492</u>
NET POSITION:			
Unrestricted (Deficit)	<u>(17,477)</u>	<u>(17,477)</u>	<u>24,422</u>
Total Net Position	<u>\$ (17,477)</u>	<u>\$ (17,477)</u>	<u>\$ 24,422</u>

HI-NELLA SCHOOL DISTRICT
ENTERPRISE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	Shared Services Fund	Total	
		2016	2015
OPERATING REVENUES:			
Local Sources:			
Buildings ad Grounds	\$ 1,499,420	\$ 1,499,420	\$ 3,038,776
Business Office	29,189	29,189	15,688
Fixed Asset	3,030	3,030	790
Miscellaneous	9,943	9,943	16,555
Resale Items	674,232	674,232	404,285
Security Projects	447,353	447,353	678,287
Shipping	1,033	1,033	2,543
Technology	600,986	600,986	300,152
Total Operating Revenue	3,265,186	3,265,186	4,457,076
OPERATING EXPENSES:			
Cost of Sales	848,803	848,803	380,226
Purchased Professional Services	163,700	163,700	94,659
Other Purchased Services	101,882	101,882	234,386
Supplies and Materials	78,343	78,343	31,079
Technology Expense	287,890	287,890	270,499
Contracted Services			1,159,076
Business Office Expense	1,069	1,069	13,560
Buildings and Grounds	1,830,423	1,830,423	2,249,853
Total Operating Expenses	3,312,110	3,312,110	4,433,338
Operating Income/(Loss)	(46,924)	(46,924)	23,738
NON-OPERATING REVENUES:			
Interest & Investment Earnings	5,025	5,025	684
Total Non-Operating Revenues	5,025	5,025	684
Net (Loss) Income	(41,899)	(41,899)	24,422
Transfers Out:			
General Fund			
Net Position - July 1	24,422	24,422	
Net Position - June 30 (Deficit)	\$ (17,477)	\$ (17,477)	\$ 24,422

HI-NELLA SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2016

	Shared Services Fund	Total	
		2016	2015
Cash Flows from Operating Activities:			
Operating Income (Loss)	\$ (46,924)	\$ (46,924)	\$ 23,738
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:			
Change in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	122,895	122,895	(4,346)
(Increase)/Decrease in Interfund Payable Payroll			(1,157)
(Increase)/Decrease in Interfund Payable General Fund	6,041		6,041
(Increase)/Decrease in Prepaid Expenses			20,880
Increase/(Decrease) in Interfund Accounts Payable			(25,218)
Increase/(Decrease) in Accounts Payable	142,226	142,226	4,820
Increase/(Decrease) in Unearned Revenue			(23,200)
Net Cash Used by Operating Activities	224,238	218,197	1,558
Net Cash Provided by Noncapital Financing Activities			
Net Cash Provided by (Used for) Investing Activities	5,025	5,025	684
Net Increase/(Decrease) in Cash	229,263	229,263	2,242
Cash and Cash Equivalents, July 1	629	629	(1,613)
Cash and Cash Equivalents, June 30	\$ 229,892	\$ 229,892	\$ 629

FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

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

HI-NELLA SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016
(with comparative totals for June 30, 2015)

	<u>Totals</u>	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and Cash Equivalents	\$ 358	\$ 1,793
Total Assets	<u>\$ 358</u>	<u>\$ 1,793</u>
LIABILITIES AND NET POSITION:		
Liabilities:		
Interfund Payable- Enterprise Fund	\$ 358	\$ 1,157
Payroll Deductions		636
Total Liabilities	<u>358</u>	<u>1,793</u>
Total Liabilities and Net Position	<u>\$ 358</u>	<u>\$ 1,793</u>

HI-NELLA SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 1,793	\$ 16,770	\$ 18,205	\$ 358
Total Assets	<u>\$ 1,793</u>	<u>\$ 16,770</u>	<u>\$ 18,205</u>	<u>\$ 358</u>
LIABILITIES:				
Due to Enterprise Fund	\$ 1,157		\$ 799	\$ 358
Payroll Deductions and Withholdings	636	16,770	17,406	
Total Liabilities	<u>\$ 1,793</u>	<u>\$ 16,770</u>	<u>\$ 18,205</u>	<u>\$ 358</u>

LONG-TERM DEBT SCHEDULES

N/A

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

STATISTICAL SECTION

HI-NELLA SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Restricted	\$	\$	\$	\$	\$	\$ 100,000	\$ 327,465	\$ 175,875	\$ 100,000	\$ 100,000
Unrestricted (Deficit)	(1,186,643)	(886,703)	(528,164)	14,622	(32,223)	(51,764)	(50,669)	170,710	199,013	159,087
Total Governmental Activities Net Position	\$ (1,186,643)	\$ (886,703)	\$ (528,164)	\$ 14,622	\$ (32,223)	\$ 48,236	\$ 276,796	\$ 346,585	\$ 299,013	\$ 259,087
Business-Type Activities										
Unrestricted - (Deficit)	\$ (17,477)	\$ 24,422	\$	\$	\$	\$	\$	\$	\$	\$
Total Business-Type Activities Net Position	\$ (17,477)	\$ 24,422	\$	\$	\$	\$	\$	\$	\$	\$
District-Wide										
Restricted	\$	\$	\$	\$	\$	\$ 100,000	\$ 327,465	\$ 175,875	\$ 100,000	\$ 100,000
Unrestricted (Deficit)	(1,204,120)	(862,281)	(528,164)	14,622	(32,223)	(51,764)	(50,669)	170,710	199,013	159,087
Total District-Wide Net Position	\$ (1,204,120)	\$ (862,281)	\$ (528,164)	\$ 14,622	\$ (32,223)	\$ 48,236	\$ 276,796	\$ 346,585	\$ 299,013	\$ 259,087

Source: CAFR Schedule A-1

HI-NELLA SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Support Services										
Tuition	\$ 1,305,454	\$ 1,380,100	\$ 1,123,084	\$ 1,214,137	\$ 1,176,248	\$ 1,098,098	\$ 1,260,005	\$ 2,179,361	\$ 1,871,064	\$ 1,729,685
Student and Instruction Related Services	95							4,393	3,030	
General and Business Administrative Services	32,081	35,952	36,005	62,525	58,880	25,160	16,998	15,446	1,679	169,674
School Administrative Services						25,280	24,720	28,840		
Plant Operations and Maintenance					159,000	103,155				
Pupil Transportation	77,634	79,424	86,904	103,081	91,452	117,217	81,070	97,107	138,140	85,762
Total Governmental Activities Expenses	1,415,264	1,495,476	1,245,993	1,379,743	1,485,580	1,368,910	1,382,793	2,325,147	2,013,913	1,985,121
Business-Type Activities										
Total District Expenses	\$ 1,415,264	\$ 1,495,476	\$ 1,245,993	\$ 1,379,743	\$ 1,485,580	\$ 1,368,910	\$ 1,382,793	\$ 3,336,661	\$ 6,447,251	\$ 5,297,231
Program Revenues										
Governmental Activities										
Operating Grants and Contributions	\$	\$	\$	\$	\$	\$	\$	\$ 35,283	\$ 3,030	\$ 2,040
Total Governmental Activities Program Revenues								35,283	3,030	2,040
Business-Type Activities										
Total District Program Revenues	\$	\$	\$	\$	\$	\$	\$	\$ 1,136,467	\$ 4,457,076	\$ 3,265,186
Total District Program Revenues	\$	\$	\$	\$	\$	\$	\$	\$ 1,171,750	\$ 4,460,106	\$ 3,267,226
Net (Expense)/Revenue										
Governmental Activities										
Governmental Activities	\$ (1,415,264)	\$ (1,495,476)	\$ (1,245,993)	\$ (1,379,743)	\$ (1,485,580)	\$ (1,368,910)	\$ (1,382,793)	\$ (2,289,864)	\$ (2,010,883)	\$ (1,983,081)
Business-Type Activities										
Business-Type Activities								124,953	23,738	(46,924)
Total District-Wide Net Expense	\$ (1,415,264)	\$ (1,495,476)	\$ (1,245,993)	\$ (1,379,743)	\$ (1,485,580)	\$ (1,368,910)	\$ (1,382,793)	\$ (2,164,911)	\$ (1,987,145)	\$ (2,030,005)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Property Taxes Levied for General Purposes, net	\$ 741,785	\$ 713,642	\$ 502,485	\$ 502,485	\$ 502,485	\$ 502,485	\$ 571,678	\$ 772,421	\$ 780,000	\$ 809,884
Unrestricted Grants and Contributions	742,281	795,403	778,837	794,108	730,722	783,198	792,386	846,346	865,294	872,706
Interest Earned									339	551
Miscellaneous Income	12,111	26,357	12,242	13,361	23,813	2,768	65,573	293	6,711	
Transfers								128,018		
Total Governmental Activities	1,496,177	1,535,402	1,293,564	1,309,954	1,257,020	1,288,451	1,429,637	1,747,078	1,652,344	1,683,141
Total Business-Type Activities										
Interest Earned									684.00	5,025
Transfers								(124,953)		
Total District-Wide	\$ 1,496,177	\$ 1,535,402	\$ 1,293,564	\$ 1,309,954	\$ 1,257,020	\$ 1,288,451	\$ 1,429,637	\$ 1,622,125	\$ 1,653,028	\$ 1,688,166
Change in Net Position										
Governmental Activities										
Governmental Activities	\$ 80,913	\$ 39,926	\$ 47,571	\$ (69,789)	\$ (228,560)	\$ (80,459)	\$ 46,844	\$ (542,786)	\$ (358,539)	\$ (299,940)
Business-Type Activities										
Business-Type Activities								24,422		(41,899)
Total District-Wide	\$ 80,913	\$ 39,926	\$ 47,571	\$ (69,789)	\$ (228,560)	\$ (80,459)	\$ 46,844	\$ (542,786)	\$ (334,117)	\$ (341,839)

Source: CAFR Schedule A-2

HI-NELLA SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Restricted	\$	\$	\$ 7,410	\$	\$	\$	\$	\$	\$	\$
Assigned	100,000	100,000	168,465	327,465	100,000	20,000	20,000	20,000		
Unassigned (Deficit)	159,087	199,013	170,710	(50,669)	(51,764)	(52,223)	(5,378)	(548,164)	(886,703)	(1,186,643)
Total General Fund	\$ 259,087	\$ 299,013	\$ 346,585	\$ 276,796	\$ 48,236	\$ (32,223)	\$ 14,622	\$ (528,164)	\$ (886,703)	\$ (1,186,643)

Source: CAFR Schedule B-1

HI-NELLA SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 741,785	\$ 713,642	\$ 502,485	\$ 502,485	\$ 502,485	\$ 502,485	\$ 571,678	\$ 772,421	\$ 780,000	\$ 809,884
Tuition								35,283		
Interest									339	551
Miscellaneous	12,111	26,357	12,242	13,361	23,813	2,768	65,573	293	6,711	
State Sources	741,237	795,403	819,928	691,330	730,722	755,861	792,386	846,346	868,324	872,706
Federal Sources				102,778		27,337				
Total Revenues	1,495,133	1,535,402	1,334,655	1,309,954	1,257,020	1,288,451	1,429,637	1,654,343	1,655,374	1,683,141
Expenditures										
Support Services										
Tuition	1,305,454	1,380,100	1,123,084	1,214,137	1,176,248	1,098,098	1,260,004	2,179,361	1,871,064	1,729,685
Student and Instruction Related Services	95							4,393	3,030	
General Administrative Services	32,081	35,952	36,004	62,525	58,880	25,160	16,998	15,446	1,679	169,674
School Administrative Services						25,280	24,720	28,840		
Plant Operations and Maintenance					159,000	103,155				
Pupil Transportation	77,634	79,424	86,904	103,081	91,452	117,217	81,070	97,107	138,140	83,722
Total Expenditures	1,415,264	1,495,476	1,245,992	1,379,743	1,485,580	1,368,910	1,382,792	2,325,147	2,013,913	1,983,081
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,869	39,926	88,663	(69,789)	(228,560)	(80,459)	46,845	(670,804)	(358,539)	(299,940)
Other Financing Sources (Uses)										
Transfers								128,018		
Total Other Financing Sources (Uses)								128,018		
Net Change in Fund Balances	\$ 79,869	\$ 39,926	\$ 88,663	\$ (69,789)	\$ (228,560)	\$ (80,459)	\$ 46,845	\$ (542,786)	\$ (358,539)	\$ (299,940)
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

HI-NELLA SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Rentals</u>	<u>Prior Year</u> <u>Orders</u> <u>Cancelled</u>	<u>Prior Year</u> <u>Receivable</u> <u>Adjustment</u>	<u>Refund of</u> <u>Prior Year</u> <u>Expenditure</u>	<u>Safety</u> <u>Grant</u>	<u>Misc.</u>	<u>Total</u>
2016	\$ 551	\$	\$	\$	\$	\$	\$	\$ 551
2015	339						3,681	4,020
2014	125				168			293
2013	223		65,000				350	65,573
2012	550					2,098	120	2,768
2011	513				21,120	2,180		23,813
2010	1,056				9,941	2,152	212	13,361
2009	2,875				9,367			12,242
2008	10,504				15,853			26,357
2007	12,111							12,111

Source: District Records

HI-NELLA SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities *	Net Valuation Taxable	Total Direct School Tax Rate "	Estimated Actual (County Equalized Value)
2016	\$ 135,800	\$ 18,952,400	\$ 154,100	\$ 15,300	\$ 3,324,200	\$ 355,800	\$ 15,498,000	\$ 38,435,600	\$	\$	\$ 38,435,600	\$ 2.249	\$ 38,497,650
2015	135,800	18,942,700	154,100	15,300	3,324,200	355,800	16,798,000	39,725,900			39,725,900	1.964	38,497,650
2014	135,800	18,942,700	154,100	15,300	3,324,200	355,800	16,798,000	39,725,900	5,247,900		39,725,900	1.964	38,490,074
2013	135,800	18,932,700	144,100	15,300	3,368,800	355,800	16,798,000	39,750,500	5,247,900	60,958	39,811,458	1.940	39,338,709
2012	135,800	18,953,600	144,100	15,300	3,368,800	355,800	16,798,000	39,771,400	5,247,900	69,350	39,840,750	1.348	43,634,122
2011	34,300	11,705,400	140,000	11,600	2,864,600		8,294,900	23,050,800	4,022,600	39,656	23,090,456	2.176	39,262,466
2010	34,300	11,705,400	140,000	11,600	4,913,200		6,104,900	22,909,400	4,022,600	53,688	22,963,088	2.188	35,710,517
2009	34,300	11,720,400	140,000	11,600	4,754,800		6,104,900	22,766,000	4,022,600	48,406	22,814,406	2.201	40,579,712
2008	34,300	11,718,400	140,000	11,600	4,754,800		6,104,900	22,764,000	4,022,600	42,363	22,806,363	2.666	42,653,806
2007	34,300	11,718,400	140,000	11,600	4,754,800		6,104,900	22,764,000	4,022,600	43,808	22,807,808	2.666	39,127,245

Source: District records Tax list summary & Municipal Tax Assessor

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

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

b Tax rates are per \$100

HI-NELLA SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)
(Unaudited)

Year Ended June 30,	Hi-Nella Board of Education			Overlapping Rates		
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Hi-Nella	Camden County	Total
2016	\$ 2.249		\$ 2.249	\$ 1.250	\$ 0.862	\$ 4.361
2015	2.227		2.227	1.238	0.853	4.318
2014	1.964		1.964	1.205	0.808	3.977
2013	1.940		1.940	1.180	0.823	3.943
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

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the pre-budget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

HI-NELLA SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
East Coast Fox Ridge Apartments	\$ 11,712,600	29.48%	\$	
South Penn Associates, LLC	4,800,000	12.08%		
Cammarata, Guisepppe	650,000	1.64%		Not Available
Sterling Storage	513,600	1.29%		
Educational Business Services	441,000	1.11%		
Hi-Nella Properties	387,000	0.97%		
SRA Realty Holdings, LLC	355,800	0.90%		
Rubinson, Victor	285,400	0.72%		
Leap-UP LLC	251,500	0.63%		
Jacob Michael Import Clinic	225,800	0.57%		
	\$ 19,622,700	49.40%	\$	

Source: County Tax Assessor

HI-NELLA SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2016	\$ 809,884	\$ 809,884	100.00%	\$
2015	780,000	780,000	100.00%	
2014	772,421	772,050	99.95%	371
2013	571,678	571,678	100.00%	
2012	502,485	502,485	100.00%	
2011	502,485	502,485	100.00%	
2010	502,485	502,485	100.00%	
2009	502,485	502,485	100.00%	
2008	713,642	713,642	100.00%	
2007	741,785	741,785	100.00%	

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

HI-NELLA SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities	Total District	Percentage of	
	General Obligation Bonds "	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases		Personal Income "	Per Capita "
2016							
2015							
2014							
2013							
2012							
2011				N/A			
2010							
2009							
2008							
2007							

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

HI-NELLA SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2016	\$				
2015					
2014					
2013					
2012			N/A		
2011					
2010					
2009					
2008					
2007					

HI-NELLA SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Hi-Nella (1)	\$ 261,250	100%	\$ 261,250.00
Other debt			
Camden County - Borough's Share (2)	342,450,381	0.09%	311,023.69
Subtotal, Overlapping Debt			<u>572,273.69</u>
Hi-Nella School District Direct Debt			<u>-</u>
Total Direct and Overlapping Debt			<u><u>\$ 572,273.69</u></u>

Sources:

- 1 Hi-Nella Finance Officer and Camden County Finance Office
- 2 County of Camden

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Newfield. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

**HI-NELLA SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized Valuation Basis (1)	
	2015	\$ 34,908,524
	2014	38,389,930
	2013	38,402,570
	[A]	\$ 111,701,024
Average Equalized Valuation of Taxable Property	[A/3]	\$ 37,233,675
Debt Limit (3% of Average Equalization Value)	[B]	1,117,010 (2)
Net Bonded School Debt	[C]	-
Legal Debt Margin	[B-C]	\$ 1,117,010

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 1,066,220	\$ 1,174,968	\$ 1,223,339	\$ 1,181,205	\$ 1,144,850	\$ 1,175,631	\$ 1,214,138	\$ 1,209,737	\$ 1,159,453	\$ 1,117,010
Total Net Debt Applicable to Limit (3)										
Legal Debt Margin	\$ 1,066,220	\$ 2,050,924	\$ 2,050,924	\$ 1,181,205	\$ 1,144,850	\$ 1,175,631	\$ 1,214,138	\$ 1,209,737	\$ 1,159,453	\$ 1,117,010
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1 2014 Annual Debt Statement of Hi-Nella Borough

2 Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

3 School District Records

HI-NELLA SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Year</u>		<u>Population</u> ^a		<u>Personal Income (thousands of dollars)</u> ^b		<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
2016	**	869	\$	41,543,756	\$	47,828	8.2%
2015		860		40,725,180		47,355	11.1%
2014		860		40,321,960		46,886	11.0%
2013		863		38,901,451		45,077	4.6%
2012		867		38,791,314		44,742	18.3%
2011		868		38,291,820		44,115	18.4%
2010		869		36,491,917		41,993	17.6%
2009		1,000		41,641,000		41,641	11.6%
2008		1,000		41,373,000		41,373	8.9%
2007		1,005		40,206,030		40,006	9.7%
2006		1,007		38,868,186		38,598	7.3%

Source:

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

^b Personal income

^c Per Capita

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

** Estimate

HI-NELLA SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
	Not Available			

HI-NELLA SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
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Not applicable, as the Hi-Nella School District did not employ any individuals for the last ten years.

HI-NELLA SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2016	141	\$ 1,985,121	\$ 14,079	-19%	0	N/A	N/A	N/A	N/A	N/A
2015	116	2,013,913	17,361	-17.87%	0	N/A	N/A	N/A	N/A	N/A
2014	110	2,325,147	21,138	103.90%	0	N/A	N/A	N/A	N/A	N/A
2013	130	1,382,792	10,367	-15.94%	0	N/A	N/A	N/A	N/A	N/A
2012	111	1,368,910	12,333	-19.47%	0	N/A	N/A	N/A	N/A	N/A
2011	97	1,485,580	15,315	11.00%	0	N/A	N/A	N/A	N/A	N/A
2010	100	1,379,743	13,797	1.88%	0	N/A	N/A	N/A	N/A	N/A
2009	92	1,245,992	13,543	-4.00%	0	N/A	N/A	N/A	N/A	N/A
2008	106	1,495,476	14,108	17.63%	0	N/A	N/A	N/A	N/A	N/A
2007	118	1,415,264	11,994	5.04%	0	N/A	N/A	N/A	N/A	N/A

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-2
- b Hi-Nella is a Non-operating School District and does not employ any Teaching staff.

HI-NELLA SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										

Not applicable, as the Hi-Nella School District does not own any buildings or maintain any school facilities.

Hi-Nella School District is a Non-operating School District

HI-NELLA SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)

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

<u>School Facilities</u>	<u>Gross Square Footage</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
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Not applicable, as the Hi-Nella School District does not own any buildings or maintain any school facilities.

Hi-Nella School District is a Non-operating School District

HI-NELLA SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

Company	Type of Coverage	Coverage	Deductible
NJSBAIG	School Package Policy		
	Comprehensive General Liability	\$ 6,000,000	\$ 1,000
	Automobile Liability	6,000,000	
	School Leaders Errors & Omissions Liability	1,000,000	5,000
Western Surety Company	Surety Bonds		
	Board Secretary	60,000	
	Treasurer	155,000	

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

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

INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education 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, 2016, and the related notes to the financial statements, which collectively comprise the Board of Education of the Hi-Nella's basic financial statements and have issued our report thereon dated November 16, 2016. Our report disclaims an opinion on such financial statements because of the matter described in the "Basis for Disclaimer of Opinions" section of the report.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above and which is described in the accompanying schedule of findings and questioned costs. 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 Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and are described in the accompanying schedule of findings and questioned costs as items labeled finding 2016-1 and 2. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Hi-Nella Board of Education's Response to Findings

Hi-Nella Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Hi-Nella Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant No. 915
November 16, 2016

NIGHTLINGER, COLAVITA & VOLPA

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES REQUIRED BY THE UNIFORM ADMINISTRATIVE REQUIREMENTS,
COST PRINCIPLES AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE) AND NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

We were engaged to audit the Board of Education of the Hi-Nella School District, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Hi-Nella School District's major federal and state programs for the fiscal year ended June 30, 2016. The Hi-Nella Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hi-Nella Board of Education's major federal and state compliance based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, *Department of Education, State of New Jersey, Uniform Guidance* and New Jersey OMB 15-08. Those standards, Uniform Guidance and New Jersey OMB 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Hi-Nella Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Our audit does not provide a legal determination of Hi-Nella Board of Education's compliance with those requirements.

Basis for Disclaimer of Opinion on each Major Program

We were unable to perform various audit procedures to the accounts receivable and accounts payable reflected on the School District's statement of net position and the balance sheets of each major fund, as of June 30, 2016. In addition, we were unable to confirm or verify by alternative means the balances in accounts receivable and accounts payable, which are collectively stated at \$253,860 and \$1,619,902 respectively.

Disclaimer of Opinion on Each Major Program

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a an audit opinion on the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs of the Hi-Nella School District, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Hi-Nella School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to major federal and state programs. In planning and performing our audit, we considered Hi-Nella Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance in accordance with Uniform Guidance and New Jersey OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hi-Nella School District Board of Education's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or 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 federal or 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major federal or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2016-3, that we consider to be a material weakness and included in a separate report entitled *Auditors' Management Report on Administrative Findings-Financial, Compliance and Performance* dated November 16, 2016.

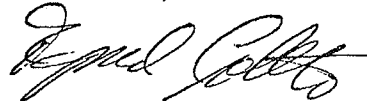
Hi-Nella School District Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hi-Nella School District Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance and New Jersey OMB 15-08.

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
November 16, 2016

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE - SCHEDULE B
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2015			Balance at June 30, 2016			MEMO			
				Unearned Revenue (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:													
General Fund:													
Equalization Aid	15-495-034-5120-078	\$ 678,269	7/1/14 to 6/30/15	\$ (67,825)		\$ 67,825							
Equalization Aid	16-495-034-5120-078	678,269	7/1/15 to 6/30/16			610,444	\$ (678,269)	\$ (67,825)			* \$ 67,825	\$ 678,269	
Security Aid	15-495-034-5120-084	23,730	7/1/14 to 6/30/15	(2,373)		2,373							
Security Aid	16-495-034-5120-084	23,730	7/1/15 to 6/30/16			21,357	(23,730)	(2,373)			* 2,373	23,730	
Special Education Categorical Aid	15-495-034-5120-089	56,918	7/1/14 to 6/30/15	(5,692)		5,692							
Special Education Categorical Aid	16-495-034-5120-089	56,918	7/1/15 to 6/30/16			51,226	(56,918)	(5,692)			* 5,692	56,918	
Transportation Aid	15-495-034-5120-014	37,528	7/1/14 to 6/30/15	(3,753)		3,753							
Transportation Aid	16-495-034-5120-014	37,528	7/1/15 to 6/30/16			33,775	(37,528)	(3,753)			* 3,753	37,528	
Under Adequacy Aid	15-495-034-5120-096	58,093	7/1/14 to 6/30/15	(5,809)		5,809							
Under Adequacy Aid	16-495-034-5120-096	58,093	7/1/15 to 6/30/16			52,284	(58,093)	(5,809)			* 5,809	58,093	
PARCC Readiness aid	15-495-034-5120-098	1,170	7/1/14 to 6/30/15	(117)		117							
PARCC Readiness aid	16-495-034-5120-098	1,170	7/1/15 to 6/30/16			1,053	(1,170)	(117)			* 117	1,170	
Per Pupil Growth Aid	15-495-034-5120-097	1,170	7/1/14 to 6/30/15	(117)		117							
Per Pupil Growth Aid	16-495-034-5120-097	1,170	7/1/15 to 6/30/16			1,053	(1,170)	(117)			* 117	1,170	
Extraordinary Aid	15-100-034-5120-473	1,000	7/1/14 to 6/30/15	(11,356)		11,356							
Extraordinary Aid	16-100-034-5120-473	15,828	7/1/15 to 6/30/16				(15,828)	(15,828)			* 15,828	15,828	
Nonpublic Transportation Aid	15-495-034-5120-014	174	7/1/14 to 6/30/15	(174)		174							
Total General Fund				(97,216)		868,408	(872,706)	(101,514)				85,686	872,706
Total State Financial Assistance				\$ (97,216)		\$ 868,408	\$ (872,706)	\$ (101,514)				\$ 85,686	\$ 872,706

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule. These funds were audited in accordance with the Uniform Guidance since the total of all grant expenditures exceeded \$750,000.

HI-NELLA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB 15-08. 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 schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund, where applicable, also recognizes the one or more state aid June payments in the current budget year, consistent with N.J.S.A.18A:22-4.2.

There was no net adjustment to reconcile from the budgetary basis to the GAAP basis for the general fund and none required for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

HI-NELLA BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016
(Continued)

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

	<u>State</u>	<u>Total</u>
General Fund	\$ 872,706	\$ 872,706
Special Revenue Fund	-	-
	<u>872,706</u>	<u>872,706</u>
Total Awards & Financial Assistance	\$ <u>872,706</u>	\$ <u>872,706</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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, 2016
(continued)

Section I - Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

Internal control over major programs:

1) Material weakness (es) identified? _____ X yes _____ no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____ X none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 _____ X yes _____ no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	Equalization Aid
16-495-034-5120-089	Special Education Categorical Aid
16-495-034-5120-084	Security Aid
16-495-034-5120-096	Under Adequacy Aid
16-495-034-5120-098	PARCC Readiness Aid
16-495-034-5120-097	Per Pupil Growth Aid
16-495-034-5120-014	Transportation Aid

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Circular 15-08 audit.

Finding: 2016-1 (AMR Finding 2016-2)

Criteria or specific requirement:

All purchase orders should be accompanied by adequate supporting documentation.

Condition:

With regard to prior year tuition adjustments from the Sterling Board of Education, documentation was not available to fully support the open purchases orders charged against the 2014-15 or 2015-16 Budget.

Context:

Tuition agreements between sending and receiving districts contain initial contracts with subsequent tuition adjustments determined based on the actual number of students at the audited tuition rates.

Effect:

The tuition adjustments charged against the 2014-15 or 2015-16 Budget were not clearly supported, as there were discrepancies noted within the calculations.

Cause:

A lack of clear communication between the sending and receiving district.

Recommendation:

The Hi-Nella Board of Education should request a calculation of the tuition adjustments for the 2011-12, 2012-13, 2013-14 school years, including the actual number of students, as well as the audited tuition rates from the Sterling Board of Education.

Management's response:

The responsible officials agree with the finding and address the matter as part of their corrective action plan.

**HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings (continued)

Finding: 2016-2 (AMR Finding 2016-4)

Criteria or specific requirement:

It is considered critical for accounting purposes, as well as to provide proper internal control that cash reflected in the general ledger be reconciled to the bank statement on a monthly basis.

Condition:

The Treasurer's report for the month ended June 30, 2016 was not in agreement with amounts reflected in the general ledger.

Context:

Certain transactions in the general fund and the enterprise fund were not recorded on the bank reconciliation.

Effect:

The bank accounts for the general fund and enterprise fund were not properly reconciled to the general ledger.

Cause:

There appeared to be adjustments that were not communicated to the Treasurer.

Recommendation:

Procedures to reconcile the bank accounts to the general ledger should be reviewed and revised, in order to insure they are in agreement on a monthly basis.

Management's response:

The responsible officials agree with the finding and address the matter as part of their corrective action plan.

HI-NELLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs

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

FEDERAL AWARDS N/A

STATE AWARDS

Finding: 2016-3 (AMR Finding 2016-3)

Information on the state program:

State Aid - Public:	
Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084
PARCC Readiness	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-097
Transportation Aid	495-034-5120-014

Criteria or specific requirement: N.J.A.C. 6A:23A-16.10 states that district board of education shall only approve an encumbrance or expenditure that, when added to the total of existing encumbrances and expenditures, does not exceed the amount appropriated by the district board of education in the applicable line item account established pursuant to the minimum chart of accounts.

Condition: As of June 30, 2016, seven general fund budgetary line items were over-expended, thus contributing to an overall general fund unassigned fund balance deficit.

Questioned Costs: None Identified

Context: Seven general fund budgetary line items including tuition was over-expended by a total of \$382,713.

Effect: As a result of the School District's deficit, it is not known how the School District will satisfy its obligations.

Cause: The cause of the condition is that the School District did not realize sufficient revenues to fund fiscal year obligations.

Recommendation: The Hi-Nella Board of Education should consult with the New Jersey Department of Education, along with the appointed state monitor, in order to develop a formal corrective action plan that seeks to adequately fund future operating budgets and eliminate the budget basis deficit in the amount of \$1,186,643.

Management's response:

The responsible officials agree with the finding and will address the matter as part of their corrective action.

**HI-NELLA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a) (b) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

Finding: 2015-1

Condition:

With regard to prior year tuition adjustments from the Sterling Board of Education, documentation was not available to fully support the open purchases orders charged against the 2014-15 Budget.

Current Status:

Unresolved, see finding 2016-1.

Finding: 2015-2

Condition:

As of June 30, 2015, one general fund budgetary line item was over-expended, thus contributing to an overall general fund unassigned fund balance deficit.

Current Status:

Unresolved, see finding 2016-3.

Finding: 2015-3

Condition:

The Treasurer's report for the month ended June 30, 2015 was not in agreement with amounts reflected in the general ledger.

Current Status:

Unresolved, see finding 2016-2.