

**BOARD OF EDUCATION
OF THE**

**BOROUGH OF HI-NELLA
SCHOOL DISTRICT**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

BOROUGH OF HI-NELLA SCHOOL DISTRICT
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INTRODUCTORY SECTION



Hi-Nella Board of Education
111 Warwick Road, Stratford, NJ 08084
P-856-784-2917 F-856-784-8486

Denise DiGiandomenico
Business Administrator/Board Secretary

December 1, 2017

Honorable President and Members of the Board of Education
Borough of Hi-Nella School District
Hi-Nella, Camden County, New Jersey 08084

Dear Board Members:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Hi-Nella School District for the fiscal year ended June 30, 2017. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of my knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the 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 Section containing this Letter of Transmittal, List of Principal Officials, and Organizational Chart.
- Financial Section containing the Independent Auditors' Report, the Management's Discussion and Analysis, the Basic Financial Statements and Notes.
- Statistical Section containing Economic and Demographic Information, Fiscal Trends.
- Single Audit Section in conformity with the provisions of State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on compliance for each major program and report on the internal control over compliance are included in the single audit section of this report.

SCHOOL DISTRICT ORGANIZATION

The Hi-Nella School District is one of 15 non-operating school districts remaining in the State of New Jersey.

An elected five-member Board of Education serves as the policy maker for the School District. The Board adopts an annual budget and approves all expenditures which serve as the basis for control over and authorization for all expenditures of School District money.

By law, there is no chief school administrator position for non-operating districts. The Business Administrator is the chief financial officer of the School District and is responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the School District, and acting as custodian of all School District funds. The School District has been appointed a State Monitor since October of 2015. Effective with the 2016-17 school year, the School District entered into a shared service agreement with Stratford Board of Education which provides Business Office Services to the School District.

REPORTING ENTITY

Hi-Nella School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds of the District are included in this report.

ECONOMIC CONDITION AND OUTLOOK

The Borough of Hi-Nella is a suburban town of .231 square miles. Hi-Nella was incorporated as a borough on April 23, 1929. The Borough of Hi-Nella continues to be an active, involved community. Population census information indicates that the Borough of Hi-Nella has experienced a 15.45% decrease in population based on 1,029 at the 2000 census and 870 at the 2010 census.

The Hi-Nella School District provides education to students in grades PreK to 12 through send/receive relationships with both Stratford School District (PreK-8) and Sterling Regional School District (Grades 9-12). The enrollment of students for the fiscal year ended June 30, 2017 was 136 students.

The School District continues to face difficult economic situations with its primary funding sources of property tax revenue (capped at 2%+any allowable increases by law) and state aid (small increase). The 2016-17 budget, again, ended with actual expenditures exceeding revenue. For the second year, the state provided a state aid advance to cover the difference. At June 30, 2017, the School District is in a deficit position of \$1,731,555.94, on a GAAP basis. The School District continues to work with the state in finding a solution to continued deficit situation.

FINANCIAL INFORMATION

Internal Accounting

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

As a recipient of state financial aid, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

Budgetary Controls

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital project fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as appropriation of fund balance in the subsequent year. Those amounts to be appropriated are reported as assignments of fund balance at fiscal year-end.

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute and detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds. A schedule of insurance coverage is found in Exhibit J-20.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bowman & Company LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of State of New Jersey 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 specific required supplemental information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGEMENTS

I would like to express my appreciation to the members of the Hi-Nella Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

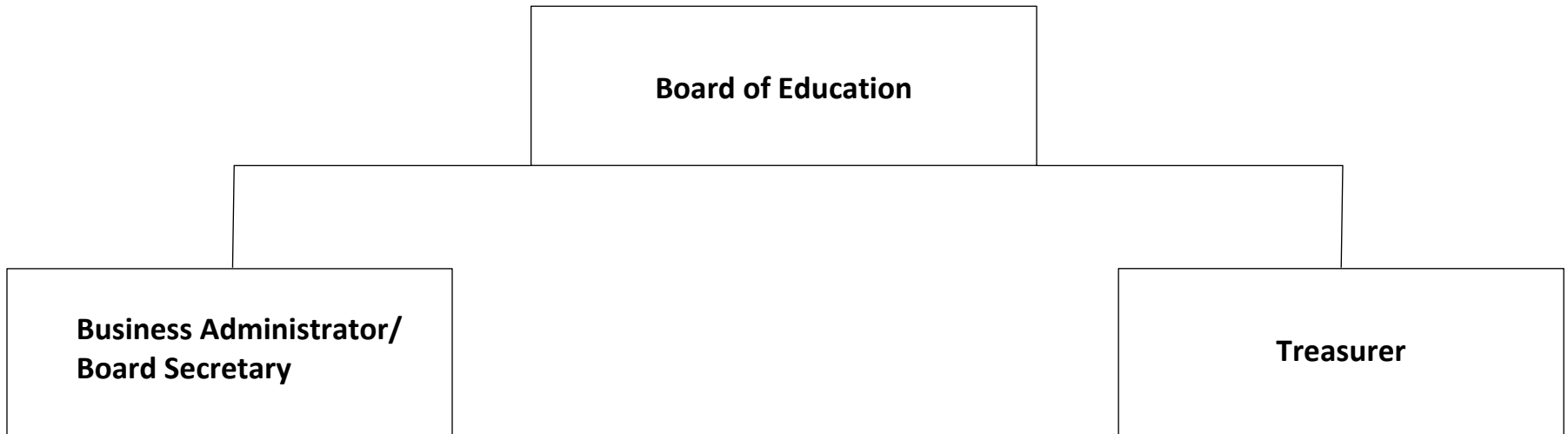
A handwritten signature in blue ink, appearing to read "Denise DiGiandomenico", with a long horizontal flourish extending to the right.

Denise DiGiandomenico
Business Administrator/Board Secretary

Hi-Nella Board of Education

Organizational Chart

June 30, 2017



**BOARD OF EDUCATION
BOROUGH OF HI-NELLA SCHOOL DISTRICT
HI-NELLA, NEW JERSEY**

ROSTER OF OFFICIALS

JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
John Baugher, Jr.	President	2017
Kathy Schaeffer	Vice President	2019
Edward Muska		2017
Vacant		2018
Vacant		2019

Other Officials

Denise DiGiandomenico	School Business Administrator
Katherine Smith	Treasurer of School Monies
Mike Azzara	State Monitor

**BOARD OF EDUCATION
BOROUGH OF HI-NELLA SCHOOL DISTRICT
HI-NELLA, NEW JERSEY**

CONSULTANTS AND ADVISORS

JUNE 30, 2017

Attorney

Susan Hodges, Esq.
Schwartz, Simon, Edelstein & Celso, LLC
1000 Crawford Place, Suite 140
Mount Laurel, New Jersey 08054

Audit Firm

Bowman & Company LLP
601 White Horse Road
Voorhees, New Jersey 08043

Insurance Broker

KEH Insurance Agency
C. David Enders
1415 Marlton Pike East, Suite 501
Cherry Hill, New Jersey 08034

Official Depositories

First Colonial
1040 Haddon Avenue
Collingswood, New Jersey 08108

FINANCIAL SECTION

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 have audited the accompanying statement of net position of the governmental activities and the business-type activities, and the balance sheet and statement of net position of each major fund of the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, as of June 30, 2017, and we were engaged to audit the related statement of activities, statement of revenues, expenditures and changes in fund balance, reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities, and statement of cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibilities 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. Because of the matter described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows or on the consistency of application of accounting principles with the preceding period.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the statements of net position and the balance sheet.

Basis for Disclaimer of Opinions on Results of Operations, Cash Flows, and Consistency

The School District has not maintained adequate accounting records for the fiscal year ended June 30, 2016, and we were unable to obtain sufficient appropriate audit evidence to determine whether the opening balances in the financial statements as of July 1, 2016, were fairly presented in accordance with auditing standards generally accepted in the United States of America or whether accounting principles have been consistently applied between fiscal years 2017 and 2016.

Disclaimer of Opinions on Results of Operations, Cash Flows, and Consistency

Because of the significance of the matter discussed in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the fiscal year ended June 30, 2017 or on the consistency of application of accounting principles with the preceding year. Accordingly, we do not express an opinion on the results of operations and cash flows for the fiscal year ended June 30, 2017, or on the consistency of application of accounting principles with the preceding year.

Opinion on the Statements of Net Position and Balance Sheet

In our opinion, the statements of net position and balance sheet referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, as of June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 6 to the financial statements, during the fiscal year ended June 30, 2017, the School District entered into a memorandum of agreement with the Borough of Stratford School District to provide business office services. As a result, related party transactions occurred during the fiscal year. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in note 14 to the financial statements, the School District has suffered recurring losses from operations, has a general fund deficit and increasing long-term debt, which raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

In addition, as discussed in note 15 to the financial statements, the net position of the governmental activities and business-type activities and the fund balance of the general fund, as of July 1, 2016, were restated in order to capture expenditures and revenues that were overstated during the previous fiscal year ended June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the statements of net position and balance sheet. 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 Borough of Hi-Nella School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and 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.

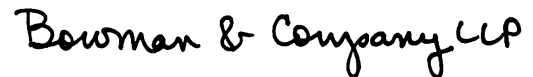
Because of the matters described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the combining statements and related major fund supporting statements and schedules and schedule of expenditures of state financial assistance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the Borough of Hi-Nella School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Hi-Nella School District's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants & Consultants



Carol A. McAllister
Certified Public Accountant
Public School Accountant No. CS 238400

Voorhees, New Jersey
December 1, 2017

**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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the statement of net position of the governmental activities and the business-type activities, and the balance sheet and statement of net position of each major fund of the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, as of June 30, 2017, and we were engaged to audit the related statement of activities, statement of revenues, expenditures and changes in fund balance, reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities, and statement of cash flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 1, 2017. Our report disclaims an opinion on the statement of activities, statement of revenues, expenditures and changes in fund balance, reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities, and statement of cash flows for the fiscal year then ended, and the related notes to the financial statements, because of the matter described in the "Basis for Disclaimer of Opinions" section of the report. Our report on the financial statements included an emphasis of matter paragraph describing the ability of the School District to continue as a going concern and an emphasis of matter paragraph describing the restatement of the prior period financial statements to capture expenditures and revenues that were overstated during the previous fiscal year.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Borough of Hi-Nella School District, County of Camden, State of New Jersey, we considered the Borough of Hi-Nella School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Hi-Nella School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, we did identify a certain deficiency in internal control that we consider to be a material weakness as finding no. 2017-001.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Borough of Hi-Nella School District, County of Camden, State of New Jersey, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and which is described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as finding no. 2017-001.

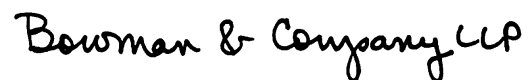
The Borough of Hi-Nella School District's Response to Findings

The Borough of Hi-Nella School District's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of 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* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants & Consultants



Carol A. McAllister
Certified Public Accountant
Public School Accountant No. CS 238400

Voorhees, New Jersey
December 1, 2017

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**Hi-Nella School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)**

As management of the Board of Education of the Borough of Hi-Nella, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$1,731,555.94, which results in a deficit unrestricted net position.
- Governmental activities have a deficit unrestricted net position of \$1,731,555.94. The accounting treatments for the last state aid payment and increase in tuition and transportation costs are primarily responsible for this deficit balance. 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 total net position of the School District at fiscal year-end decreased by \$610,295.94.
- Fund balance of the School District's governmental funds increased by \$686,807.41 resulting in an ending deficit fund balance of \$434,394.94.
- Business-type activities have unrestricted net position of \$15,380.35, which may be used to meet the School District's ongoing obligations of the enterprise-related activities (Shared Services Division).
- The School District's long-term obligations increased by \$1,297,161, which is the net result of the receipt of an advance of state aid and the current year repayments on the loan.

Overview of the Basic Financial Statements

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

Government-wide Financial Statements

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

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

**Hi-Nella School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)**

Government-wide Financial Statements (Cont'd)

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

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund and Special Revenue Fund. Business-type activities include the Shared Services Division.

Fund Financial Statements

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

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

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

The School District maintains two individual governmental funds. The major funds are the General Fund and the Special Revenue Fund. They are presented separately in the fund financial statements.

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

Proprietary funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains one type of proprietary fund - the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail. The School District's one enterprise fund, the Shared Services Division is listed individually and is considered to be a major fund.

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

Notes to the Basic Financial Statements

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

**Hi-Nella School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)**

Other Information

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

Government-wide Financial Analysis

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

As a non-operating school district, the School District does not own any capital assets.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, other current liabilities, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be from currently available resources, current assets or new resources that become available during fiscal year 2018. Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal year 2018. In total, liabilities increased by \$223,338.21. The increase was large attributable to the Advance State Aid Loan of \$1,378,161 received in 2016-17 and the liquidation of accounts payable in the business-type activities.

The liabilities of the government activities exceeded assets by \$1,716,175.59 with an unrestricted deficit balance of \$1,716,175.59. The net position (deficit) of the government does not include internal balances.

As mentioned earlier, deficit unrestricted net position (deficit) is primarily due to the accounting treatments for the last state aid payment and increase in tuition and transportation costs.

**Hi-Nella School District
Comparative Summary of Net Position
As of June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Government-Wide</u>	
	2017	2016	2017	2016	2017	2016
Assets:						
Total assets	<u>\$ 206,664.27</u>	<u>\$ 48,521.00</u>	<u>\$ 15,380.35</u>	<u>\$ 462,241.00</u>	<u>\$ 222,044.62</u>	<u>\$ 510,762.00</u>
Liabilities:						
Current liabilities	778,875.21	1,235,164.00	0.00	479,718.00	778,875.21	1,714,882.00
Noncurrent liabilities	<u>1,159,345.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,159,345.00</u>	<u>0.00</u>
Total liabilities	<u>1,938,220.21</u>	<u>1,235,164.00</u>	<u>0.00</u>	<u>479,718.00</u>	<u>1,938,220.21</u>	<u>1,714,882.00</u>
Unrestricted net position (deficit)	<u><u>(\$1,731,555.94)</u></u>	<u><u>(\$1,186,643.00)</u></u>	<u><u>\$15,380.35</u></u>	<u><u>(\$17,477.00)</u></u>	<u><u>(\$1,716,175.59)</u></u>	<u><u>(\$1,204,120.00)</u></u>

**Hi-Nella School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)**

**Hi-Nella School District
Comparative Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Government-Wide	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues						
Shared Services				\$ 3,265,186.00		\$ 3,265,186.00
Operating Grants and Contributions	\$ 2,063.54	\$ 2,040.00			\$ 2,063.54	2,040.00
General Revenues:						
Property Taxes	956,172.00	809,884.00			956,172.00	809,884.00
State/Federal Aid	902,916.00	872,706.00			902,916.00	872,706.00
Other Revenues	<u>4,847.08</u>	<u>551.00</u>	<u>\$ 518.39</u>	<u>5,025.00</u>	<u>5,365.39</u>	<u>5,576.00</u>
Total Revenues	<u>1,865,998.62</u>	<u>1,685,181.00</u>	<u>518.39</u>	<u>3,270,211.00</u>	<u>1,866,517.01</u>	<u>5,405,392.00</u>
Expenses:						
Governmental Activities:						
Tuition	2,258,365.19	1,729,685.00			2,258,365.19	1,729,685.00
Related Services	6,512.14				6,512.14	
Administrative Services	98,665.18	169,674.00			98,665.18	169,674.00
Operations and Maintenance	5,175.64				5,175.64	
Transportation	102,382.26	85,762.00			102,382.26	85,762.00
Unallocated benefits	5,251.80				5,251.80	
Business-Type Activities:						
Shared Services			<u>460.74</u>	<u>3,312,110.00</u>	<u>460.74</u>	<u>3,312,110.00</u>
Total Expenses	<u>2,476,352.21</u>	<u>1,985,121.00</u>	<u>460.74</u>	<u>3,312,110.00</u>	<u>2,476,812.95</u>	<u>5,297,231.00</u>
Increase (Decrease) in Net Position	<u>(610,353.59)</u>	<u>(299,940.00)</u>	<u>57.65</u>	<u>(41,899.00)</u>	<u>(610,295.94)</u>	<u>(341,839.00)</u>
Net Position (Deficit), July 1	<u>(1,186,643.00)</u>	<u>(886,703.00)</u>	<u>(17,477.00)</u>	<u>24,422.00</u>	<u>(11,204,120.00)</u>	<u>(862,281.00)</u>
Prior Period Adjustment Net Position (Deficit), July 1 (Restated)	65,440.65	0.00	32,799.70	0.00	98,240.35	0.00
Net Position (Deficit), June 30	<u>(\$1,731,555.94)</u>	<u>(\$1,186,643.00)</u>	<u>\$15,380.35</u>	<u>(\$17,477.00)</u>	<u>(\$1,716,175.59)</u>	<u>(\$1,204,120.00)</u>

During fiscal year 2017, total revenues decreased by \$3,538,874.99. The decrease is largely attributed to charges for services in the business type activities decreased by \$3,265,186.00 as that division no longer provided services to other districts. Property taxes increased \$146,288.00 as the School District raised the property tax levy to the "CAP" limit in 2016-17.

During fiscal year 2017, total expenses decreased \$2,820,418.05, of which \$3,312,110.00 was a decrease from the shared services operations. The general fund saw an increase of \$491,231.21 in expenses largely due to increased tuition and transportation costs for students attending receiving schools.

**Hi-Nella School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)**

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of (\$434,394.94), a decrease of \$686,807.41 in comparison with the prior year.

The unassigned (deficit) fund balance of (\$434,394.94) for the School District's governmental fund at the end of the fiscal year includes the General Fund.

The general fund is the chief operating fund of the School District. The unassigned (deficit) fund balance of the general fund is due, primarily, to the accounting treatment of the last state aid payments as discussed in Note 9 of the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

The special revenue fund reflects a \$0.00 fund balance as special revenue is now paid out on an expenditure basis only. Revenue is generally recognized at the time that the outlays are identified; therefore no fund balances are normally generated in the special revenue fund.

General Fund Budgetary Highlights

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was (\$363,861.94) while total fund balance (budgetary basis) was (\$363,861.94). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$2,555,288.67. Unassigned fund balance (budgetary basis) represents 14.24% of expenditures while total fund balance (budgetary basis) represents 14.24% of that same amount.

Budget modifications during fiscal year 2017, consisted of budgetary line item transfers approved by the Board of Education or the appointed state monitor. The final budgetary basis revenue estimate was \$1,822,593.00, which remained unchanged from the original adopted budget. The Advance State Aid Loan was recognized as revenue during the year in the amount of \$1,378,161.00 and the School District received a payment of \$21,342.00 in extraordinary state aid contributing to the favorable variance in revenue.

The final budgetary basis expenditure appropriation was \$1,822,593.00, which remained unchanged from the original adopted budget. Actual expenditures incurred of \$2,555,288.67 exceeded the final budget estimate by \$732,695.67 largely due to increased tuition and transportation costs.

**Hi-Nella School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Cont'd)**

Capital Asset and Debt Administration

The School District's does not own capital assets for its governmental or its business-type activities as of June 30, 2017,

Long-term debt – As of fiscal year ended June 30, 2017, the School District had total advance on state aid loan outstanding of \$1,297,161.00.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 4) of this report.

Economic Factors and Next Year's Budget

In fiscal year 2017, the School District was not able to sustain its budget through property taxes and state aid. The 2017-18 budget was presented to the Board of Education, as adjusted by the County Executive Superintendent. Property taxes were only raised by 2%, the maximum allowable amount, to support the 2017-18 budget.

The results of the 2016-17 school year continued to demonstrate the financial difficulties experienced by the School District and resulted in an increased deficit. During 2016-17, the School District received an Advanced State Aid Loan for \$1,378,161, which will be paid back through a reduction of the State Aid payments in equal amounts over the next ten years.

Requests for Financial Information

This financial report is designed to provide a general overview of the School District's finances and the District's accountability for the resources it receives for all those with an interest in the School District. Questions about this report or requests for additional financial information can be addressed to Mrs. Denise DiGiandomenico, Business Administrator at Hi-Nella Board of Education, 111 Warwick Road, Stratford, New Jersey 08084 or by phone at 856-784-2917.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HI-NELLA SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 185,322.27	\$ 15,380.35	\$ 200,702.62
Receivables, net	<u>21,342.00</u>	<u> </u>	<u>21,342.00</u>
Total Assets	<u>206,664.27</u>	<u>15,380.35</u>	<u>222,044.62</u>
LIABILITIES:			
Accounts Payable	546,079.31		546,079.31
Other Current Liabilities	93,830.00		93,830.00
Unearned Revenue	1,149.90		1,149.90
Noncurrent Liabilities:			
Due Within One Year	137,816.00		137,816.00
Due Beyond One Year	<u>1,159,345.00</u>	<u> </u>	<u>1,159,345.00</u>
Total Liabilities	<u>1,938,220.21</u>	<u>-</u>	<u>1,938,220.21</u>
NET POSITION:			
Unrestricted (Deficit)	<u>(1,731,555.94)</u>	<u>15,380.35</u>	<u>(1,716,175.59)</u>
Total Net Position	<u>\$ (1,731,555.94)</u>	<u>\$ 15,380.35</u>	<u>\$ (1,716,175.59)</u>

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

HI-NELLA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Support Services:							
Instruction/Tuition	\$ 2,258,365.19				\$ (2,258,365.19)		\$ (2,258,365.19)
Support Services - Students	6,512.14				(6,512.14)		(6,512.14)
General Administration	98,665.18				(98,665.18)		(98,665.18)
Operations and Maintenance	5,175.64				(5,175.64)		(5,175.64)
Student Transportation	102,382.26		\$ 2,063.54		(100,318.72)		(100,318.72)
Unallocated Benefits	5,251.80				(5,251.80)		(5,251.80)
Total Governmental Activities	2,476,352.21	\$ -	2,063.54	\$ -	(2,474,288.67)	\$ -	(2,474,288.67)
Business-Type Activities:							
Shared Services Division	460.74					(460.74)	(460.74)
Total Business-Type Activities	460.74	-	-	-	-	(460.74)	(460.74)
Total Government	\$ 2,476,812.95	\$ -	\$ 2,063.54	\$ -	(2,474,288.67)	(460.74)	(2,474,749.41)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					956,172.00		956,172.00
Federal and State Aid not Restricted					902,916.00		902,916.00
Miscellaneous Income					4,847.08	518.39	5,365.47
Total General Revenues					1,863,935.08	518.39	1,864,453.47
Change in Net Position					(610,353.59)	57.65	(610,295.94)
Net Position (Deficit) -- July 1					(1,186,643.00)	(17,477.00)	(1,204,120.00)
Prior Period Adjustments (See Note 15)					65,440.65	32,799.70	98,240.35
Net Position (Deficit) -- July 1 (Restated)					(1,121,202.35)	15,322.70	(1,105,879.65)
Net Position (Deficit) -- June 30					\$ (1,731,555.94)	\$ 15,380.35	\$ (1,716,175.59)

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

FUND FINANCIAL STATEMENTS

HI-NELLA SCHOOL DISTRICT
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 185,322.27	\$ -	\$ 185,322.27
Receivables from Other Governments	<u>21,342.00</u>	<u>-</u>	<u>21,342.00</u>
Total Assets	<u><u>\$ 206,664.27</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 206,664.27</u></u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 546,079.31	\$ -	\$ 546,079.31
Other Current Liabilities	93,830.00		93,830.00
Unearned Revenue	<u>1,149.90</u>		<u>1,149.90</u>
Total Liabilities	<u>641,059.21</u>		<u>641,059.21</u>
Fund Balance:			
Unassigned (Deficit)	<u>(434,394.94)</u>		<u>(434,394.94)</u>
Total Fund Balance	<u>(434,394.94)</u>	<u>-</u>	<u>(434,394.94)</u>
Total Liabilities and Fund Balances	<u><u>\$ 206,664.27</u></u>	<u><u>\$ -</u></u>	

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

Long-term liabilities, including advance of State Aid Loan are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(1,297,161.00)</u>
Net Position of Governmental Activities	<u><u>\$ (1,731,555.94)</u></u>

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

HI-NELLA SCHOOL DISTRICT
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Local Tax Levy	\$ 956,172.00		\$ 956,172.00
Miscellaneous	4,847.08	\$ 2,063.54	6,910.62
State Sources	902,916.00		902,916.00
Total Revenues	<u>1,863,935.08</u>	<u>2,063.54</u>	<u>1,865,998.62</u>
EXPENDITURES:			
Current:			
Support Services and Undistributed Costs:			
Instruction/Tuition	2,258,365.19		2,258,365.19
Support Services - Students	4,448.60	2,063.54	6,512.14
General Administration	179,665.18		179,665.18
Operations and Maintenance	5,175.64		5,175.64
Student Transportation	102,382.26		102,382.26
Unallocated Benefits	5,251.80		5,251.80
Total Expenditures	<u>2,555,288.67</u>	<u>2,063.54</u>	<u>2,557,352.21</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(691,353.59)</u>	<u>-</u>	<u>(691,353.59)</u>
OTHER FINANCING SOURCES (USES):			
Advance of State Aid Loan	1,378,161.00		1,378,161.00
Total Other Financing Sources (Uses)	<u>1,378,161.00</u>	<u>-</u>	<u>1,378,161.00</u>
Net Change in Fund Balance	<u>686,807.41</u>	<u>-</u>	<u>686,807.41</u>
Fund Balances (Deficit), July 1	(1,186,643.00)		(1,186,643.00)
Prior Period Adjustments (See Note 15)	65,440.65		65,440.65
Fund Balances (Deficit), July 1 (Restated)	<u>(1,121,202.35)</u>	<u>-</u>	<u>(1,121,202.35)</u>
Fund Balances (Deficit), June 30	<u>\$ (434,394.94)</u>	<u>\$ -</u>	<u>\$ (434,394.94)</u>

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 Fiscal Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 686,807.41
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
<p>Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the Statement of Net Position.</p>	
Proceeds of Long-Term Debt - Advance of State Aid Loan	(1,378,161.00)
<p>Repayment of the state aid loan is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and is not reported in the Statement of Activities.</p>	
Repayment of Long-Term Debt - Advance of State Aid Loan	<u>81,000.00</u>
Change in Net Position of Governmental Activities	<u><u>\$ (610,353.59)</u></u>

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

HI-NELLA SCHOOL DISTRICT
 Proprietary Fund
 Business-Type Activities - Enterprise Fund
 Statement of Net Position
 June 30, 2017

	<u>Shared Services Division</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 15,380.35
Total Current Assets	<u>15,380.35</u>
Total Assets	<u><u>\$ 15,380.35</u></u>
NET POSITION:	
Net Position:	
Unrestricted	\$ 15,380.35
Total Net Position	<u><u>\$ 15,380.35</u></u>

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

HI-NELLA SCHOOL DISTRICT
 Proprietary Fund
 Business-Type Activities - Enterprise Fund
 Statement of Revenues, Expenses and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2017

	<u>Shared Services Division</u>
OPERATING REVENUES:	
Local Sources:	
None	\$ -
Total Operating Revenues	-
OPERATING EXPENSES:	
Business Office Expenses	460.74
Total Operating Expenses	460.74
Operating Income / (Loss)	(460.74)
NONOPERATING REVENUES:	
Interest and Investment Revenue	518.39
Total Nonoperating Revenues	518.39
Change in Net Position	57.65
Net Position -- July 1	(17,477.00)
Prior Period Adjustments (See Note 15)	32,799.70
Net Position -- July 1 (Restated)	15,322.70
Net Position -- June 30	\$ 15,380.35

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

HI-NELLA SCHOOL DISTRICT
 Proprietary Fund
 Business-Type Activities - Enterprise Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2017

	<u>Shared Services Division</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 170,764.45
Payments to Employees	(385,333.75)
Payments to Suppliers	<u>(460.74)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(215,030.04)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>518.39</u>
Net Cash Provided by (Used in) Investing Activities	<u>518.39</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(214,511.65)
Cash and Cash Equivalents -- July 1	<u>229,892.00</u>
Cash and Equivalents -- June 30	<u>\$ 15,380.35</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (460.74)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable, net	170,764.45
(Increase) Decrease in Interfunds Receivable	358.00
Increase (Decrease) in Accounts Payable	(385,333.75)
Increase (Decrease) in Interfund Payable	<u>(358.00)</u>
Total Adjustments	<u>(214,569.30)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (215,030.04)</u>

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

BOROUGH OF HI-NELLA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of 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 Financial 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 educate students in kindergarten through twelfth grade. The Hi-Nella School District is considered a non-operating school district as all students in kindergarten through eighth grade attend the Stratford School District, and all students in ninth through twelfth grade attend the Sterling Regional High School District, all on a tuition basis. The School District has an approximate enrollment at June 30, 2017 of 136.

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.

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*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

Based upon the application of these criteria, the School District has no component units.

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 nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property 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. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Camden County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

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

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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

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:

Enterprise Fund - The Shared Service Division accounts for the financial transactions related to the providing of buildings and grounds, business office, fixed asset reporting, technology, and other services to other governmental entities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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, and debt service funds, 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 and exhibit C-2, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and 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.

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. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

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

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, 2017.

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 as accounts receivable.

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

The School District does not possess any capital assets.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2017 and 2016 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, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

Net Position

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

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

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

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

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

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

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, 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, then unassigned.

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

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

The School District implemented the following GASB Statements for the fiscal year ended June 30, 2017:

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. 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 adoption of this Statement did not have a significant impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2017, the School District's bank balances of \$771,978.89 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	<u>\$ 771,978.89</u>
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Note 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of accounts (fees for services), intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

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

<u>Description</u>	<u>Governmental Funds</u>		<u>Total Governmental Activities</u>	<u>Proprietary Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>		<u>Shared Services Fund</u>	<u>Total Business-Type Activities</u>	
State Awards	\$ 21,342.00		\$ 21,342.00		-	\$ 21,342.00
Total	\$ 21,342.00	\$ -	\$ 21,342.00	\$ -	\$ -	\$ 21,342.00

Note 4: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Due within One Year</u>
Governmental Activities:					
Advance of State Aid Loan	\$ -	\$1,378,161.00	\$ (81,000.00)	\$ 1,297,161.00	\$ 137,816.00
Governmental Activity					
Long-term Liabilities	\$ -	\$1,378,161.00	\$ (81,000.00)	\$ 1,297,161.00	\$ 137,816.00

Advance of State Aid Loan – This advance was approved by the State of New Jersey in accordance with the provisions of NJSA 18A:7A-55 (see Note 13).

Note 5: 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 Fund - 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

Note 5: RISK MANAGEMENT (CONT'D)

Joint Insurance Fund (Cont'd) - Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The School District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended June 30, 2017, which can be obtained from:

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

Note 6: RELATED PARTY TRANSACTIONS

Effective July 1, 2016, the School District entered into a memorandum of agreement with the Borough of Stratford School District ("Stratford BOE") for Business Office Services as well as all the duties and responsibilities required of a Business Administrator in accordance with the NJ Statutes and all applicable laws and regulations for the fiscal year ended June 30, 2017 at a cost not to exceed \$18,500.00. As part of these services, the Stratford BOE prepared the Application for State School Aid Summary, which accumulates student counts as of October 14, 2016. The Stratford BOE also prepared tuition, transportation and related services billings to the School District for students sent to Stratford BOE based on actual student counts and certified tuition rates. These total billings to the School District have been reflected in the financial statements of the School District for the fiscal year ended June 30, 2017 as an expenditure in the total amount of \$1,512,395.09.

As of June 30, 2017, the amount due to the Borough of Stratford School District for tuition and transportation was \$373,347.71 and \$7,984.63, respectively.

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.

Note 8: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and 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 federal and State laws and federal and State appropriations.

Note 9: DEFICIT FUND BALANCES

The School District has a deficit fund balance of \$434,394.94 in the general fund and as of June 30, 2017 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. A general fund balance deficit that exists due to the timing difference of recording the June state aid payments does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. However, the School District's deficit in the GAAP funds statements of \$434,394.94 is greater than the June state aid payments. The Hi-Nella School District is in poor financial condition and does not appear to be able to fund its budget without financial assistance.

Note 10: FUND BALANCES**ASSIGNED**

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

General Fund

For Subsequent Year's Expenditures – At June 30, 2017, the School District had no available surplus funds to appropriate and include as anticipated revenue for the fiscal year ended June 30, 2018.

UNASSIGNED

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

General Fund - As of June 30, 2017, the fund balance of the general fund was a deficit of \$434,394.94 thus resulting in the fund balance classification of unassigned. The deficit is a result from a delay in the payment of state aid until the following fiscal year and expenditures for tuition greater than the budgeted amount. As stated in note 9, since the State is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general fund balance deficit does not alone indicate that the School District is facing financial difficulties. However, the Hi-Nella School District is in poor financial condition and does not appear to be able to fund its budget without financial assistance. The unassigned deficit on the GAAP financial statements of \$434,394.94 is greater than the last state aid payment.

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 attended 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 potential, however, that the School District could be dissolved in the future pending report from the Executive County Superintendent.

Note 12: ECONOMIC DEPENDENCY

The results of the 2016-17 school year reflect a budget basis deficit in the amount of \$363,861.94, 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 School District ended the June, 30 2017 and 2016 fiscal years with a general fund deficit of \$363,861.94 and \$1,186,643.00, respectively. It had become clear to the School 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 has provided for two loans to the School District in the amounts of \$810,000.00 and \$568,161.00 in advanced State Aid in 2017-18 budget to cover a portion of the deficit. The Legislation specifically required the advanced state aid payment to be recorded as revenue for budget purposes in the school year in which the advanced state aid payment is provided. As such, total amount of the loans, \$1,378,161.00, has been recorded as revenue on Exhibit C-1. 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. The School District had repaid \$81,000.00 during 2016-17 on the first advanced state aid loan. In any year in which School District's unassigned 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.

Note 14: GOING CONCERN

The School District has suffered recurring losses from operations and has a general fund deficit. The School District also has increasing long-term debt as a result of an advance of state aid. All of these factors, together, raise substantial doubt about its ability to meet obligations as they become due without requesting and receiving additional advances of state aid. The School District is currently under the oversight of the State Department of Education who, along with management, is developing plans which may include additional advances of state aid to fund operations. In the event the School District is not awarded the advance of state aid or the recurring losses from operations continue, there is the potential the School District would be dissolved as more fully described in note 11.

Note 15: RESTATEMENT OF PRIOR PERIOD NET POSITION

As a result of an internal review of the School District's accounts receivable and accounts payable balances during the year, the School District discovered that these balances had been overstated as of June 30, 2016. The cumulative effect of the restatement on the financial statements as reported for June 30, 2016 is as follows:

		<u>Governmental Activities</u>
Beginning Net Position (Deficit) as Previously Reported at June 30, 2016		\$ (1,186,643.00)
Prior Period Adjustment:		
Additional Prior Year Expenditures	\$ (52,181.49)	
Cancellation of Prior Year Expenditures	<u>117,622.14</u>	
Total Prior Period Adjustment		<u>65,440.65</u>
Net Position (Deficit) as Restated, July 1, 2016		<u>\$ (1,121,202.35)</u>
		<u>Business-Type Activities</u>
Beginning Net Position (Deficit) as Previously Reported at June 30, 2016		\$ (17,477.00)
Prior Period Adjustment:		
Cancellation of Prior Year Revenues	\$ (67,267.85)	
Cancellation of Prior Year Expenditures	<u>100,067.55</u>	
Total Prior Period Adjustment		<u>32,799.70</u>
Net Position (Deficit) as Restated, July 1, 2016		<u>\$ 15,322.70</u>
		<u>General Fund</u>
Beginning Fund Balance (Deficit) as Previously Reported at June 30, 2016		\$ (1,186,643.00)
Prior Period Adjustment:		
Additional Prior Year Expenditures	\$ (52,181.49)	
Cancellation of Prior Year Expenditures	<u>117,622.14</u>	
Total Prior Period Adjustment		<u>65,440.65</u>
Fund Balance (Deficit) as Restated, July 1, 2016		<u>\$ (1,121,202.35)</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

HI-NELLA SCHOOL DISTRICT
 General Fund
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Final to Actual Favorable / (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 956,172.00	\$ -	\$ 956,172.00	\$ 956,172.00	\$ -
Interest on Investment				805.22	805.22
Unrestricted Miscellaneous Revenues				4,041.86	4,041.86
Total - Local Sources	956,172.00	-	956,172.00	961,019.08	4,847.08
State Sources:					
Transportation Aid	37,318.00		37,318.00	37,318.00	-
Extraordinary Aid				21,342.00	21,342.00
Categorical Special Education Aid	59,002.00		59,002.00	59,002.00	-
Equalization Aid	683,664.00		683,664.00	683,664.00	-
Categorical Security Aid	24,574.00		24,574.00	24,574.00	-
Under Adequacy Aid	58,093.00		58,093.00	58,093.00	-
PARCC Readiness Aid	1,170.00		1,170.00	1,170.00	-
Per Pupil Growth Aid	1,170.00		1,170.00	1,170.00	-
Professional Learning Community Aid	1,430.00		1,430.00	1,430.00	-
DOE Loan Against State Aid			-	1,378,161.00	1,378,161.00
Total - State Sources	866,421.00	-	866,421.00	2,265,924.00	1,399,503.00
Total Revenues	1,822,593.00	-	1,822,593.00	3,226,943.08	1,404,350.08
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within State - Regular	1,101,314.00		1,101,314.00	1,695,504.04	(594,190.04)
Tuition to Other LEAs Within State - Special	377,161.00		377,161.00	396,897.56	(19,736.56)
Tuition to County Vocational School Districts – Regular	2,900.00		2,900.00	-	2,900.00
Tuition to CSSD and Regional Day Schools			-	86,347.42	(86,347.42)
Tuition to Private Schools for the Disabled - Within State	148,170.00	(62,169.00)	86,001.00	79,616.17	6,384.83
Tuition – Other.	1,900.00		1,900.00	-	1,900.00
Total Undistributed Expenditures - Instruction	1,631,445.00	(62,169.00)	1,569,276.00	2,258,365.19	(689,089.19)

(Continued)

HI-NELLA SCHOOL DISTRICT
 General Fund
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Final to Actual Favorable / (Unfavorable)
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Other Support Services - Students - Related Services: Purchased Professional - Educational Services	\$ 6,000.00	\$ -	\$ 6,000.00	\$ 4,448.60	\$ 1,551.40
Total Undistributed Expenditures - Other Support Services - Students - Related Services	6,000.00	-	6,000.00	4,448.60	1,551.40
Undistributed Expenditures - Support Services - General Administration:					
Salaries	1,600.00		1,600.00	1,600.00	-
State Monitors	30,000.00		30,000.00	7,104.00	22,896.00
Department of Education Loan Repayment				81,000.00	(81,000.00)
Legal Services	2,500.00	22,436.00	24,936.00	24,935.42	0.58
Audit Fees	7,025.00	1,141.00	8,166.00	8,166.00	-
Other Purchased Professional Services	8,390.00	40,250.00	48,640.00	48,639.50	0.50
Other Purchased Services		244.00	244.00	243.90	0.10
Communications / Telephone	1,000.00	(270.00)	730.00	-	730.00
Other Purchased Services (400-500 series)	100.00	5,596.00	5,696.00	5,695.20	0.80
General Supplies	970.00		970.00	871.91	98.09
Miscellaneous Expenditures	275.00	66.00	341.00	340.50	0.50
BOE Membership Dues and Fees	1,200.00		1,200.00	1,068.75	131.25
Total Undistributed Expenditures - Support Services - General Administration	53,060.00	69,463.00	122,523.00	179,665.18	(57,142.18)
Undistributed Expenditures - Central Services:					
Salaries	28,800.00	(25,372.00)	3,428.00	-	3,428.00
Total Undistributed Expenditures - Central Services	28,800.00	(25,372.00)	3,428.00	-	3,428.00
Undistributed Expenditures - Operation and Maintenance of Plant Services:					
Insurance		5,176.00	5,176.00	5,175.64	0.36
Total Undistributed Expenditures - Operation and Maintenance of Plant Services	-	5,176.00	5,176.00	5,175.64	0.36

(Continued)

HI-NELLA SCHOOL DISTRICT
 General Fund
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Modifications / Transfers	Final Budget	Actual	Variance Final to Actual Favorable / (Unfavorable)
EXPENDITURES (CONT'D):					
Current Expense (Cont'd):					
Undistributed Expenditures - Student Transportation Services:					
Management Fees – ESC & CTSA Transportation Programs	\$ 3,500.00	\$ 102.00	\$ 3,602.00	\$ 3,601.51	\$ 0.49
Aid-in-Lieu-of Payments	1,768.00		1,768.00	884.00	884.00
Contracted Services (Between Home and School) - Joint Agreements	23,020.00	(3,807.00)	19,213.00	17,148.16	2,064.84
Contracted Services (Between Home and School) - Joint Agreements		9,603.00	9,603.00	9,602.31	0.69
Contracted Services (Regular Students) - ESCs & CTSA	26,000.00	(23,000.00)	3,000.00	1,611.44	1,388.56
Contracted Services (Special Education Students) – ESCs & CTSA	49,000.00	23,000.00	72,000.00	69,534.84	2,465.16
Total Undistributed Expenditures - Student Transportation Services	103,288.00	5,898.00	109,186.00	102,382.26	6,803.74
Unallocated Benefits:					
Social Security Contributions		2,418.00	2,418.00	665.83	1,752.17
Unemployment Insurance		3,586.00	3,586.00	3,585.97	0.03
Workmen's Compensation		1,000.00	1,000.00	1,000.00	-
Total Unallocated Benefits	-	7,004.00	7,004.00	5,251.80	1,752.20
Total Undistributed Expenditures	1,822,593.00	-	1,822,593.00	2,555,288.67	(732,695.67)
Total Current Expense	1,822,593.00	-	1,822,593.00	2,555,288.67	(732,695.67)
Total Expenditures	1,822,593.00	-	1,822,593.00	2,555,288.67	(732,695.67)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-		-	671,654.41	671,654.41
Fund Balance (Deficit) -- July 1, Before Cumulative Effects of Prior Period Adjustments	(1,100,957.00)		(1,100,957.00)	(1,100,957.00)	-
Cumulative Effects of Prior Period Adjustments (See Note 15)				65,440.65	(65,440.65)
Fund Balance (Deficit), July 1, As Adjusted for Cumulative Effects of Prior Period Adjustments	(1,100,957.00)	-	(1,100,957.00)	(1,035,516.35)	(65,440.65)
Fund Balances, June 30	\$ (1,100,957.00)	\$ -	\$ (1,100,957.00)	\$ (363,861.94)	\$ 606,213.76
Recapitulation:					
Unassigned Fund Balance				\$ (363,861.94)	
Reconciliation to Governmental Funds Statement (GAAP): Last State Aid Payment Not Recognized on GAAP Basis				70,533.00	
Fund Balance per Governmental Funds (GAAP)				\$ (434,394.94)	

HI-NELLA SCHOOL DISTRICT
Special Revenue Fund
Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable / (Unfavorable)
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$ 2,063.54	\$ -	\$ 2,063.54	\$ 2,063.54	\$ -
Total - Local Sources	<u>2,063.54</u>	<u>-</u>	<u>2,063.54</u>	<u>2,063.54</u>	<u>-</u>
Total Revenues	<u>2,063.54</u>	<u>-</u>	<u>2,063.54</u>	<u>2,063.54</u>	<u>-</u>
EXPENDITURES:					
Support Services:					
Other Purchased Services (400-500 series)	2,063.54		2,063.54	2,063.54	-
Total Support Services	<u>2,063.54</u>	<u>-</u>	<u>2,063.54</u>	<u>2,063.54</u>	<u>-</u>
Total Expenditures	<u>2,063.54</u>	<u>-</u>	<u>2,063.54</u>	<u>2,063.54</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HI-NELLA SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended June 30, 2017

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 3,226,943.08	\$ 2,063.54
Differences - Budget to GAAP:		
Proceeds from Advance State Aid Loan are recorded as revenue on the budgetary basis and as an other financing source in the governmental funds. Proceeds of Advance of State Aid Loan	(1,378,161.00)	
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33) received July 2016.	85,686.00	
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33) received July 2017.	<u>(70,533.00)</u>	<u> </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,863,935.08</u>	<u>\$ 2,063.54</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 2,555,288.67	\$ 2,063.54
Differences - Budget to GAAP: None	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 2,555,288.67</u>	<u>\$ 2,063.54</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

HI-NELLA SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	<u>Total</u>	<u>Safety Grant</u>
REVENUES:		
Local Sources	\$ 2,063.54	\$ 2,063.54
Total Revenues	<u>2,063.54</u>	<u>2,063.54</u>
EXPENDITURES:		
Support Services:		
Other Purchased Services (400-500 series)	<u>2,063.54</u>	<u>2,063.54</u>
Total Support Services	<u>2,063.54</u>	<u>2,063.54</u>
Total Expenditures	<u>2,063.54</u>	<u>2,063.54</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>

PROPRIETARY FUNDS

HI-NELLA SCHOOL DISTRICT
 Proprietary Fund
 Business-Type Activities - Enterprise Fund
 Statement of Net Position
 June 30, 2017

	<u>Shared Services Division</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 15,380.35</u>
Total Assets	<u>15,380.35</u>
NET POSITION:	
Unrestricted	<u>15,380.35</u>
Total Net Position	<u><u>\$ 15,380.35</u></u>

HI-NELLA SCHOOL DISTRICT
 Proprietary Fund
 Business-Type Activities - Enterprise Fund
 Statement of Revenues, Expenses and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2017

	Shared Services Division (Restated)
OPERATING REVENUES:	
Local Sources:	
None	\$ -
Total Operating Revenues	-
OPERATING EXPENSES:	
Business Office Expenses	460.74
Total Operating Expenses	460.74
Operating Income / (Loss)	(460.74)
NONOPERATING REVENUES:	
Interest and Investment Revenue	518.39
Total Nonoperating Revenues	518.39
Change in Net Position	57.65
Net Position (Deficit) -- July 1, Before Cumulative Effects of Prior Period Adjustments	(17,477.00)
Cumulative Effects of Prior Period Adjustments (See Note 15)	32,799.70
Net Position -- July 1, As Adjusted for Cumulative Effects of Prior Period Adjustments	15,322.70
Net Position -- June 30	\$ 15,380.35

HI-NELLA SCHOOL DISTRICT
Proprietary Fund
Business-Type Activities - Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	<u>Shared Services Division</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 170,764.45
Payments to Employees	(385,333.75)
Payments to Suppliers	<u>(460.74)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(215,030.04)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and Dividends	<u>518.39</u>
Net Cash Provided by (Used in) Investing Activities	<u>518.39</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(214,511.65)
Cash and Cash Equivalents -- July 1	<u>229,892.00</u>
Cash and Equivalents -- June 30	<u><u>\$ 15,380.35</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ (460.74)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable, net	170,764.45
(Increase) Decrease in Interfunds Receivable	358.00
Increase (Decrease) in Accounts Payable	(385,333.75)
Increase (Decrease) in Interfund Payable	<u>(358.00)</u>
Total Adjustments	<u>(214,569.30)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (215,030.04)</u></u>

FIDUCIARY FUNDS

HI-NELLA SCHOOL DISTRICT
 Fiduciary Funds
 Payroll Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 358.00</u>	<u>\$ -</u>	<u>\$ 358.00</u>	<u>\$ -</u>
Total Assets	<u><u>\$ 358.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 358.00</u></u>	<u><u>\$ -</u></u>
LIABILITIES:				
Interfund Accounts Payable:				
Due to Enterprise Fund	<u>\$ 358.00</u>	<u>\$ -</u>	<u>\$ 358.00</u>	<u>\$ -</u>
Total Liabilities	<u><u>\$ 358.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 358.00</u></u>	<u><u>\$ -</u></u>

STATISTICAL SECTION

Financial Trends Information

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

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

	For the Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Restricted							\$ 100,000.00	\$ 327,465.00	\$ 175,875.00	\$ 100,000.00
Unrestricted (Deficit)	\$ (1,731,555.94)	\$ (1,186,643.00)	\$ (886,703.00)	\$ (528,164.00)	\$ 14,622.00	\$ (32,223.00)	(51,764.00)	(50,669.00)	170,710.00	199,013.00
Total Governmental Activities Net Position	\$ (1,731,555.94)	\$ (1,186,643.00)	\$ (886,703.00)	\$ (528,164.00)	\$ 14,622.00	\$ (32,223.00)	\$ 48,236.00	\$ 276,796.00	\$ 346,585.00	\$ 299,013.00
Business-type Activities										
Net Investment in Capital Assets										
Unrestricted (Deficit)	15,380.35	\$ (17,477.00)	\$ 24,422.00							
Total Business-type Activities Net Position	\$ 15,380.35	\$ (17,477.00)	\$ 24,422.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government-wide										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000.00	\$ 327,465.00	\$ 175,875.00	\$ 100,000.00
Unrestricted (Deficit)	(1,716,175.59)	(1,204,120.00)	(862,281.00)	(528,164.00)	14,622.00	(32,223.00)	(51,764.00)	(50,669.00)	170,710.00	199,013.00
Total Government-wide Net Position	\$ (1,716,175.59)	\$ (1,204,120.00)	\$ (862,281.00)	\$ (528,164.00)	\$ 14,622.00	\$ (32,223.00)	\$ 48,236.00	\$ 276,796.00	\$ 346,585.00	\$ 299,013.00

Source: Comprehensive Annual Financial Report, Exhibit A-1.

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

	For the Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Support Services:										
Instruction/Tuition	\$ 2,258,365.19	\$ 1,729,685.00	\$ 1,871,064.00	\$ 2,179,361.00	\$ 1,260,005.00	\$ 1,098,098.00	\$ 1,176,248.00	\$ 1,214,137.00	\$ 1,123,084.00	\$ 1,380,100.00
Student & Instruction Related Services	6,512.14		3,030.00	4,393.00						
School Administrative Services				28,840.00	24,720.00	25,280.00				
General and Business Administrative Services	98,665.18	169,674.00	1,679.00	15,446.00	16,998.00	25,160.00	58,880.00	62,525.00	36,005.00	35,952.00
Plant Operations and Maintenance	5,175.64					103,155.00	159,000.00			
Pupil Transportation	102,382.26	85,762.00	138,140.00	97,107.00	81,070.00	117,217.00	91,452.00	103,081.00	86,904.00	79,424.00
Unallocated Employee Benefits	5,251.80									
Total Governmental Activities Expenses	<u>2,476,352.21</u>	<u>1,985,121.00</u>	<u>2,013,913.00</u>	<u>2,325,147.00</u>	<u>1,382,793.00</u>	<u>1,368,910.00</u>	<u>1,485,580.00</u>	<u>1,379,743.00</u>	<u>1,245,993.00</u>	<u>1,495,476.00</u>
Business-type Activities:										
Business-type Activities	460.74	3,312,110.00	4,433,338.00	1,011,514.00						
Total Business-type Activities Expenses	<u>460.74</u>	<u>3,312,110.00</u>	<u>4,433,338.00</u>	<u>1,011,514.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government-wide Expenses	<u>\$ 2,476,812.95</u>	<u>\$ 5,297,231.00</u>	<u>\$ 6,447,251.00</u>	<u>\$ 3,336,661.00</u>	<u>\$ 1,382,793.00</u>	<u>\$ 1,368,910.00</u>	<u>\$ 1,485,580.00</u>	<u>\$ 1,379,743.00</u>	<u>\$ 1,245,993.00</u>	<u>\$ 1,495,476.00</u>
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 2,063.54	\$ 2,040.00	\$ 3,030.00	\$ 35,283.00						
Total Governmental Activities Program Revenues	<u>2,063.54</u>	<u>2,040.00</u>	<u>3,030.00</u>	<u>35,283.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:										
Charges for services:										
Shared Services		3,265,186.00	4,457,076.00	1,136,467.00						
Total Business-type Activities Program Revenues	<u>-</u>	<u>3,265,186.00</u>	<u>4,457,076.00</u>	<u>1,136,467.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Government-wide Program Revenues	<u>\$ 2,063.54</u>	<u>\$ 3,267,226.00</u>	<u>\$ 4,460,106.00</u>	<u>\$ 1,171,750.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (2,474,288.67)	\$ (1,983,081.00)	\$ (2,010,883.00)	\$ (2,289,864.00)	\$ (1,382,793.00)	\$ (1,368,910.00)	\$ (1,485,580.00)	\$ (1,379,743.00)	\$ (1,245,993.00)	\$ (1,495,476.00)
Business-type Activities	(460.74)	(46,924.00)	23,738.00	124,953.00	-	-	-	-	-	-
Total Government-wide Net (Expense) Revenue	<u>\$ (2,474,749.41)</u>	<u>\$ (2,030,005.00)</u>	<u>\$ (1,987,145.00)</u>	<u>\$ (2,164,911.00)</u>	<u>\$ (1,382,793.00)</u>	<u>\$ (1,368,910.00)</u>	<u>\$ (1,485,580.00)</u>	<u>\$ (1,379,743.00)</u>	<u>\$ (1,245,993.00)</u>	<u>\$ (1,495,476.00)</u>

(Continued)

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

	For the Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property taxes levied for general purposes, net	\$ 956,172.00	\$ 809,884.00	\$ 780,000.00	\$ 772,421.00	\$ 571,678.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 713,642.00
Unrestricted grants and contributions	900,852.46	872,706.00	865,294.00	846,346.00	792,386.00	783,198.00	730,722.00	794,108.00	778,837.00	795,403.00
Interest earned		551.00	339.00							
Miscellaneous income	6,910.62		6,711.00	293.00	65,573.00	2,768.00	23,813.00	13,361.00	12,242.00	26,357.00
Transfers				128,018.00						
Total Governmental Activities	1,863,935.08	1,683,141.00	1,652,344.00	1,747,078.00	1,429,637.00	1,288,451.00	1,257,020.00	1,309,954.00	1,293,564.00	1,535,402.00
Business-type Activities										
Interest earned	518.39	5,025.00	684.00							
Transfers				(124,953.00)						
Total Business-type Activities	518.39	5,025.00	684.00	(124,953.00)	-	-	-	-	-	-
Total Government-wide	\$ 1,864,453.47	\$ 1,688,166.00	\$ 1,653,028.00	\$ 1,622,125.00	\$ 1,429,637.00	\$ 1,288,451.00	\$ 1,257,020.00	\$ 1,309,954.00	\$ 1,293,564.00	\$ 1,535,402.00
Change in Net Position										
Governmental Activities	\$ (610,353.59)	\$ (299,940.00)	\$ (358,539.00)	\$ (542,786.00)	\$ 46,844.00	\$ (80,459.00)	\$ (228,560.00)	\$ (69,789.00)	\$ 47,571.00	\$ 39,926.00
Business-type Activities	57.65	(41,899.00)	24,422.00	-	-	-	-	-	-	-
Total Government-wide	\$ (610,295.94)	\$ (341,839.00)	\$ (334,117.00)	\$ (542,786.00)	\$ 46,844.00	\$ (80,459.00)	\$ (228,560.00)	\$ (69,789.00)	\$ 47,571.00	\$ 39,926.00

Source: Comprehensive Annual Financial Report, Exhibit A-2.

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

	For the Fiscal Year Ended June 30,									
	<u>2017</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>
General Fund										
Restricted									\$ 7,410.00	
Assigned				\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 100,000.00	\$ 327,465.00	168,465.00	\$ 100,000.00
Unassigned (Deficit)	<u>\$ (434,394.94)</u>	<u>\$ (1,186,643.00)</u>	<u>\$ (886,703.00)</u>	<u>(548,164.00)</u>	<u>(5,378.00)</u>	<u>(52,223.00)</u>	<u>(51,764.00)</u>	<u>(50,669.00)</u>	<u>170,710.00</u>	<u>199,013.00</u>
Total General Fund	<u>\$ (434,394.94)</u>	<u>\$ (1,186,643.00)</u>	<u>\$ (886,703.00)</u>	<u>\$ (528,164.00)</u>	<u>\$ 14,622.00</u>	<u>\$ (32,223.00)</u>	<u>\$ 48,236.00</u>	<u>\$ 276,796.00</u>	<u>\$ 346,585.00</u>	<u>\$ 299,013.00</u>

Source: District Records

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

	For the Fiscal Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Tax Levy	\$ 956,172.00	\$ 809,884.00	\$ 780,000.00	\$ 772,421.00	\$ 571,678.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 502,485.00	\$ 713,642.00
Tuition Charges				35,283.00						
Interest Earnings		551.00	339.00							
Miscellaneous	6,910.62		6,711.00	293.00	65,573.00	2,768.00	23,813.00	13,361.00	12,242.00	26,357.00
State Sources	2,281,077.00	872,706.00	868,324.00	846,346.00	792,386.00	755,861.00	730,722.00	691,330.00	819,928.00	795,403.00
Federal Sources						27,337.00		102,778.00		
Total Revenue	3,244,159.62	1,683,141.00	1,655,374.00	1,654,343.00	1,429,637.00	1,288,451.00	1,257,020.00	1,309,954.00	1,334,655.00	1,535,402.00
Expenditures										
Support Services:										
Instruction/Tuition	2,258,365.19	1,729,685.00	1,871,064.00	2,179,361.00	1,260,004.00	1,098,098.00	1,176,248.00	1,214,137.00	1,123,084.00	1,380,100.00
Student & Instruction Related Services	6,512.14		3,030.00	4,393.00						
School Administrative Services				28,840.00	24,720.00	25,280.00				
General and Business Admin. Services	179,665.18	169,674.00	1,679.00	15,446.00	16,998.00	25,160.00	58,880.00	62,525.00	36,004.00	35,952.00
Pupil Transportation	102,382.26	83,722.00	138,140.00	97,107.00	81,070.00	117,217.00	91,452.00	103,081.00	86,904.00	79,424.00
Plant Operations and Maintenance	5,175.64					103,155.00	159,000.00			
Other Support Services	5,251.80									
Total Expenditures	2,557,352.21	1,983,081.00	2,013,913.00	2,325,147.00	1,382,792.00	1,368,910.00	1,485,580.00	1,379,743.00	1,245,992.00	1,495,476.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	686,807.41	(299,940.00)	(358,539.00)	(670,804.00)	46,845.00	(80,459.00)	(228,560.00)	(69,789.00)	88,663.00	39,926.00
Other Financing Sources (Uses)										
Transfers In				128,018.00						
Total Other Financing Sources (Uses)	-	-	-	128,018.00	-	-	-	-	-	-
Net Change in Fund Balances	\$ 686,807.41	\$ (299,940.00)	\$ (358,539.00)	\$ (542,786.00)	\$ 46,845.00	\$ (80,459.00)	\$ (228,560.00)	\$ (69,789.00)	\$ 88,663.00	\$ 39,926.00
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District Records

HI-NELLA SCHOOL DISTRICT
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
 Unaudited

	For the Fiscal Year Ended June 30,									
	<u>2017</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>
Interest on Investments	\$ 805.22	\$ 551.00	\$ 339.00	\$ 125.00	\$ 223.00	\$ 550.00	\$ 513.00	\$ 1,056.00	\$ 2,875.00	\$ 10,504.00
Prior Year Refunds				168.00			21,120.00	9,941.00	9,367.00	15,853.00
Prior Year Orders Cancelled					65,000.00					
Safety Grant						2,098.00	2,180.00	2,152.00		
Miscellaneous	<u>4,041.86</u>		<u>3,681.00</u>		<u>350.00</u>	<u>120.00</u>		<u>212.00</u>		
	<u>\$ 4,847.08</u>	<u>\$ 551.00</u>	<u>\$ 4,020.00</u>	<u>\$ 293.00</u>	<u>\$ 65,573.00</u>	<u>\$ 2,768.00</u>	<u>\$ 23,813.00</u>	<u>\$ 13,361.00</u>	<u>\$ 12,242.00</u>	<u>\$ 26,357.00</u>

Source: District Records.

Revenue Capacity Information

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

HI-NELLA SCHOOL DISTRICT
 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	Less: Tax-Exempt Property	Public Utilities (1)	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (2)
2017	\$ 135,800.00	\$ 18,952,400.00	\$ 154,100.00	\$ 15,300.00	\$ 3,324,200.00	\$ 355,800.00	\$ 15,498,000.00	\$ 38,435,600.00	\$ 5,247,900.00	\$ -	\$ 38,435,600.00	\$ 37,625,033.00	\$ 2.512
2016	135,800.00	18,952,400.00	154,100.00	15,300.00	3,324,200.00	355,800.00	15,498,000.00	38,435,600.00	5,247,900.00		38,435,600.00	38,497,650.00	2.249
2015	135,800.00	18,942,700.00	154,100.00	15,300.00	3,324,200.00	355,800.00	16,798,000.00	39,725,900.00	5,247,900.00		39,725,900.00	38,497,650.00	2.227
2014	135,800.00	18,942,700.00	154,100.00	15,300.00	3,324,200.00	355,800.00	16,798,000.00	39,725,900.00	5,247,900.00		39,725,900.00	38,490,074.00	1.964
2013	135,800.00	18,932,700.00	144,100.00	15,300.00	3,368,800.00	355,800.00	16,798,000.00	39,750,500.00	5,247,900.00	60,958.00	39,811,458.00	39,338,709.00	1.940
2012 (3)	135,800.00	18,953,600.00	144,100.00	15,300.00	3,368,800.00	355,800.00	16,798,000.00	39,771,400.00	5,247,900.00	69,350.00	39,840,750.00	43,634,122.00	1.348
2011	34,300.00	11,705,400.00	140,000.00	11,600.00	2,864,600.00		8,294,900.00	23,050,800.00	4,022,600.00	39,656.00	23,090,456.00	39,262,466.00	2.176
2010	34,300.00	11,705,400.00	140,000.00	11,600.00	4,913,200.00		6,104,900.00	22,909,400.00	4,022,600.00	53,688.00	22,963,088.00	35,710,517.00	2.188
2009	34,300.00	11,720,400.00	140,000.00	11,600.00	4,754,800.00		6,104,900.00	22,766,000.00	4,022,600.00	48,406.00	22,814,406.00	40,579,712.00	2.201
2008	34,300.00	11,718,400.00	140,000.00	11,600.00	4,754,800.00		6,104,900.00	22,764,000.00	4,022,600.00	42,363.00	22,806,363.00	42,653,806.00	2.666

(1) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

(2) Tax Rates are per \$100.00 of Assessed Valuation

(3) Reassessment

N/A At the time of CAFR completion, this data was not yet available

Source: Camden County Board of Taxation

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

Fiscal Year Ended June 30,	District Direct Rate			Overlapping Rates		
	Basic Rate (1)	General Obligation Debt Service (2)	Total Direct School Tax Rate	Borough of Hi-Nella	Camden County	Total Direct and Overlapping Tax Rate
2017	\$ 2.512	\$ -	\$ 2.512	\$ 1.346	\$ 0.806	\$ 4.664
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	(3) 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

(1) The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

(2) Rates for debt service are based on each year's requirements.

(3) Reassessment

Source: Municipal Tax Collector

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

<u>Taxpayer</u>	2017			2008		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Aion Fox Ridge LLC	\$ 11,712,600.00	1	30.47%			
The Village at Hi-Nella LLC	3,500,000.00	2	9.11%			
Cammarata Guisepe & Carol Ann & Fr	650,000.00	3	1.69%		Not Available	
Sterling Storage LLC	513,600.00	4	1.34%			
Sterling Storage LLC	441,100.00	5	1.15%			
Hi-Nella Borough	387,100.00	6	1.01%			
SRA Realty Holdings LLC	355,800.00	7	0.93%			
Rubinson, Victor M & Gail, Clifford	285,400.00	8	0.74%			
Leap-Up LLC	251,500.00	9	0.65%			
Jacob-Michaels LLC	225,800.00	10	0.59%			
Total	\$ 18,322,900.00		47.67%	\$ -		0.00%

Source: Municipal Tax Assessor and Abstract of Ratables

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

Fiscal Year Ended June 30,	General Purpose Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years
		Amount	Percentage of Levy	
2017	\$ 956,172.00	\$ 956,172.00	100%	\$ -
2016	809,884.00	809,884.00	100%	-
2015	780,000.00	780,000.00	100%	-
2014	772,421.00	772,050.00	100%	371.00
2013	571,678.00	571,678.00	100%	-
2012	502,485.00	502,485.00	100%	-
2011	502,485.00	502,485.00	100%	-
2010	502,485.00	502,485.00	100%	-
2009	502,485.00	502,485.00	100%	-
2008	713,642.00	713,642.00	100%	-

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

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

Debt Capacity Information

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

HI-NELLA SCHOOL DISTRICT
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 Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Unfunded Pension Liability	Capital Leases	Capital Leases				
2017						\$ -	N/A	N/A
2016		-				-	N/A	N/A
2015		-				-	0.000%	\$ 48,048
2014		-				-	0.000%	46,886
2013		-				-	0.000%	45,077
2012		-				-	0.000%	44,742
2011		-				-	0.000%	44,115
2010		-				-	0.000%	41,993
2009		-				-	0.000%	41,641
2008		-				-	0.000%	41,373

(1) District Records

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

(3) Per Capita personal income by municipality-estimated based upon the 2010/2000 Census published by the US Bureau of Economic Analysis.

N/A At the time of CAFR completion, this data was not yet available

HI-NELLA SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding (1)</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value of Property (2)</u>	<u>Per Capita (3)</u>
2017	\$ -	\$ -	\$ -	0.00%	0
2016	-	-	-	0.00%	0
2015	-	-	-	0.00%	0
2014	-	-	-	0.00%	0
2013	-	-	-	0.00%	0
2012	-	-	-	0.00%	0
2011	-	-	-	0.00%	0
2010	-	-	-	0.00%	0
2009	-	-	-	0.00%	0
2008	-	-	-	0.00%	0

Sources:

- (1) District Records
- (2) Net Assessed Valuation provided by Abstract of Ratables, County Board of Taxation
- (3) Per Capita calculation based upon population information provided by the NJ Dept. of Labor and Workforce Development

HI-NELLA SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2016
 Unaudited

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Statutory Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to Hi-Nella Borough</u>
Municipal Debt: (1)				
Borough of Hi-Nella School District				
Regional High School District				
Borough of Hi-Nella	\$ 256,500.00	\$ -	\$ 256,500.00	\$ 256,500.00
	<u>256,500.00</u>	<u>-</u>	<u>256,500.00</u>	<u>256,500.00</u>
Overlapping Debt Apportioned to the Municipality:				
County of Camden: (2)				
General:				
Bonds	38,880,000.00	5,227,853.00 (3)	33,652,147.00	33,478.87 (5)
Loan Agreement	366,005,773.00		366,005,773.00	364,121.21 (5)
Bonds Issued by Other Public Bodies Guaranteed by the County	<u>313,336,736.00</u>	<u>313,336,736.00 (4)</u>		
	<u>718,222,509.00</u>	<u>318,564,589.00</u>	<u>399,657,920.00</u>	<u>397,600.08</u>
	<u>\$ 718,479,009.00</u>	<u>\$ 318,564,589.00</u>	<u>\$ 399,914,420.00</u>	<u>\$ 654,100.08</u>

Sources:

- (1) Borough of Hi-Nella Annual Debt Statement - December 31, 2016.
- (2) Camden County Report of Audit - December 31, 2016.
- (3) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Pension Refunding Bonds.
- (4) Deductible in accordance with N.J.S. 40:37A-80.
- (5) Such Debt is allocated as a proportion of the Borough's share of the total 2016 Equalized Value, which is 0.0995%.
The source for this computation was the 2016 Table of Equalized Valuations, which is supplied by the New Jersey Division of Taxation.

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

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis (1)
	2016 \$ 37,175,355.00
	2015 34,908,524.00
	2014 <u>38,389,930.00</u>
	[A] \$ 110,473,809.00
Average equalized valuation of taxable property	[A/3] \$ 36,824,603.00
Debt limit (3% of average equalization value) (2)	[B] \$ 1,104,738.09
Total Net Debt Applicable to Limit	[C] <u>1,104,738.09</u>
Legal Debt Margin	[B-C] \$ <u>1,104,738.09</u>

	Fiscal Year Ended June 30,									
	<u>2017</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>
Debt limit	\$ 1,104,738.09	\$ 1,117,010.00	\$ 1,159,453.00	\$ 1,209,737.00	\$ 1,214,138.00	\$ 1,175,631.00	\$ 1,144,850.00	\$ 1,181,205.00	\$ 1,223,339.00	\$ 1,174,968.00
Total net debt applicable to limit (3)	<u>1,104,738.09</u>	<u>1,117,010.00</u>	<u>1,159,453.00</u>	<u>1,209,737.00</u>	<u>1,214,138.00</u>	<u>1,175,631.00</u>	<u>1,144,850.00</u>	<u>1,181,205.00</u>	<u>1,223,339.00</u>	<u>1,174,968.00</u>
Legal debt margin	<u>\$ 1,104,738.09</u>	<u>\$ 1,117,010.00</u>	<u>\$ 1,159,453.00</u>	<u>\$ 1,209,737.00</u>	<u>\$ 1,214,138.00</u>	<u>\$ 1,175,631.00</u>	<u>\$ 1,144,850.00</u>	<u>\$ 1,181,205.00</u>	<u>\$ 1,223,339.00</u>	<u>\$ 1,174,968.00</u>
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%

Sources:

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

Demographic and Economic Information

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

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

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2017	N/A	N/A	N/A	N/A
2016	866	N/A	N/A	4.90%
2015	860	\$ 41,321,280.00	\$ 48,048.00	11.10%
2014	860	40,321,960.00	46,886.00	11.00%
2013	863	38,901,451.00	45,077.00	4.60%
2012	867	38,791,314.00	44,742.00	18.30%
2011	868	38,291,820.00	44,115.00	18.40%
2010	869	36,491,917.00	41,993.00	17.60%
2009	1,000	41,641,000.00	41,641.00	11.60%
2008	1,000	41,373,000.00	41,373.00	8.90%

Sources:

- (1) Population information provided by the NJ Dept. of Labor and Workforce Development
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (3) Per Capita personal income by municipality-estimated based upon the 2010/2000 Census published by the US Bureau of Economic Analysis.
- (4) Unemployment data provided by the NJ Dept. of Labor and Workforce Development

HI-NELLA SCHOOL DISTRICT
Principal Employers in Camden County
Current Year and Nine Years Ago
Unaudited

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Cooper University Health System	7,000	1	N/A	3,000	2	N/A
American Water Works	2,000	2	N/A			
Bancroft Brain Injury Services	2,000	3	N/A	1,600	5	N/A
Virtua Health System	2,000	4	N/A	3,024	1	N/A
Campbell Soup Company	2,000	5	N/A	1,400	6	N/A
NJ Protocall, Inc	2,000	6	N/A			
Kennedy Hospital	1,700	7	N/A	2,282	4	N/A
Our Lady of Lourdes Health System	1,600	8	N/A	2,451	3	N/A
Diocese of Camden	1,250	9	N/A			
Global Aluminum (USA)	1,000	10	N/A			
T.D.Bank, N.A.				1,364	7	N/A
Aluminum Shapes				1,300	8	N/A
L-3 Communication Systems - East				1,111	9	N/A
Baxter Healthcare				1,000	10	N/A
	<u>22,550</u>			<u>18,532</u>		

Source: The County of Camden
Philadelphia Business Journal, Book of Lists

Operating Information

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

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

<u>Function/Program</u>	For the Fiscal Year Ended June 30,									
	<u>2017</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>

Not applicable, as the Hi-Nella School District did not employ any individuals for the last ten years.

Source: District Personnel Records

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

<u>Fiscal Year</u>	<u>District Enrollment</u>	<u>Operating Expenditures (1)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (2)</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE) (3)</u>	<u>Average Daily Attendance (ADA) (3)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2017	136	\$ 2,557,352.21	\$ 18,804.06	33.56%	0	N/A	N/A	N/A	N/A	N/A
2016	141	1,985,121.00	14,078.87	-18.91%	0	N/A	N/A	N/A	N/A	N/A
2015	116	2,013,913.00	17,361.32	-17.87%	0	N/A	N/A	N/A	N/A	N/A
2014	110	2,325,147.00	21,137.70	98.72%	0	N/A	N/A	N/A	N/A	N/A
2013	130	1,382,792.00	10,636.86	-13.75%	0	N/A	N/A	N/A	N/A	N/A
2012	111	1,368,910.00	12,332.52	-19.48%	0	N/A	N/A	N/A	N/A	N/A
2011	97	1,485,580.00	15,315.26	11.00%	0	N/A	N/A	N/A	N/A	N/A
2010	100	1,379,743.00	13,797.43	1.88%	0	N/A	N/A	N/A	N/A	N/A
2009	92	1,245,992.00	13,543.39	-4.00%	0	N/A	N/A	N/A	N/A	N/A
2008	106	1,495,476.00	14,108.26	17.63%	0	N/A	N/A	N/A	N/A	N/A

N/A At the time of CAFR completion, this data was not yet available

Sources: District records

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

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

For the Fiscal Year Ended June 30,

2017 2016 2015 2014 2013 2012 2011 2010 2009 2008

District Building

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

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

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

	For the Fiscal Year Ended June 30,									
<u>* School Facilities</u>	<u>2017</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>

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

HI-NELLA SCHOOL DISTRICT

Insurance Schedule

June 30, 2017

Unaudited

	<u>Coverage</u>	<u>Deductible</u>
NJSBAIG		
School Package Policy		
Comprehensive General Liability	\$ 6,000,000.00	\$ 1,000.00
Automobile Liability	6,000,000.00	
School Leaders Errors & Omissions Liability	1,000,000.00	5,000.00
Workers Compensation	Statutory	
Secretary and Treasurer Bond	200,000.00	
Federal Insurance Company		
Supplemental Workers Compensation	Statutory	

Source: District records

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

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 State Program

We were engaged to audit the Borough of Hi-Nella School District's, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the School District's major state program for the fiscal year ended June 30, 2017. The School District's major state program is identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

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

Basis for Qualified Opinion on State Aid - Public

As described in the accompanying *Schedule of Findings and Questioned Costs* and in the *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, did not comply with requirements regarding State Aid – Public (GMIS No.'s 495-034-5120-078 Equalization Aid, 495-034-5120-089 Special Education Categorical Aid, 495-034-5120-096 Under Adequacy Aid, 495-034-5120-084 Security Aid, 495-034-5120-098 PARCC Readiness Aid, 495-034-5120-097 Per Pupil Growth Aid, 495-034-5120-101 Professional Learning Community Aid) as described in finding number 2017-001 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, to comply with the requirements applicable to that program.

Qualified Opinion on State Aid – Public

In our opinion, except for the noncompliance described in the “*Basis for Qualified Opinion*” paragraph, the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on State Aid – Public for the fiscal year ended June 30, 2017.

Other Matters

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

Report on Internal Control Over Compliance

Management of the Borough of Hi-Nella School District, in the County of Camden, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

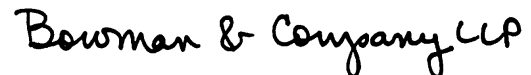
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* and *Independent Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* as finding no. 2017-001 to be a material weakness.


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

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 State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants & Consultants



Carol A. McAllister
Certified Public Accountant
Public School Accountant No. CS 238400

Voorhees, New Jersey
December 1, 2017

HI-NELLA SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance
 For the Fiscal Year Ended June 30, 2017

State Grantor / Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From - To	Balance, June 30, 2016	
				Unearned Revenue/ (Accounts Receivable)	Due to Grantor
General Fund:					
New Jersey Department of Education:					
Current Expense:					
State Aid - Public Cluster:					
Equalization Aid	17-495-034-5120-078	\$ 683,664.00	7/1/16 - 6/30/17		
Security Aid	17-495-034-5120-084	24,574.00	7/1/16 - 6/30/17		
Special Education Categorical Aid	17-495-034-5120-089	59,002.00	7/1/16 - 6/30/17		
Under Adequacy Aid	17-495-034-5120-096	58,093.00	7/1/16 - 6/30/17		
Per Pupil Growth Aid	17-495-034-5120-097	1,170.00	7/1/16 - 6/30/17		
PARCC Readiness Aid	17-495-034-5120-098	1,170.00	7/1/16 - 6/30/17		
Professional Learning Community Aid	17-495-034-5120-101	1,430.00	7/1/16 - 6/30/17		
Equalization Aid	16-495-034-5120-078	678,269.00	7/1/15 - 6/30/16	\$ (67,825.00)	
Security Aid	16-495-034-5120-084	23,730.00	7/1/15 - 6/30/16	(2,373.00)	
Special Education Categorical Aid	16-495-034-5120-089	56,918.00	7/1/15 - 6/30/16	(5,692.00)	
Under Adequacy Aid	16-495-034-5120-096	58,093.00	7/1/15 - 6/30/16	(5,809.00)	
Per Pupil Growth Aid	16-495-034-5120-097	1,170.00	7/1/15 - 6/30/16	(117.00)	
PARCC Readiness Aid	16-495-034-5120-098	1,170.00	7/1/15 - 6/30/16	(117.00)	
Total State Aid - Public Cluster				(81,933.00)	\$ -
Transportation Aid:					
Categorical Transportation Aid	17-495-034-5120-014	37,318.00	7/1/16 - 6/30/17		
Categorical Transportation Aid	16-495-034-5120-014	37,528.00	7/1/15 - 6/30/16	(3,753.00)	
Total Transportation Aid				(3,753.00)	-
Extraordinary Special Education Aid:					
Extraordinary Special Education Aid	17-100-034-5120-473	21,342.00	7/1/16 - 6/30/17		
Extraordinary Special Education Aid	16-100-034-5120-473	15,828.00	7/1/15 - 6/30/16	(15,828.00)	
Total Extraordinary Special Education Aid				(15,828.00)	-
Total General Fund				(101,514.00)	-
Total State Financial Assistance subject to Major Program Determination for State Single Audit				(101,514.00)	-
Total State Financial Assistance				\$ (101,514.00)	\$ -

The accompanying Notes to Financial Statements and Notes to Schedule of Expenditures of State Financial Assistance are an integral part of this schedule.

Adjustments	Cash Received	Budgetary Expenditures	Passed-Through to Subrecipients	Repayment of Prior Years' Balances	Balance, June 30, 2017			Memo	
					(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable June 30, 2017	Cumulative Total Expenditures
	\$ 631,406.70	\$ (683,664.00)			\$ (52,257.30)			\$ 52,257.30	\$ 683,664.00
	22,116.00	(24,574.00)			(2,458.00)			2,458.00	24,574.00
	53,101.80	(59,002.00)			(5,900.20)			5,900.20	59,002.00
	52,283.70	(58,093.00)			(5,809.30)			5,809.30	58,093.00
	1,053.00	(1,170.00)			(117.00)			117.00	1,170.00
	1,053.00	(1,170.00)			(117.00)			117.00	1,170.00
	1,287.00	(1,430.00)			(143.00)			143.00	1,430.00
	67,825.00								678,269.00
	2,373.00								23,730.00
	5,692.00								56,918.00
	5,809.00								58,093.00
	117.00								1,170.00
	117.00								1,170.00
\$ -	844,234.20	(829,103.00)	\$ -	\$ -	(66,801.80)	\$ -	\$ -	66,801.80	1,648,453.00
	33,586.20	(37,318.00)			(3,731.80)			3,731.80	37,318.00
	3,753.00								37,528.00
-	37,339.20	(37,318.00)	-	-	(3,731.80)	-	-	3,731.80	74,846.00
	15,828.00	(21,342.00)			(21,342.00)				21,342.00
	15,828.00	(21,342.00)			(21,342.00)				15,828.00
-	15,828.00	(21,342.00)	-	-	(21,342.00)	-	-	-	37,170.00
-	897,401.40	(887,763.00)	-	-	(91,875.60)	-	-	70,533.60	1,760,469.00
-	897,401.40	(887,763.00)	-	-	(91,875.60)	-	-	70,533.60	1,760,469.00
\$ -	\$ 897,401.40	\$ (887,763.00)	\$ -	\$ -	\$ (91,875.60)	\$ -	\$ -	\$ 70,533.60	\$ 1,760,469.00

BOROUGH OF HI-NELLA SCHOOL DISTRICT
Notes to Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance ("the schedule") includes state award activity of the Borough of Hi-Nella School District (hereafter referred to as the "School District"). The School District is defined in note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies, are included on the schedule. Because this schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in operations of the School District.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule is presented using the budgetary basis of accounting. This basis of accounting is described in note 1 to the School District's basic financial statements. Such expenditures are recognized following the cost principles contained in State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

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 schedule 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.

There is no net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis for the general fund. See exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general fund.

Awards and financial assistance expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>State</u>
General Fund	<u>\$ 887,763.00</u>

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 5: MAJOR PROGRAMS

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

HI-NELLA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Modified _____

Internal control over financial reporting:

 Material weakness(es) identified? X yes no

 Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Not Applicable

Internal control over major programs:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? yes no

Identification of major programs:

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

Dollar threshold used to determine Type A programs _____ \$

Auditee qualified as low-risk auditee? yes no

HI-NELLA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

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

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? X yes no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>17-495-034-5120-078</u>	<u>State Aid - Public Cluster: Equalization Aid</u>
<u>17-495-034-5120-084</u>	<u>Security Aid</u>
<u>17-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>17-495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>

Dollar threshold used to determine Type A programs \$ 750,000.00

Auditee qualified as low-risk auditee? yes X no

HI-NELLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section 2- Schedule of Financial Statement Findings

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

See Finding 2017-001 in Section 4- Schedule of State Financial Assistance Findings and Questioned Costs.

HI-NELLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Not Applicable.

HI-NELLA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2017

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

Finding No. 2017-001 (Prior Year Finding No. 2016-003)

Information on the State Program

New Jersey Department of Education, grant period 7/1/2016 – 6/30/2017:

State Aid – Public:	
Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089
Under Adequacy Aid	495-034-5120-096
Security Aid	495-034-5120-084
PARCC Readiness	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-097
Professional Learning Community Aid	495-034-5120-101

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, 2017, three general fund budgetary line items were over-expended, thus contributing to an overall general fund unassigned fund balance deficit.

Questioned Costs

None identified.

Context

Three general fund budgetary line items were over-expended by a total of \$700,274.02. In addition, expenditures exceeded the total authorized fiscal year budget appropriations by \$732,695.67, thus contributing to an overall general fund unassigned fund balance budgetary deficit of \$363,861.94.

Effect

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

Cause

The School District did not realize sufficient revenues to fund fiscal year obligations.

Recommendation

The Board of Education should consult with the New Jersey Department of Education, along with the appointed state monitor, to develop a formal corrective action plan that seeks to adequately fund future operating budgets and eliminate the current budget basis deficit in the amount of \$363,861.94.

View of Responsible Officials and Planned Corrective Action

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

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

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2016-001

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.

Current Status

This finding has been resolved.

Finding No. 2016-002

Condition

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

Current Status

This finding has been resolved.

FEDERAL AWARDS

Not applicable.

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

STATE FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2016-003

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

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.

Current Status

This finding remains unresolved. See finding 2017-001.

Planned Corrective Action

The Board of Education is working with the New Jersey Department of Education, along with the appointed state monitor, to develop a formal corrective action plan that seeks to adequately fund future operating budgets and eliminate the current budget basis deficit in the amount of \$434,394.94.

