

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**

Hi-Nella, New Jersey  
County of Camden

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF THE**  
**HI-NELLABOROUGH PUBLIC SCHOOL DISTRICT**  
**HI-NELLA, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Prepared by**

**Hi-Nella Borough School District  
Business Office**



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**INTRODUCTORY SECTION**

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

**Debra R Trasatti**  
Business Administrator/Board Secretary

January 27, 2021

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, 2020. 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 and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections:

- Introductory 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 the Single Audit Amendments of 1996 and the 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, *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.

One Elected member serves on the Board of Education 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 and account groups 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, 2020 was 109 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 2019-20 budget, again, ended with actual expenditures exceeding revenue. For the fifth year, the District requested that the state provided a state aid advance to cover the difference. At June 30, 2020, the School District is in a deficit position of \$3,341,771, 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 federal and 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 federal and 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 approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital 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 reservations 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 Holt McNally & Associates, Inc. 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 the Single Audit Act Amendments of 1996; 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, *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.

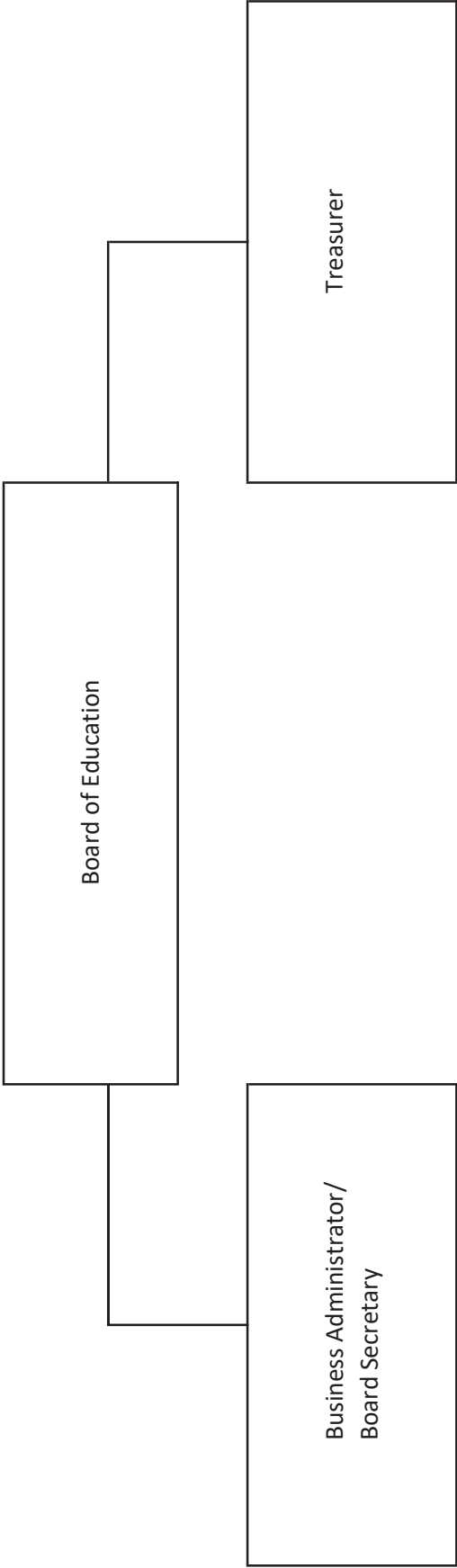
Respectfully submitted,

A handwritten signature in cursive script that reads "Debra R. Trasatti".

Debra R Trasatti  
Business Administrator/Board Secretary

HI-NELL BOARD OF EDUCATION

Organizational Chart



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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**  
111 Warwick Road  
Hi-Nella, New Jersey 08083

**ROSTER OF OFFICIALS**

**6/30/2020**

**MEMBERS OF THE BOARD OF EDUCATION**

**TERM EXPIRES**

Vacant

**OTHER OFFICIALS**

Debra Trasatti, School Business Administrator/Board Secretary

Michael Azzara, State Monitor

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
HI-NELLA, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Michael Holt, CPA, PSA  
Holt McNally & Associates, Inc.  
618 Stokes Road  
Medford, New Jersey 08055

**ATTORNEY**

Susan Hodges, Esq.  
Parker McCay P.A  
9000 Midlantic Drive, Suite 300  
Mount Laurel, New Jersey 08054

**OFFICIAL DEPOSITORY**

First Colonial  
1040 Haddon Avenue  
Collingswood, New Jersey 08108

**FINANCIAL ADVISOR**

Capital Financial Advisors, Inc.  
Robbi Acampora  
8000 Midlantic Drive, Suite 110S  
Mt. Laurel, New Jersey 08054

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Borough of Hi-Nella School District, County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

618 Stokes Road, Medford, NJ 08055

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Borough of Hi-Nella School District, County of Camden, State of New Jersey, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in note 19 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 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also not a required part of the basic financial statements.



The accompanying combining statements and related major fund supporting statements and schedules, and the schedules of expenditures of federal awards and 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 other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of the 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLT MCNALLY & ASSOCIATES, INC.

Michael Holt, CPA, PSA  
Certified Public Accountant  
Public School Accountant, No. 1148

Medford, New Jersey  
January 27, 2021

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

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**Hi-Nella School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(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, 2020. 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 \$3,341,771, which results in a deficit unrestricted net position.
- Governmental activities have a deficit unrestricted net position of \$3,341,771. 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 \$458,456.
- Fund balance of the School District's governmental funds decreased by \$70,080 resulting in an ending fund balance of \$207,404.
- The School District's long-term obligations increased by \$388,376, 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, 2020  
(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.

**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.

**Hi-Nella School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited) (Cont'd)**

**Notes to the Basic Financial Statements**

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

**Other Information**

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

**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 2021. Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal year 2021. In total, liabilities increased by \$961,055. The increase was largely attributable to the Advance State Aid Loan of \$750,000 received in 2019-20.

The liabilities of the government activities exceeded assets by \$3,341,771 with an unrestricted deficit balance of \$3,341,771. 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  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited) (Cont'd)**

Table 1 provides a summary of the School Districts net position for the fiscal year 2020 compared to fiscal year 2019.

**Table 1  
Summary of Net Position**

	June 30, <u>2020</u>	June 30, <u>2019</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Total Assets	\$ 915,967	\$ 413,368	\$ 502,599	121.6%
Current and other Liabilities	708,563	497,505	211,058	42.4%
Noncurrent Liabilities	3,549,175	2,799,178	749,997	26.8%
Total Liabilities	4,257,738	3,296,683	961,055	29.2%
Net Position:				
Restricted	-	273,851	(273,851)	-
Unrestricted (Deficit)	(3,341,771)	(3,157,166)	(184,605)	5.8%
Total Net Position	\$ (3,341,771)	\$ (2,883,315)	\$ (458,456)	15.9%

**Hi-Nella School District  
Comparative Summary of Changes in Net Position  
For the Fiscal Years Ended June 30, 2019 and 2020**

During fiscal year 2020, total revenues increased by \$285,222. The increase is largely attributed to increase in state aid and property taxes. Property taxes increased \$102,873 as the School District raised the property tax levy to the "CAP" limit in 2019-20. State aid increase \$139,270.

During fiscal year 2020, total expenses increased \$337,277, attributable to the increase in tuition.



**Hi-Nella School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited) (Cont'd)**

Table 2 provides a summary of the School Districts changes in net position for the fiscal year 2020 compared to fiscal year 2019.

**Table 2  
Summary of Changes in Net Position**

	June 30, <u>2020</u>	June 30, <u>2019</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b>Revenues:</b>				
Program Revenues:				
Operating Grants & Contributions	\$ 42,097	\$ 2,252	\$ 39,845	1769.3%
General Revenues:				
Property Taxes	1,104,488	1,001,615	102,873	10.3%
Federal & State Aid	1,205,103	1,065,833	139,270	13.1%
Other General Revenues	5,764	2,530	3,234	127.8%
Total Revenues	<u>2,357,452</u>	<u>2,072,230</u>	<u>285,222</u>	<u>13.8%</u>
<b>Function/Program Expenditures:</b>				
Regular Instruction	2,592	-	2,592	100.0%
Tuition	2,652,469	2,275,854	376,615	16.5%
Related Services	1,400	9,639	(8,239)	-85.5%
General Administrative	50,883	46,607	4,276	9.2%
Plant Operations & Maintenance	5,174	5,161	13	0.3%
Pupil Transportation	102,191	141,370	(39,179)	-27.7%
Unallocated Benefits	1,199	-	1,199	100.0%
Total Expenditures	<u>2,815,908</u>	<u>2,478,631</u>	<u>337,277</u>	<u>13.6%</u>
Change In Net Position	(458,456)	(406,401)	(52,055)	12.8%
Net Position - Beginning	<u>(2,883,315)</u>	<u>(2,476,914)</u>	<u>(406,401)</u>	<u>16.4%</u>
Net Position - Ending	<u>\$ (3,341,771)</u>	<u>\$ (2,883,315)</u>	<u>\$ (458,456)</u>	<u>15.9%</u>

**Financial Analysis of the Governmental Funds**

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$207,404, a decrease of \$70,080 in comparison with the prior year.

The unassigned fund balance of \$(105,089) 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 14 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 unrestricted fund balance.

**Hi-Nella School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited) (Cont'd)**

The special revenue fund reflects a \$0 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 \$(22,284) while total fund balance (budgetary basis) was \$290,209. 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 \$3,135,435.

Budget modifications during fiscal year 2020, consisted of budgetary line item transfers approved by the Board of Education or the appointed state monitor. The final budgetary basis revenue estimate was \$2,905,531, which was the same as the original adopted budget. The Advance State Aid Loan was recognized as revenue during the year in the amount of \$70,0005 and the School District received a payment of \$22,487 in extraordinary state aid contributing to the favorable variance in revenue.

The final budgetary basis expenditure appropriation was \$2,905,531, which represents no chane from the original adopted budget. The final actual expenditures exceeded final budget estimate incurred by \$229,904 largely due to increased tuition and loan repayment cost.

**Capital Asset and Debt Administration**

The School District's does not own capital assets for its governmental as of June 30, 2020,

**Long-term debt** – As of fiscal year ended June 30, 2020, the School District had total advance on state aid loan outstanding of \$3,549,175.

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 2020, the School District was not able to sustain its budget through property taxes and state aid. The 2020-21 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 2020-21 budget.

The results of the 2019-20 school year continued to demonstrate the financial difficulties experienced by the School District and resulted in an increased deficit. During 2019-20, the School District received an Advanced State Aid Loan for \$750,000, which will be paid back through a reduction of the State Aid payments in equal amounts over the next ten years.

**Hi-Nella School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
(Unaudited) (Cont'd)**

**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. Debra Trasatti, Business Administrator at Hi-Nella Board of Education, 111 Warwick Road, Stratford, New Jersey 08084 or by phone at 856-784-2917.

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**BASIC FINANCIAL STATEMENTS**

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A. Government-Wide Financial Statements

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

ASSETS	GOVERNMENTAL ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 66,324	\$ 66,324
Receivables, Net (Note 4)	849,643	849,643
	<hr/>	<hr/>
Total Assets	915,967	915,967
	<hr/>	<hr/>
LIABILITIES		
Accounts Payable	707,413	707,413
Unearned Revenue	1,150	1,150
Noncurrent Liabilities (Note 6):		
Due Within One Year	436,624	436,624
Due Beyond One Year	3,112,551	3,112,551
	<hr/>	<hr/>
Total Liabilities	4,257,738	4,257,738
	<hr/>	<hr/>
NET POSITION		
Unrestricted (Deficit)	<hr/> (3,341,771)	<hr/> (3,341,771)
	<hr/>	<hr/>
Total Net Position	<u>\$ (3,341,771)</u>	<u>\$ (3,341,771)</u>

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

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET	TOTAL
	EXPENSES	CHARGES FOR SERVICES		
Governmental Activities:				
Instruction:				
Regular	\$ 2,592	\$ -	\$ (2,592)	\$ (2,592)
Support Services & Undistributed Costs:				
Tuition	2,652,469	-	42,097	(2,610,372)
Student & Instruction Related Services	1,400	-	(1,400)	(1,400)
General & Business Administrative Services	50,883	-	(50,883)	(50,883)
Plant Operations & Maintenance	5,174	-	(5,174)	(5,174)
Pupil Transportation	102,191	-	(102,191)	(102,191)
Unallocated Benefits	1,199	-	(1,199)	(1,199)
Total Governmental Activities	2,815,908	-	42,097	(2,773,811)
Total Primary Government	2,815,908	-	42,097	(2,773,811)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			1,104,488	1,104,488
Federal & State Aid Not Restricted			1,205,103	1,205,103
Miscellaneous Income			5,764	5,764
Total General Revenues & Transfers			2,315,355	2,315,355
Change In Net Position			(458,456)	(458,456)
Net Position - Beginning			(2,883,315)	(2,883,315)
Net Position - Ending			(3,341,771)	(3,341,771)

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

## B. Fund Financial Statements

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## Governmental Funds

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2020**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
<b>Assets:</b>			
Cash & Cash Equivalents	\$ 66,324	\$ -	\$ 66,324
<b>Receivables:</b>			
State	772,487	-	772,487
Other	77,156	-	77,156
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 915,967	\$ -	\$ 915,967
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities &amp; Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 613,583	\$ -	\$ 613,583
Other Current Liabilities	93,830	-	93,830
Unearned Revenue	1,150	-	1,150
	<hr/>	<hr/>	<hr/>
Total Liabilities	708,563	-	708,563
	<hr/>	<hr/>	<hr/>
<b>Fund Balances:</b>			
<b>Assigned to:</b>			
Designated for Subsequent Year's Expenditures	312,493	-	312,493
<b>Unassigned Fund Balance:</b>			
General Fund	(105,089)	-	(105,089)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	207,404	-	207,404
	<hr/>	<hr/>	<hr/>
Total Liabilities & Fund Balances	\$ 915,967	\$ -	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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>(3,549,175)</u>
Net position of Governmental Activities	<u>\$ (3,341,771)</u>

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

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2020**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
Revenues:			
Local Sources:			
Local Tax Levy	\$ 1,104,488	\$ -	\$ 1,104,488
Miscellaneous	5,764	-	5,764
	<hr/>		
Total Local Sources	1,110,252	-	1,110,252
	<hr/>		
State Sources	1,205,103	-	1,205,103
Federal Sources	-	42,097	42,097
	<hr/>		
Total Revenues	2,315,355	42,097	2,357,452
	<hr/>		
Expenditures:			
Current:			
Regular Instruction	2,592	-	2,592
Support Services & Undistributed Costs:			
Tuition	2,610,372	42,097	2,652,469
Student & Instruction Related Services	1,400	-	1,400
General & Business Administrative Services	412,507	-	412,507
Plant Operations & Maintenance	5,174	-	5,174
Pupil Transportation	102,191	-	102,191
Unallocated Benefits	1,199	-	1,199
	<hr/>		
Total Expenditures	3,135,435	42,097	3,177,532
	<hr/>		
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	(820,080)	-	(820,080)
	<hr/>		
Other Financing Sources/(Uses):			
Advance of State Aid Loan	750,000	-	750,000
	<hr/>		
Total Other Financing Sources & Uses	750,000	-	750,000
	<hr/>		
Net Change in Fund Balances	(70,080)	-	(70,080)
Fund Balance - July 1	277,484	-	277,484
	<hr/>		
Fund Balance - June 30	\$ 207,404	\$ -	\$ 207,404
	<hr/> <hr/>		

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



**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	<u>\$ (70,080)</u>
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Repayment of long-term debt principal and obligation of lease purchase agreements are 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.	361,624
Proceeds from debt issues are a financing source in the governmental funds. They are not in the revenues in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.	
Proceeds of Long-Term Debt	<u>(750,000)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (458,456)</u></u>

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

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Proprietary Funds  
Not Applicable

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Fiduciary Fund  
Not Applicable

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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**HI-NELLA BOROUGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED June 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Board of Education of Hi-Nella Borough School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).The following is a summary of more significant accounting policies.

**Reporting Entity**

The Township of Hi-Nella School District (hereafter referred to as the “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 is comprised of one member elected to three-year terms. The purpose of the District is to educate students in grades kindergarten through eighth grade at its two schools. The District has an approximate enrollment at June 30, 2020 of 109 students. Students in grades Kindergarten to Eighth are sent to Stratford School District, grades Nine through Twelve are sent to Sterling High School.

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

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

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

**Component Units**

GASB Statement No.14. The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34, and GASB 80, Blending Requirements for certain component units – and Amendment of Gas Statement No. 14. The District had no component units as of or for the year ended June 30, 2020.

**Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**HI-NELLA BOROUGH SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020 (continued)**

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

**Government-Wide Financial Statements**

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

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

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

**Governmental Fund Financial Statements**

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

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

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

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

received by the School District. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the School District and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The School District funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The District reports the following major governmental funds:

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

As required by the New Jersey Department of Education the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

**Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the District eliminated the April annual voter referendum on budgets

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

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

which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary 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 accounts as presented in the General Fund Budgetary Comparison Schedules and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

**Encumbrances**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

**Cash and Cash Equivalents**

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

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

accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

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

*N.J.S.A.17:9-41* et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**Tuition Payable/Receivable**

Tuition rates for the fiscal year end June 30, 2020 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

**Interfund Receivables/Payables**

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

**Capital Assets**

The School District does not possess any capital assets.

**Accrued Liabilities and Long-Term Obligations**

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

**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 assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

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

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

**Fund Balance**

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

- Non-spendable – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2020.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

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

**Net Position**

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

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

**Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements**

The following GASB Statements became effective for the fiscal year ended June 30, 2020:

Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**Note 2. Cash Deposits and Investments**

**Cash Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2020, the District’s bank balance of \$257,177 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$	257,177
Uninsured and Uncollateralized		-
		-
	\$	257,177

**Investments**

The School District had no investments at June 30, 2020.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

**Note 3. Reserve Accounts**

**Repayment Reserved from Advance Payment of State Aid**

New Jersey Statutes Title 18a, Education 18A: 7A-56 states the following:

- a. The Commissioner of Education shall recommend to the State Treasurer whether an advance State aid payment should be made to a school district for which a State monitor has been appointed. The commissioner's recommendation shall be based on whether the payment is necessary to ensure the provision of a thorough and efficient education. An advance State aid payment shall be recorded by the school district as revenue for budget purposes in the school year in which the advance State aid payment is provided.
- b. The advance State aid payment shall be repaid by the school district through automatic reductions in the State aid provided to the school district in subsequent years. The term of the repayment shall not exceed 10 years, but may be for a shorter term as determined by the State Treasurer. At any time during the term of the repayment the State Treasurer, in consultation with the Commissioner of Education, may determine to impose interest on the unpaid balance ; except that interest shall not be imposed in the case of a school district for which a State monitor is appointed within 90 days of the effective date of this act. The commissioner shall transfer the amount of the reduction in State aid to the account established pursuant to section 5 of this act.
- c. In any year in which the school district's undesignated general fund balance is greater than 1.5% of general fund expenditures, the amount which exceeds 1.5% shall be an additional amount applied to the following year's repayment of the advance State aid payment and the school district's State aid shall be reduced by this additional amount in that following year.

The excess over the 1.5% was equal to \$0 as of June 30, 2020.



**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

**Note 4. Accounts Receivable**

Accounts receivable at June 30, 2020 consisted of accounts and intergovernmental grants. All state and federal receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

Description	Governmental Funds		Total Governmental Activities
	General Fund	Special Revenue Fund	
State Awards	\$ 772,487	\$ -	\$ 772,487
Other	77,156	-	77,156
<b>Total</b>	<b>\$ 849,643</b>	<b>\$ -</b>	<b>\$ 849,643</b>

**Note 5. Long-Term Obligations**

During the fiscal year-ended June 30, 2020 the following changes occurred in long-term obligations:

	Balance <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2020</u>	Balance Due <u>Within One Year</u>
Governmental Activities:					
Advancement of State Aid Loan	\$ 3,160,799.00	\$ 750,000.00	\$ 361,624.00	\$ 3,549,175.00	\$ 436,624.00
	<u>\$ 3,160,799.00</u>	<u>\$ 750,000.00</u>	<u>\$ 361,624.00</u>	<u>\$ 3,549,175.00</u>	<u>\$ 436,624.00</u>

Advance of State Aid Loan – This advance was approved by the State of NJ in accordance with the provisions of NJSA 18A:7a-55. (See Note 3)

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

**Note 6. Risk Management**

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

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

**Joint Insurance Fund** – The District is a member of the New Jersey School Boards Association Insurance Group. The Fund provides members with the following Coverage:

Workers Compensation including Employers Liability  
Comprehensive General Liability Property  
Automobile Liability  
Blanket Crime including Public Employee Dishonesty  
Property Including Boiler and Machinery  
Public Officials and Employment Practices Liability  
Volunteer Directors AAND Officers Liability  
Cyber Liability

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

For information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended June 30, 2019 which can be obtained from

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

**Note 7. Related Party Transactions**

On March 20, 2017, 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, 2020 at a cost not to exceed \$23,202. As part of these services, the Stratford BOE prepared the Application for State School Aid Summary, which accumulates student counts as of October 15, 2019. 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, 2020 as an expenditure in the total amount of \$1,144,875.

As of June 30, 2020, the amount due to the Borough of Stratford School District for tuition was \$216,663, there was nothing due for administrative services and transportation as of June 30, 2020.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

**Note 8. Contingencies**

**State and Federal Grantor Agencies** - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

**Pending Litigation** – The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Districts’ attorney that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**Note 9. Concentrations**

The School District depends on financial resources flowing from, or associated with, both the federal government and State of New Jersey. As a result of 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 10. Economic Dependency**

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

**Note 11. Tax Abatements**

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district’s local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

**Note 12. Calculation of Excess Surplus**

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve the General Fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. At June 30, 2020 there was no excess fund balance.

**Note 13. Fund Balance**

**General Fund** – Of the \$207,404 General Fund balance at June 30, 2020 \$312,493 is assigned for subsequent year's expenditures and \$(105,089) has been unassigned

**Note 14. Deficit in Fund Balances**

The School District has a deficit fund balance of \$105,089 in the general fund as of June 30, 2020 as reported in the financial 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 year, is not considered a violation of New Jersey statute and regulation nor in need of corrective action. However, the School District deficit in the GAAP fund statements of \$105,089 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 15. Deficit in Net Position**

**Unrestricted Net Position** – The School District's governmental activities had a deficit in unrestricted net position in the amount of \$3,341,771. The primary causes of the deficit are the School District not recognizing the receivable for the last two state aid payments and the advanced loan of State Aid as of June 30, 2020.

**Note 16. 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.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020 (continued)**

**Note 17. Economic Dependency**

The results of the 2019-2020 school year reflect a budget basis excess in the amount of \$290,209, which indicates that sufficient funds are not available to meet its obligations of liquidating accounts payable.

**Note 18. School District Fiscal Accountability Act**

The School District ended the June 30, 2020 fiscal year with a general fund balance (budgetary basis) of \$290,209. 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 four loans to the School District in the amounts of \$750,000, \$1,250,000, \$810,000, \$568,161 and \$988,078 in advanced State Aid 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, the total amount of the loan of \$750,000 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 repaid \$361,624 during the fiscal year ended June 30, 2020 on the first three state aid loans. 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. The additional amount due to the state from the advancement of state aid at June 30, 2020 is \$0.

**Note 19. 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. This raises 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 16.

**Note 20. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2020 and January 27, 2021, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items other than the below have come to the attention of the School District that would require disclosure.

COVID – 19 – has caused considerable economic damage to the New Jersey economy. As a result, Governor Murphy decreased the originally appropriated school state aid by over \$335 million state wide for the 2020-2021 school year. The Hi-Nella Borough School District's state aid was reduced by \$178,712. In order to make up for this decrease in aid, the School District will reduce the tuition appropriation line in the budget by \$178,712.

As the COVID-19 pandemic remains a fluid situation, outside of the reduction in state aid, it is not currently known what further economic challenges are ahead for local school districts.

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**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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### C. Budgetary Comparison Schedules

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ACCOUNT NUMBERS	JUNE 30, 2020				VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
<b>Revenues:</b>						
<b>Local Sources:</b>						
Local Tax Levy	10-1210-000-000	\$ 1,104,488	\$ -	\$ 1,104,488	\$ 1,104,488	\$ -
Miscellaneous	10-1000-000-000	2,700	-	2,700	5,764	3,064
<b>Total Local Sources</b>		<b>1,107,188</b>	<b>-</b>	<b>1,107,188</b>	<b>1,110,252</b>	<b>3,064</b>
<b>State Sources:</b>						
Extraordinary Aid	10-3000-000-000	-	-	-	22,487	22,487
Categorical Special Education Aid	10-3132-000-000	118,572	-	118,572	118,572	-
Equalization Aid	10-3176-000-000	991,305	-	991,305	991,305	-
Categorical Security Aid	10-3177-000-000	42,488	-	42,488	42,488	-
Categorical Transportation Aid	10-3121-000-000	37,318	-	37,318	37,318	-
DOE Loan Against State Aid	10-3300-000-000	608,660	-	608,660	750,000	141,340
<b>Total State Sources</b>		<b>1,798,343</b>	<b>-</b>	<b>1,798,343</b>	<b>1,962,170</b>	<b>163,827</b>
<b>Total Revenues</b>		<b>2,905,531</b>	<b>-</b>	<b>2,905,531</b>	<b>3,072,422</b>	<b>166,891</b>
<b>Expenditures:</b>						
<b>Current Expense:</b>						
<b>Instruction - Regular Programs:</b>						
<b>Home Instruction:</b>						
Purchased Professional - Educational Services	11-150-100-320		2,592	2,592	2,592	-
<b>Total Regular Programs - Instruction</b>		<b>-</b>	<b>2,592</b>	<b>2,592</b>	<b>2,592</b>	<b>-</b>
<b>Total Instruction</b>		<b>-</b>	<b>2,592</b>	<b>2,592</b>	<b>2,592</b>	<b>-</b>
<b>Undistributed Expenditures:</b>						
<b>Instruction:</b>						
Tuition to Other LEA's -State Regular	11-000-100-561	1,979,170	(53,052)	1,926,118	2,068,621	(142,503)
Tuition to Other LEA's - State Special	11-000-100-562	373,280	(33,780)	339,500	350,343	(10,843)
Tuition to County Vocational Regular	11-100-100-563	21,139	(1,107)	20,032	20,032	-
Tuition to County Special Services & Day Schools	11-000-100-565	97,440	(97,440)	-	-	-
Tuition to Private Schools for the Handicapped - St	11-100-100-566	110,820	99,079	209,899	171,376	38,523
Tuition - Other	11-100-100-569	-	4,500	4,500	-	4,500
<b>Total Undistributed Expenditures - Instruction</b>		<b>2,581,849</b>	<b>(81,800)</b>	<b>2,500,049</b>	<b>2,610,372</b>	<b>(110,323)</b>
<b>Other Support Services - Students - Related Services:</b>						
Purchased Professional - Educational Services	11-000-216-320	5,000	(5,000)	-	-	-
<b>Total Other Support Services - Students - Related Services</b>		<b>5,000</b>	<b>(5,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Support Services - Students - Special Services:</b>						
Purchased Professional - Educational Services	11-000-219-320	2,000	-	2,000	1,400	600
<b>Total Other Support Services - Students Special Services</b>		<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>1,400</b>	<b>600</b>
<b>Support Services General Administration:</b>						
Salaries	11-000-230-100		-			-
Salaries of State Monitors	11-000-230-180	30,000	-	30,000	7,056	22,944
Loan Repayment - DOE	11-000-230-181		143,208	143,208	361,624	(218,416)
Legal Services	11-000-230-331	60,000	(58,500)	1,500	248	1,252
Audit Fees	11-000-230-332	13,000	-	13,000	12,000	1,000
Other Purchased Professional Services	11-000-230-339	23,132	-	23,132	23,132	-
BOE Other Purchased Services	11-000-230-585	250	-	250	228	22
Other Purchased Services	11-000-230-590	7,000	-	7,000	7,000	-
General Supplies	11-000-230-610	500	(500)	-	-	-
Miscellaneous Expenditures	11-000-230-890	150	-	150	150	-
BOE Membership Dues & Fees	11-000-230-895	1,100	-	1,100	1,069	31
<b>Total Support Services General Administration</b>		<b>135,132</b>	<b>84,208</b>	<b>219,340</b>	<b>412,507</b>	<b>(193,167)</b>
<b>Operation &amp; Maintenance of Plant Services &amp; School Facilities:</b>						
Insurance	11-000-262-520	6,000	(67)	5,933	5,174	759
<b>Total Operation &amp; Maintenance of Plant Services &amp; School Facilities</b>		<b>6,000</b>	<b>(67)</b>	<b>5,933</b>	<b>5,174</b>	<b>759</b>

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ACCOUNT NUMBERS	JUNE 30, 2020			ACTUAL	VARIANCE FINAL TO ACTUAL FAVORABLE/ (UNFAVORABLE)
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
<b>Student Transportation Services:</b>						
Management Fee- ESC & CTSA Trans, Program	11-000-270-350	5,050	(935)	4,115	-	4,115
Contracted Services (Between Home & School) - Joint Agreements	11-000-270-513	30,000	935	30,935	30,935	-
Contracted Service - Reg. Students)-ESC&CTSAs	11-000-270-517	10,000	-	10,000	5,968	4,032
Contracted Service - Spec. Ed. Students)-ESC&CTSAs	11-000-270-518	125,000	-	125,000	63,612	61,388
Contracted Service - Aid in Lieu of Payments	11-000-270-503	2,000	67	2,067	1,676	391
<b>Total Student Transportation Services</b>		<b>172,050</b>	<b>67</b>	<b>172,117</b>	<b>102,191</b>	<b>69,926</b>
<b>Unallocated Benefits - Employee Benefits:</b>						
Social Security Contributions	11-000-291-220	2,500	-	2,500	199	2,301
Workmen's Compensation	11-000-291-260	1,000	-	1,000	1,000	-
<b>Total Unallocated Benefits - Employee Benefits</b>		<b>3,500</b>	<b>-</b>	<b>3,500</b>	<b>1,199</b>	<b>2,301</b>
<b>Total Undistributed Expenditures</b>		<b>2,905,531</b>	<b>(2,592)</b>	<b>2,902,939</b>	<b>3,132,843</b>	<b>(229,904)</b>
<b>Total Expenditures</b>		<b>2,905,531</b>	<b>-</b>	<b>2,905,531</b>	<b>3,135,435</b>	<b>(229,904)</b>
<b>Excess/(Deficiency) of Revenues Over/(Under)</b>						
Expenditures After Other Financing Sources/(Uses)		-	-	-	(63,013)	(63,013)
Fund Balances, July 1		353,222	-	353,222	353,222	-
Fund Balances, June 30		\$ 353,222	\$ -	\$ 353,222	\$ 290,209	\$ (63,013)

**RECAPITULATION OF BUDGET TRANSFERS:**

Prior Year Encumbrances	\$ -
<b>Total</b>	<b>\$ -</b>

**RECAPITULATION OF FUND BALANCE**

<b>Assigned Fund Balance:</b>	
Designated for Subsequent Year's Expenditures	312,493
<b>Unassigned Fund Balance</b>	<b>(22,284)</b>
<b>Subtotal</b>	<b>290,209</b>
Reconciliation to Governmental Fund Statements (GAAP):	
Last State Aid Payment Not Recognized on GAAP Basis	(82,805)
<b>Fund Balance per Governmental Funds (GAAP)</b>	<b>\$ 207,404</b>

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2020**

	JUNE 30, 2020				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES:					
Federal Sources	\$ -	\$ 42,097	\$ 42,097	\$ 42,097	\$ -
Total Revenues	-	42,097	42,097	42,097	-
EXPENDITURES:					
Instruction:					
Tuition		42,097	42,097	42,097	-
Total Instruction	-	42,097	42,097	42,097	-
Total Expenditures	-	42,097	42,097	42,097	-
Total Outflows	-	42,097	42,097	42,097	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/ (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

	GENERAL FUND	SPECIAL REVENUE FUND
<b>Sources/Inflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 3,072,422	\$ 42,097
Difference - Budget to GAAP:		
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.		
Proceeds of Long-Term Debt - Advance of State Aid Loan	(750,000)	-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	75,738	-
State aid payment recognized for budgetary purposes, not recognized for GAAP Statements until the subsequent year	(82,805)	-
Total Revenue as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds	\$ 2,315,355	\$ 42,097
<b>Uses/outflows of resources:</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 3,135,435	\$ 42,097
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	-	-
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 3,135,435	\$ 42,097

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**OTHER SUPPLEMENTARY INFORMATION**

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES  
AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	IDEA-B GRANT	TOTAL
Revenues:		
Federal Sources	\$ 42,097	\$ 42,097
	<hr/>	<hr/>
Total Revenues	42,097	42,097
	<hr/> <hr/>	<hr/> <hr/>
Expenditures:		
Instruction:		
Tuition	\$ 42,097	42,097
	<hr/>	<hr/>
Total Instruction	42,097	42,097
	<hr/>	<hr/>
Total Expenditures	\$ 42,097	\$ 42,097
	<hr/> <hr/>	<hr/> <hr/>

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F. Capital Projects Fund  
Not Applicable

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G. Proprietary Funds  
Not Applicable

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H. Fiduciary Fund  
Not Applicable

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I. Long-Term Debt  
Not Applicable

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**STATISTICAL SECTION (Unaudited)**

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

	FISCAL YEAR ENDING JUNE 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities:										
Restricted	-	273,851	-	-	-	-	-	-	-	100,000
Unrestricted (Deficit)	(3,341,771)	(3,157,166)	(2,476,914)	(1,731,556)	(1,186,643)	(886,703)	(528,164)	14,622	(32,223)	(51,764)
<b>Total Governmental Activities</b>	<b>\$ (3,341,771)</b>	<b>\$ (2,883,315)</b>	<b>\$ (2,476,914)</b>	<b>\$ (1,731,556)</b>	<b>\$ (1,186,643)</b>	<b>\$ (886,703)</b>	<b>\$ (528,164)</b>	<b>\$ 14,622</b>	<b>\$ (32,223)</b>	<b>\$ 48,236</b>
Business-Type Activities:										
Unrestricted (Deficit)	-	-	-	15,380	(17,477)	24,422	-	-	-	-
<b>Total Business-Type Activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,380</b>	<b>\$ (17,477)</b>	<b>\$ 24,422</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District-Wide:										
Restricted	-	273,851	-	-	-	-	-	-	-	100,000
Unrestricted (Deficit)	(3,341,771)	(3,157,166)	(2,476,914)	(1,716,176)	(1,204,120)	(862,281)	(528,164)	14,622	(32,223)	(51,764)
<b>Total District Net Position</b>	<b>\$ (3,341,771)</b>	<b>\$ (2,883,315)</b>	<b>\$ (2,476,914)</b>	<b>\$ (1,716,176)</b>	<b>\$ (1,204,120)</b>	<b>\$ (862,281)</b>	<b>\$ (528,164)</b>	<b>\$ 14,622</b>	<b>\$ (32,223)</b>	<b>\$ 48,236</b>

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses:										
Governmental Activities										
Support Services:										
Tuition	2,652,469	2,276,334	(2,366,704)	(2,258,365)	(1,729,685)	(1,871,064)	(2,179,361)	(1,260,005)	(1,098,098)	(1,176,248)
Student & Instruction Related Services	1,400	9,158	(19,238)	(6,512)	-	(3,030)	(4,393)	(24,720)	-	-
School Administrative Services	50,883	46,607	(64,115)	(98,665)	(169,674)	(1,679)	15,446	(16,998)	(25,160)	(58,880)
General & Business Administrative Services	5,174	-	(5,697)	(5,176)	-	-	-	-	(103,155)	(159,000)
Plant Operations & Maintenance	102,191	5,161	(231,357)	(102,382)	85,762	(138,140)	97,107	(81,070)	(117,217)	(91,452)
Pupil Transportation		141,370	-	-	-	-	-	-	-	-
Central Services										
Unallocated Benefits	1,199	-	(1,442)	(5,252)	-	-	-	-	-	-
Total Governmental Activities Expenses	2,815,908	2,478,631	(2,688,554)	(2,476,352)	(1,813,597)	(2,013,913)	(2,100,041)	(1,382,793)	(1,368,910)	(1,485,580)
Business-Type Activities:										
Shared Service	-	-	-	(461)	(3,312,110)	(4,433,338)	(1,011,514)	-	-	-
Total Business-Type Activities Expense	-	-	-	(461)	(3,312,110)	(4,433,338)	(1,011,514)	-	-	-
Total District Expenses	\$ 2,815,908	\$ 2,478,631	\$ (2,688,554)	\$ (2,476,813)	\$ (5,125,707)	\$ (6,447,251)	\$ (3,111,555)	\$ (1,382,793)	\$ (1,368,910)	\$ (1,485,580)

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Program Revenues:</b>										
Operating Grants & Contributions	\$ 42,097	\$ 2,252	\$ 2,161	\$ 2,064	\$ 2,040	\$ 3,030	\$ 35,283	\$ -	\$ -	\$ -
<b>Total Governmental Activities Program Revenues</b>	<b>42,097</b>	<b>2,252</b>	<b>2,161</b>	<b>2,064</b>	<b>2,040</b>	<b>3,030</b>	<b>35,283</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-Type Activities:</b>										
Charges for Services:										
Shared Service	-	-	-	-	3,265,186	4,457,076	1,136,467	-	-	-
<b>Total Business Type Activities Program Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,265,186</b>	<b>4,457,076</b>	<b>1,136,467</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total District Program Revenues</b>	<b>\$ 42,097</b>	<b>\$ 2,252</b>	<b>\$ 2,161</b>	<b>\$ 2,064</b>	<b>\$ 3,267,226</b>	<b>\$ 4,460,106</b>	<b>\$ 1,171,750</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net (Expense)/Revenue:</b>										
Governmental Activities	\$ (2,773,811)	\$ (2,476,379)	\$ (2,686,392)	\$ (2,474,289)	\$ (1,983,081)	\$ (2,010,883)	\$ (2,289,864)	\$ (1,382,793)	\$ (1,368,910)	\$ (1,485,580)
Business-Type Activities	-	-	-	(461)	(46,924)	23,738	124,953	-	-	-
<b>Total District-Wide Net Expense</b>	<b>\$ (2,773,811)</b>	<b>\$ (2,476,379)</b>	<b>\$ (2,686,392)</b>	<b>\$ (2,474,749)</b>	<b>\$ (2,030,005)</b>	<b>\$ (1,987,145)</b>	<b>\$ (2,164,911)</b>	<b>\$ (1,382,793)</b>	<b>\$ (1,368,910)</b>	<b>\$ (1,485,580)</b>

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)  
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Revenues & Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 1,104,488	\$ 1,001,615	\$ 975,295	\$ 956,172	\$ 809,884	\$ 780,000	\$ 772,421	\$ 571,678	\$ 502,485	\$ 502,485
Unrestricted Grants & Contributions	1,205,103	1,065,833	949,398	900,852	872,706	865,294	846,346	792,386	783,198	730,722
Transfers	-	-	15,380	-	-	-	128,018	-	-	-
Investment Earnings	-	-	-	-	551	339	-	-	-	-
Miscellaneous Income	5,764	2,530	961	6,911	-	6,711	293	65,573	2,768	23,813
Total Governmental Activities	2,315,355	2,069,978	1,941,035	1,863,935	1,683,141	1,652,344	1,747,078	1,429,637	1,288,451	1,257,020
Business-Type Activities:										
Miscellaneous Income	-	-	-	518	5,025	684	-	-	-	-
Transfers	-	-	(15,380)	-	-	-	(124,953)	-	-	-
Total Business-Type Activities	-	-	(15,380)	518	5,025	684	(124,953)	-	-	-
Total District-Wide	\$ 2,315,355	\$ 2,069,978	\$ 1,925,654	\$ 1,864,453	\$ 1,688,166	\$ 1,653,028	\$ 1,622,125	\$ 1,429,637	\$ 1,288,451	\$ 1,257,020
Change in Net Position:										
Governmental Activities	\$ (458,456)	\$ (406,401)	\$ (745,358)	\$ (610,354)	\$ (299,940)	\$ (358,539)	\$ (542,786)	\$ 46,844	\$ (80,459)	\$ (228,560)
Business-Type Activities	-	-	(15,380)	58	(41,899)	24,422	-	-	-	-
Total District	\$ (458,456)	\$ (406,401)	\$ (760,738)	\$ (610,296)	\$ (341,839)	\$ (334,117)	\$ (542,786)	\$ 46,844	\$ (80,459)	\$ (228,560)



**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
FUND BALANCES AND GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund:										
Restricted:										
Repayment Reserved from Advancement of State Aid	\$ -	\$ 273,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	312,493	-	-	-	-	-	20,000	20,000	20,000	327,465
Unassigned	(105,089)	3,633	(329,491)	(434,395)	(1,186,643)	(886,703)	(548,164)	(5,378)	(52,223)	(50,669)
Total General Fund	\$ 207,404	\$ 277,484	\$ (329,491)	\$ (434,395)	\$ (1,186,643)	\$ (886,703)	\$ (528,164)	\$ 14,622	\$ (32,223)	\$ 276,796
All Other Governmental Funds:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues:</b>										
Tax Levy	\$ 1,104,488	\$ 1,001,615	\$ 975,295	\$ 956,172	\$ 809,884	\$ 780,000	\$ 772,421	\$ 571,678	\$ 502,485	\$ 502,485
Tuition Charges	-	-	-	-	-	339	35,283	-	-	-
Interest Earnings	-	-	-	-	551	-	-	-	-	-
Miscellaneous	5,764	4,782	3,123	6,911	-	6,711	293	65,573	2,768	23,813
State Sources	1,205,103	1,065,833	949,398	902,916	872,706	868,324	846,346	792,386	755,861	730,722
Federal Sources	42,097	-	-	-	-	-	-	-	27,337	-
<b>Total Revenue</b>	<b>2,357,452</b>	<b>2,072,230</b>	<b>1,927,816</b>	<b>1,865,999</b>	<b>1,683,141</b>	<b>1,655,374</b>	<b>1,654,343</b>	<b>1,429,637</b>	<b>1,288,451</b>	<b>1,257,020</b>
<b>Expenditures:</b>										
Instruction:										
Regular Instruction	2,592	480	2,366,704	2,258,365	1,729,685	1,871,064	2,179,361	1,260,004	1,098,098	1,176,248
Support Services:										
Tuition	2,652,469	2,274,552	-	6,512	-	-	-	-	-	-
Student & Instruction Related Services	1,400	245,642	19,238	-	-	3,030	4,393	-	-	-
School Administrative Services	-	-	-	-	-	-	28,840	24,720	25,280	-
General & Business Administration	-	-	-	-	-	-	-	-	-	-
Services	412,507	46,581	201,931	179,665	169,674	1,679	15,446	16,998	25,160	58,880
Plant Operations & Maintenance	5,174	5,158	5,697	5,176	-	-	-	-	103,155	159,000
Pupil Transportation	102,191	141,289	231,357	102,382	83,722	138,140	97,107	81,070	117,217	91,452
Unallocated Benefits	1,199	1,553	-	-	-	-	-	-	-	-
Debt Service:										
Interest & Other Charges	-	-	1,442	5,252	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>3,177,532</b>	<b>2,715,255</b>	<b>2,826,370</b>	<b>2,557,352</b>	<b>1,983,081</b>	<b>2,013,913</b>	<b>2,325,147</b>	<b>1,382,792</b>	<b>1,368,910</b>	<b>1,485,580</b>

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(820,080)	(643,025)	(898,554)	(691,354)	(299,940)	(358,539)	(670,804)	46,845	(80,459)	(228,560)
Other Financing Sources/(Uses):										
Advance in State Aid Loan	750,000	1,250,000	988,078	1,378,161	-	-	-	-	-	-
Transfers In	-	-	15,380	-	-	-	128,018	-	-	-
Total Other Financing Sources/(Uses)	750,000	1,250,000	1,003,458	1,378,161	-	-	128,018	-	-	-
Net Change in Fund Balances	\$ (70,080)	\$ 606,975	\$ 104,904	\$ 686,807	\$ (299,940)	\$ (358,539)	\$ (542,786)	\$ 46,845	\$ (80,459)	\$ (228,560)

Debt Service as a Percentage of Noncapital Expenditures

0.05%                      0.21%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT**  
**GOVERNMENTAL FUND - OTHER LOCAL REVENUE BY SOURCE**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

FISCAL YEAR ENDING JUNE 30,	INTEREST ON INVESTMENTS	SAFETY GRANT	PRIOR YEAR ORDERS CANCELLED	PRIOR YEARS' REFUNDS	MISCELLANEOUS	ANNUAL TOTAL
2020	\$ 2,691	\$ -	\$ -	\$ -	\$ 3,073	\$ 5,764
2019	-	-	-	-	2,530	2,530
2018	763	-	-	-	198	961
2017	805	-	-	-	4,042	4,847
2016	551	-	-	-	-	551
2015	339	-	-	-	3,681	4,020
2014	125	-	-	168	-	293
2013	223	-	65,000	-	350	65,573
2012	550	2,098	-	-	120	2,768
2011	513	2,180	-	21,120	-	23,813
<b>TOTAL</b>	<b>\$ 6,560</b>	<b>\$ 4,278</b>	<b>\$ 65,000</b>	<b>\$ 21,288</b>	<b>\$ 13,994</b>	<b>\$ 111,120</b>

Source: District records

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	COMMUNICATION EQUIPMENT	NET VALUATION TAXABLE	LESS: TAX EXEMPT PROPERTY	TOTAL ASSESSED VALUE	TOTAL DIRECT SCHOOL TAX RATE
2020	\$ 135,800	\$ 18,695,900	\$ 154,100	\$ 15,300	\$ 3,202,100	\$ 355,800	\$ 15,498,000	\$ -	\$ 38,057,000	\$ 5,408,200	\$ 43,465,200	2.931
2019	135,800	18,721,500	154,100	15,300	3,202,100	355,800	15,498,000	-	38,082,600	5,247,900	43,330,500	2.585
2018	135,800	18,914,900	154,100	15,300	3,202,100	355,800	15,498,000	-	38,276,000	5,247,900	43,523,900	2.548
2017	135,800	18,952,400	154,100	15,300	3,324,200	355,800	15,498,000	-	38,435,600	5,247,900	43,683,500	2.512
2016	135,800	18,952,400	154,100	15,300	3,324,200	355,800	15,498,000	-	38,435,600	5,247,900	43,683,500	2.249
2015	135,800	18,942,700	154,100	15,300	3,324,200	355,800	16,798,000	-	39,725,900	5,247,900	44,973,800	2.227
2014	135,800	18,942,700	154,100	15,300	3,324,200	355,800	16,798,000	-	397,725,900	5,247,900	44,973,800	1.964
2013	135,800	18,932,700	144,100	15,300	3,368,800	355,800	16,798,000	-	39,750,500	5,247,900	44,998,400	1.940
2012	135,800	18,953,600	144,100	15,300	3,368,800	355,800	16,798,000	-	39,771,400	5,247,900	45,019,300	1.348
2011	34,300	11,705,400	140,000	11,600	2,864,600	-	8,294,900	-	23,050,800	4,022,600	27,073,400	2.167

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

Reassessment occurs when ordered by the County Board of Taxation

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

b. Tax rates are per \$100

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

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES			TOTAL DIRECT & OVERLAPPING TAX RATE
	BASIC RATE	DEBT SERVICE	TOTAL DIRECT	BOUROUGH OF HI-NELLA	CAMDEN COUNTY		
2020	2.931	-	2.931	1.456	0.841		5.228
2019	2.585	-	2.585	1.386	0.896		4.867
2018	2.548	-	2.548	1.386	0.896		4.830
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	1.348	-	1.348	1.150	0.845		3.343
2011	2.167	-	2.167	1.779	1.213		5.159

Source: District Records and Municipal Tax Collector

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO**

TAXPAYER	2020		% OF TOTAL DISTRICT NET ASSESSED VALUE
	TAXABLE ASSESSED VALUE	RANK	
Liberty Venture I LP	\$139,621,280	1	9.732%
SVF Oldmans Creek Logan LLC	\$58,380,000	2	4.069%
MEPT 1150 Commerce	31,620,000	3	2.204%
RAR2 395 Pedricktown Rd- Ryan, LLC	28,900,000	4	2.014%
TR Birch Creek LLC	26,190,000	5	1.825%
Cabot Industrial Core Fund Operating	22,616,600	6	1.576%
Chelten House Products, Inc.	21,067,500	7	1.468%
Tech Data Corp	19,660,000	8	1.370%
Liberty Property LTD Partnership	19,558,400	9	1.363%
Columbia Gas Transmission Corp	18,751,400	10	1.307%
Total	<u>\$386,365,180</u>		<u>17.998%</u>

TAXPAYER	2011		% OF TOTAL DISTRICT NET ASSESSED VALUE
	TAXABLE ASSESSED VALUE	RANK	
Liberty Ventures I, LLP	\$77,345,000	1	12.481%
Mid-Atlantic Ind. LLC	27,891,700	2	4.501%
Pureland VI Limited Partnership	14,832,900	3	2.394%
US Industrial REIT II	13,475,000	4	2.174%
Sun East Equity Funding	12,289,100	5	1.983%
Baker-Properties, LP	12,065,700	6	1.947%
Wachovia Development Corp	10,000,000	7	1.614%
Liberty Property LTD Partnership	8,036,400	8	1.297%
Allen Commercial Realty	7,502,800	9	1.211%
Cardinal Health 200, Inc	7,162,100	10	1.156%
Total	<u>\$190,600,700</u>		<u>30.758%</u>

Source: Municipal Tax Assessor

**STRATFORD BOROUGH SCHOOL DISTRICT  
SCHOOL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
		AMOUNT	PERCENTAGE OF LEVY	
2020	\$ 1,104,488	\$ 1,027,332	93.01%	77,156
2019	1,001,615	1,001,615	100.00%	-
2018	975,295	975,295	100.00%	-
2017	956,172	956,172	100.00%	-
2016	809,884	809,884	100.00%	-
2015	780,000	780,000	100.00%	-
2014	772,050	772,050	100.00%	-
2013	571,678	571,678	100.00%	-
2012	502,485	502,485	100.00%	-
2011	502,485	502,485	100.00%	-
2010	502,485	502,485	100.00%	-

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



**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES			
2020	\$ -	\$ -	\$ -	\$ -	N/A	N/A
2019	-	-	-	-	N/A	N/A
2018	-	-	-	-	N/A	N/A
2017	-	-	-	-	N/A	N/A
2016	-	-	-	-	N/A	N/A
2015	-	-	-	-	N/A	N/A
2014	-	-	-	-	N/A	N/A
2013	-	-	-	-	N/A	N/A
2012	-	-	-	-	N/A	N/A
2011	-	-	-	-	N/A	N/A

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

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			NET GENERAL BONDED DEBT OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS				
2020	\$ -	N/A		\$ -	N/A	N/A
2019	-	N/A		-	N/A	N/A
2018	-	N/A		-	N/A	N/A
2017	-	N/A		-	N/A	N/A
2016	-	N/A		-	N/A	N/A
2015	-	N/A		-	N/A	N/A
2014	-	N/A		-	N/A	N/A
2013	-	N/A		-	N/A	N/A
2012	-	N/A		-	N/A	N/A
2011	-	N/A		-	N/A	N/A

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2019**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Borough of Hi-Nella	\$ -		\$ -
County of Camden General Obligation Debt	402,702,498	0.097%	<u>390,621</u>
Subtotal, Overlapping Debt			390,621
Stratford Borough School District Direct Debt			<u>-</u>
Total Direct & Overlapping Debt			<u><u>\$ 390,621</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Logan Township or Gloucester County Board of Taxation.

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt Limit	\$ 1,121,557	\$ 1,118,402	\$ 1,090,768	\$ 1,104,738	\$ 1,117,010	\$ 1,159,453	\$ 1,209,737	\$ 1,214,138	\$ 1,175,631	\$ 1,144,850
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 1,121,557	\$ 1,118,402	\$ 1,090,768	\$ 1,104,738	\$ 1,117,010	\$ 1,159,453	\$ 1,209,737	\$ 1,214,138	\$ 1,175,631	\$ 1,144,850
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%

**Legal Debt Margin Calculation for Fiscal Year 2019**

	Equalized Valuation Basis
Average Equalized Valuation of Taxable Property	2019 \$ 37,490,888
	2018 37,671,975
	2017 36,992,878
	<u>\$ 112,155,741</u>
	<u>\$ 37,385,247</u>
Debt Limit (3 % of Average Equalization Value) Net Bonded School Debt	<u>1,121,557</u>
Legal Debt Margin	<u>\$ 1,121,557</u>

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

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

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

YEAR	POPULATION	PERSONAL INCOME	PER CAPITA	
			PERSONAL INCOME	UNEMPLOYMENT RATE
2020	N/A	N/A	N/A	N/A
2019	858	N/A	N/A	4.3%
2018	859	46,474,477	54,103	5.2%
2017	860	44,592,720	51,852	5.2%
2016	861	43,191,204	50,164	4.9%
2015	855	41,801,805	48,891	11.1%
2014	856	40,150,680	46,905	11.0%
2013	860	38,902,960	45,236	4.6%
2012	865	38,572,080	44,592	18.3%
2011	867	37,970,265	43,795	18.4%

Source: State of New Jersey, Department of Labor and Workforce Development, Labor Planning and Analysis.

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

	2020		
	(1) EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Inspira Health		1	
Kennedy Health Alliance		2	
Washington Township School District		3	
Rowan University		4	
County of Gloucester		5	
Missa Bay, LLC		6	
Monroe Township School District		7	
U.S. Foodservices		8	
ExxonMobil Research and Engineering		9	
LaBrea Bakery		10	
	-		N/A
		2011	
		N/A	

This exhibit reflects principal employers for Gloucester County.

Source: (1) Gloucester County Office of Economic Development for company and employee data.

(2) New Jersey Department of Labor and Workforce Development for the total employment data.

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEAR**

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction:	Not applicable, as the Hi-Nella School District did not employ any individuals for the last ten years										
Regular											
Special Education											
Other Special Education											
Support Services:											
Student & Instruction Related Services											
General & Business Administrative Services											
School Administrative Services											
Central Services											
Administrative Information Technology											
Plant Operations & Maintenance											
Pupil Transportation											
Food Service	-										
Total											

Source: School District Records.

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2020	109	\$ 3,177,532	29,152	57.95%	-	N/A	N/A	N/A	N/A	N/A
2019	147	2,713,003	18,456	-11.85%	-	N/A	N/A	N/A	N/A	N/A
2018	135	2,826,370	20,936	11.34%	-	N/A	N/A	N/A	N/A	N/A
2017	136	2,557,352	18,804	33.56%	-	N/A	N/A	N/A	N/A	N/A
2016	141	1,985,121	14,079	-18.91%	-	N/A	N/A	N/A	N/A	N/A
2015	116	2,013,913	17,361	-17.87%	-	N/A	N/A	N/A	N/A	N/A
2014	110	2,325,147	21,138	98.72%	-	N/A	N/A	N/A	N/A	N/A
2013	130	1,382,792	10,637	-13.75%	-	N/A	N/A	N/A	N/A	N/A
2012	111	1,368,910	12,333	-19.48%	-	N/A	N/A	N/A	N/A	N/A
2011	97	1,485,580	15,315	11.00%	-	N/A	N/A	N/A	N/A	N/A

Sources: District records

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEAR  
REVISED**

DISTRICT BUILDINGS	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
--------------------	------	------	------	------	------	------	------	------	------	------

Elementary Schools:

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

Square Feet  
Capacity (Students)  
Enrollment

Number of Buildings at June 30, 2020:

Elementary = 2  
Middle = 0  
High School = 0  
Other = 0

**Source:** District Facilities Office, Long Range Facility Plan - FES and District Capacity report.



**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS**

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

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

	Elementary	High School	TOTAL
2020	N/A	N/A	\$ -
2019	N/A	N/A	\$ -
2018	N/A	N/A	\$ -
2017	N/A	N/A	\$ -
2016	N/A	N/A	\$ -
2015	N/A	N/A	\$ -
2014	N/A	N/A	\$ -
2013	N/A	N/A	\$ -
2012	N/A	N/A	\$ -
2011	N/A	N/A	\$ -

Total School Facilities

\* School facilities as defined under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2020**

	LIMITS	DEDUCTIBLE
<b>NJSBAIG</b>		
School Package Policy		
Comprehensive General Liability	\$ 6,000,000	\$ 1,000
Automobile Liability	6,000,000	
School Leaders Error & Omissions Liability	1,000,000	5,000
Secretary and Treasurer Bond	200,000	
Employers Liability	-	
 <b>NJSBAIG</b>		
Worker's Comp	Statutory	

Source: District Records

Source: District records - SAIF Risk Mgmt Plan

**SINGLE AUDIT SECTION**

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Certified Public Accountants & Advisors

EXHIBIT K-1

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

Honorable President and Members  
of the Board of Education  
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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hi-Nella Borough School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hi-Nella Borough School District's basic financial statements, and have issued our report thereon dated January 27, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hi-Nella Borough School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hi-Nella Borough 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2020-001 that we consider to be a significant deficiency.

618 Stokes Road, Medford, NJ 08055

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hi-Nella Borough School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey as Finding 2020-001.

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

The Hi-Nella Borough 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal 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,

HOLT MCNALLY & ASSOCIATES, INC.

Michael Holt, CPA, PSA  
Certified Public Accountant  
Public School Accountant, No. 1148

Medford, New Jersey  
January 27, 2021

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

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 have audited the Hi-Nella Borough School District's compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2020. The Hi-Nella Borough School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

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

### **Opinion on Each Major State Program**

In our opinion, the Hi-Nella Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

### **Other Matters**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and New Jersey OMB's Circular 15-08, which are 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. 2020-001. Our opinion on each major state program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The 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 Hi-Nella Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 weaknesses.

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



*over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, as Finding No. 2020-001.

The Hi-Nella Borough School District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Hi-Nella Borough 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 New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLT MCNALLY & ASSOCIATES, INC.

Michael Holt, CPA, PSA  
Certified Public Accountant  
Public School Accountant, No. 1148

Medford, New Jersey  
January 27, 2021

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HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR PASS-THROUGH GRANTOR GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL AWARD IDENTIFICATION NUMBER	PASST THROUGH ENTITY IDENTIFYING NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2019	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEARS' BALANCES	SUBRECEIPT EXPENDITURES	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2020	UNEARNED REVENUE AT JUNE 30, 2020	DUE TO GRANTOR JUNE 30, 2020
<b>U.S. DEPARTMENT OF EDUCATION PASSED-THROUGH STATE DEPARTMENT OF EDUCATION:</b>													
<b>Special Revenue Fund:</b>													
Special Education Cluster:													
I.D.E.A. B -Basic	84.027	H027A190100	100-034-5065-016	42,097	7/1/19-9/30/20	\$ -	\$ 42,097	(42,097)	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal						\$ -	\$ 42,097	(42,097)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Special Education Cluster						\$ -	\$ 42,097	(42,097)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Special Revenue Fund						\$ -	\$ 42,097	(42,097)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Federal Financial Assistance						\$ -	\$ 42,097	(42,097)	\$ -	\$ -	\$ -	\$ -	\$ -

HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2019	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECEIPT EXPENDITURES	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2020	UNEARNED REVENUE AT JUNE 30, 2020	DUE TO GRANTOR JUNE 30, 2020	MEMO	
											BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<b>State Department of Education</b>												
General Fund:												
State Aid Public:												
Equalization Aid	495-034-5120-078	\$ 991,305	7/1/19-6/30/20	\$ -	\$ 991,305	\$ (991,305)	\$ -	\$ -	\$ -	\$ -	\$ 68,997	\$ 991,305
Special Education Categorical Aid	495-034-5120-089	118,572	7/1/19-6/30/20	-	118,572	(118,572)	-	-	-	-	8,253	118,572
Security Aid	495-034-5120-084	42,488	7/1/19-6/30/20	-	42,488	(42,488)	-	-	-	-	2,957	42,488
Total State Aid Public				-	1,152,365	(1,152,365)	-	-	-	-	80,207	1,152,365
Transportation Aid	495-034-5120-014	37,318	7/1/19-6/30/20	-	37,318	(37,318)	-	-	-	-	2,598	37,318
Extraordinary Aid	495-034-5120-044	22,487	7/1/19-6/30/20	-	-	(22,487)	-	(22,487)	-	-	-	22,487
Extraordinary Aid	495-034-5120-044	38,386	7/1/18-6/30/19	(38,386)	38,386	-	-	-	-	-	-	-
Additional Non Public Transportation Aid	495-034-5120-014	290	7/1/18-6/30/19	(290)	290	-	-	-	-	-	-	-
Total General Fund				(38,676)	1,228,359	(1,212,170)	-	(22,487)	-	-	82,805	1,212,170
Total State Financial Assistance				\$ (38,676)	\$ 1,228,359	\$ (1,212,170)	\$ -	\$ (22,487)	\$ -	\$ -	\$ 82,805	\$ 1,212,170

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 1. Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Hi-Nella Borough School District. The School District is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**Note 2. Summary of Significant Accounting Policies**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

**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.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(7,067) for the general fund and \$0 for the special revenue fund. See Exhibit C-3 Note A of the basic financial statements, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,205,103	\$ 1,205,103
Special Revenue Fund	42,097	-	42,097
	<hr/>	<hr/>	<hr/>
Total Awards & Financial Assistance	<u>\$ 42,097</u>	<u>\$ 1,205,103</u>	<u>\$ 1,247,200</u>

**Note 4. Relationship to Federal and State Financial Reports**

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

**Note 5. Federal and State Loans Outstanding**

The Hi-Nella Borough School District had no loan balances outstanding at June 30, 2020.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

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

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

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

**SECTION IS N/A - NOT REQUIRED**

Internal control over major programs:

1) Material weakness(es) identified?        yes        no

2) 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 2 CFR 200 section .516(a) of 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>
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Not Applicable

Dollar threshold used to determine Type A programs \_\_\_\_\_

Auditee qualified as low-risk auditee?        yes        no

**HI-NELLA BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**State Financial Assistance**

Dollar threshold used to determine Type A programs \_\_\_\_\_ \$ 750,000 \_\_\_\_\_

Auditee qualified as low-risk auditee?  X  yes      no

Internal control over major programs:

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

    2) Significant deficiency(ies) identified?  X  yes      no

Type of auditor's report issued on compliance for major programs \_\_\_\_\_ Unmodified \_\_\_\_\_

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

Identification of major programs:

<b><u>State Grant/Project Number(s)</u></b>	<b><u>Name of State Program</u></b>
_____ 495-034-5120-078 _____	State Aid Public: Equalization Aid
_____ 495-034-5120-084 _____	Security Aid
_____ 495-034-5120-089 _____	Special Education Categorical Aid



**HI-NELLA BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Section II – Financial Statement Findings**

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

**Finding No. 2020-001:**

**Criteria or Specific Requirement:**

N.J.A.C. 6A:23A-16.10 prohibits a school district from incurring any obligation or approve any payment in excess of the amount budgeted in an applicable line item and also requires the Board to certify that over-expenditures have occurred.

**Condition:**

It was noted during our audit that the District incurred obligations in excess of the amount appropriated by the Board in the General Fund.

**Context:**

Payments were made in excess of budgeted amounts for tuition and loan repayments in the General Fund.

**Effect:**

The District did not comply with N.J.A.C. 6A:23A-16.10.

**Cause:**

Lack of oversight by district officials.

**Recommendation:**

That the District receives the necessary approval for line-item transfers, in compliance with N.J.A.C. 6A:23A-16.10, prior to the over-expenditure of any line-item account.

**View of Responsible Officials and Planned Corrective Action:**

Responsible officials agree with this recommendation and will address the matter as part of their corrective action plan.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

**FEDERAL AWARDS**

N/A – Federal single audit not required

**STATE FINANCIAL ASSISTANCE**

**Finding 2020-001**

Information on the State Program:

State Aid - Public

Criteria or specific requirement:

N.J.A.C. 6A:23A-16.10 prohibits a school district from incurring any obligation or approve any payment in excess of the amount budgeted in an applicable line item and also requires the Board to certify that over-expenditures have occurred.

Condition:

It was noted during our testing that the Board of Education incurred obligations in excess of the amount appropriated by the Board in the applicable line-item account or program category account before line-item transfers were approved.

Questioned Costs:

None

Context:

As a result of required audit adjustments, budget appropriations for tuition and loan repayment were over-expended.

Effect or potential effect:

The District did not comply with N.J.A.C. 6A:23A-16.10.

Cause:

The District did not record payables and non-cash items timely.

Recommendation:

That the District receives the necessary approval for line-item transfers, in compliance with N.J.A.C. 6A:23A-16.10, prior to the over-expenditure of any line-item account.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs  
(continued)**

**Finding 2020-001 (continued)**

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

**HI-NELLA BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This section identifies the status of prior year findings related to the financial statements, 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

**Financial Statements:**

**None.**