



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

EXECUTIVE SUMMARY

HI-NELLA SCHOOL DISTRICT

We found the primary factors that contributed to the year-end General Fund deficits in fiscal years 2012 and 2014 at the Hi-Nella School District were improper payments to the Borough of Hi-Nella and the Hi-Nella Fire Company and improper accounting of year-end tuition adjustments. In addition, we found that fiscal year 2013 also had a General Fund deficit but it was not identified in the district's Comprehensive Annual Financial Report. Per our audit, actual year-end General Fund deficits were (\$370,530), (\$801,309), and (\$826,027) in fiscal years 2012, 2013, and 2014, respectively. Additionally, we found that the district has not maintained a five-member school board as required by the New Jersey Statutes Annotated 18A:12-6 since January 2014. The lack of a full school board impaired its ability to properly oversee the district operation and execute prudent decisions for the benefit of the district. We also found that the establishment of the Enterprise Fund and the operation of the joint purchasing system were not in compliance with certain laws and regulations. Certain matters will be referred to the state's Division of Criminal Justice. We also observed the Executive County Superintendent of Camden County proposed the district be dissolved as of June 30, 2010. The superintendent repeated the same recommendation in another report to the Commissioner of the Department of Education dated November 12, 2014.

AUDIT HIGHLIGHTS

- The possibility of the Hi-Nella School District's dissolution prompted its board to approve a request to transfer \$450,000 of surplus fund balances to the Borough of Hi-Nella (borough) after January 1, 2010. The request was not approved and the funds were not transferred because surplus funds may only be used to reduce the General Fund tax levy required for the budget year per the New Jersey Statutes Annotated 18A:7F-7a. However, during fiscal years 2011 and 2012, the district paid \$194,000 to the borough and its fire department for the construction of a borough hall. These payments adversely affected the district's General Fund balances.
- The district signs tentative tuition contracts with receiving districts at the beginning of each school year and reimburses these districts based on estimated per pupil costs and student enrollments. Tuition adjustments are calculated subsequent to the school year end using actual costs and enrollments. However, the district failed to properly account for tuition adjustments on its financial statements in the year incurred resulting in incorrect fund balances being reported.
- The Hi-Nella School District established a joint purchasing system in November 2013 with the district as the lead agency responsible for the management of the system. We found no record that this system was properly registered with the Department of Community Affairs as required by the N.J.A.C. 5:34-7.5. In addition, we noted conflict of interest issues, the lack of adequate controls over purchasing, and other irregular arrangements.

AUDITEE RESPONSE

The Hi-Nella Board of Education disagreed with certain findings. Our report included an Auditor's Follow-up Response for clarification.

For the complete audit report click [here](#).