

**PENNSVILLE TOWNSHIP
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Pennsville Township Board of Education
Pennsville, New Jersey**

For the Fiscal Year Ended June 30, 2017

Prepared by
Pennsville Township Board of Education
Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF PENNSVILLE SCHOOL DISTRICT
TABLE OF CONTENTS**

INTRODUCTORY SECTION

<u>Exhibit</u>	<u>Page</u>
Letter of Transmittal	1-5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8

FINANCIAL SECTION

Independent Auditor's Report	9-11
-------------------------------------	------

Required Supplementary Information – Part I Management's Discussion and Analysis (Unaudited)	12-21
---	-------

Basic Financial Statements

A. District-wide Financial Statements:

A-1	Statement of Net Position	22
A-2	Statement of Activities	23

B. Fund Financial Statements:

Governmental Funds:

B-1	Balance Sheet	24
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	25
B-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26

Proprietary Funds:

B-4	Statement of Net Position	27
B-5	Statement of Revenues, Expenses, and Changes in Fund Net Position	28
B-6	Statement of Cash Flows	29

Fiduciary Funds:

B-7	Statement of Fiduciary Net Position	30
B-8	Statement of Changes in Fiduciary Net Position	31

Notes to the Financial Statements	32-63
--	-------

Required Supplementary Information – Part II

C.	Budgetary Comparison Schedules (Unaudited):	
C-1	Budgetary Comparison Schedule – General Fund	64-69
C-1a	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	N/A
C-1b	Community Development Block Grant – Budget and Actual	N/A
C-2	Budgetary Comparison Schedule – Special Revenue Fund	70

Notes to the Required Supplementary Information –Part II

C-3 Budget-to-GAAP Reconciliation	71
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF PENNSVILLE SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information – Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited)	
L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – PERS	72
L-2 Schedule of District Contributions – PERS	73
L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF	74
L-4 Schedule of District Contributions – TPAF	75
Notes to the Required Supplementary Information – Part III	76
Other Supplementary Information	
D. School Based Budget Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	77-79
E-2 Preschool Education Aid Schedule(s) of Expenditures – Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	80
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	81
F-2a-n Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis	82-95
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Position	96
G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	97
G-3 Combining Schedule of Cash Flows	98

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF PENNSVILLE SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

<u>Exhibit</u>		<u>Page</u>
Other Supplementary Information (Continued)		
Internal Service Fund:		
G-4	Combining Schedule of Net Position	99
G-5	Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	100
G-6	Combining Schedule of Cash Flows	101
H. Fiduciary Funds:		
H-1	Combining Statement of Fiduciary Net Position	102
H-2	Combining Statement of Changes in Fiduciary Net Position	103
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	104
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	105
I. Long-Term Debt:		
I-1	Schedule of Serial Bonds	106
I-2	Schedule of Obligations under Capital Leases	107
I-3	Debt Service Fund Budgetary Comparison Schedule	108

STATISTICAL SECTION (Unaudited)

Financial Trends Information/Schedules

J-1	Net Position by Component	109
J-2	Changes in Net Position	110
J-3	Fund Balances – Governmental Funds	111
J-4	Changes in Fund Balance, Governmental Funds	112
J-5	General Fund Other Local Revenue by Source	113

Revenue Capacity Information

J-6	Assessed Value and Estimated Actual Value of Taxable Property	114
J-7	Direct and Overlapping Property Tax Rates	115
J-8	Principal Property Taxpayers	116
J-9	Property Tax Levies and Collections	117

Debt Capacity Information

J-10	Ratios of Outstanding Debt by Type	118
J-11	Ratios of General Bonded Debt Outstanding	119
J-12	Direct and Overlapping Governmental Activities Debt	120
J-13	Legal Debt Margin Information	121

Demographic and Economic Information

J-14	Demographic and Economic Statistics	122
J-15	Principal Employers	123

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program	124
J-17	Operating Statistics	125
J-18	School Building Information	126
J-19	Schedule of Required Maintenance Expenditures by School Facility	127
J-20	Insurance Schedule	128

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF PENNSVILLE SCHOOL DISTRICT
TABLE OF CONTENTS
FINANCIAL SECTION (Continued)**

Exhibit

Page

SINGLE AUDIT SECTION

K-1	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	129-130
K-2	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance; and Report on Schedule of Expenditures Required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) And New Jersey OMB Circular 15-08	131-132
K-3	Schedule of Expenditures of Federal Awards - Schedule A	133
K-4	Schedule of Expenditures of State Financial Assistance - Schedule B	134
K-5	Notes to the Schedules of Awards and Financial Assistance	135-136
K-6	Schedule of Findings and Questioned Costs- Summary of Auditor's Results	137-138
K-7	Schedule of Findings and Questioned Costs - Financial Statement Federal Awards and State Financial Assistance	139-140
K-8	Summary Schedule of Prior Year Audit Findings	141

INTRODUCTORY SECTION



PENNSVILLE PUBLIC SCHOOL DISTRICT
Business Administration Building
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Richard Davidson, Board Secretary/
Business Administrator
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November 6, 2017

Honorable President and Members
of the Board of Education
Pennsville Township School District
30 Church Street
Pennsville, N.J. 08070-2199

Dear Board Members:

The comprehensive annual financial report of the Pennsville Township School District (District) for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures that we feel are necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Awards, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Pennsville Township School District is an independent reporting entity within the criteria adopted by the GASB Statement No. 14. All funds and account groups of the District are included in this report. The Pennsville Township Board of Education and all its schools constitute the District's reporting entity. The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 1,787 students, which is a decrease from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-17	1,787	(.11%)
2015-16	1,789	(.05%)
2014-15	1,790	(3.56%)
2013-14	1,856	(2.92%)
2012-13	1,912	2.09%
2011-12	1,953	4.83%

2. MAJOR INITIATIVES:

Our focus in the Office of Curriculum and Instruction is on the importance of the cycle of teaching and learning and the impact on improved student outcomes. Improving student achievement is the driving force for changes made to curriculum and instruction.

Standards Based Grading at Central Park - We are beginning to journey to Standards Based Grading (SBG) which allows teachers to use ongoing formative assessments as a guide to inform classroom instruction. Students have the opportunity to practice their mastery of the standards without the penalty of earning a poor grade. This affords students the opportunity to learn from their mistakes. Ongoing assessment through SBG provides multiple methods to demonstrate content mastery. SBG communicates to the students and parents clearly and accurately student achievement around the standards. This transition will take place throughout the 17-18 school year with full implementation during the 18-19 school year.

Writing at PB - Writing is the penultimate skill. Effective writing skills are critical in all facets of life from preschool to future careers. Writing encourages students to convey complex ideas, analyze information in a clear, succinct fashion. We will be implementing research based strategies to increase writing across all content areas and expand our writing curriculum to involve students in a range of writing tasks.

1:1 Initiative at Pennsville Middle School - Many students' lives today are filled with technology that gives them ubiquitous access to information and resources, enabling them to pursue their interests in their own way and at their own pace. It is incumbent upon us to help facilitate their learning and provide meaningful ways to utilize technology available to them. Learning is being redefined as students will use their devices to accomplish tasks that otherwise would be extremely difficult.

2. MAJOR INITIATIVES Continued:

Title I/ESY Summer Bridge - This summer we will continue to prepare students for maximum success when they enter the 17-18 school year. The Summer Bridge program will offer engaging mathematics and reading instruction with an individualized focus. Lessons will infuse technology, hands on experiments, and projects based learning with the theme: "To Infinity and Beyond." The Extended School Year (ESY) will provide special education and related services to students with disabilities beyond the 180 day school year. ESY services are provided during the summer break to prevent loss of basic skills.

STEAM at Pennsville Memorial High School and MS - STEAM is an approach to learning that uses Science, Technology, Engineering, the Arts and Mathematics to engage with and inform student inquiry, dialogue, and critical thinking. STEAM encourages and fosters the 21st Century skills of communication, collaboration, problem solving, and creativity. We are planning to offer Engineering Design at the HS level and Design and Model at the Middle School.

3. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining internal control 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 process 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 awards and state financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control process is also subject to periodic evaluation by the District management.

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

4. 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 projects 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

5. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 1.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS:

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

7. CASH MANAGEMENT:

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

8. 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.

10. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa, Pa. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Pennsville Township School Board 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. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

Dr. Michael Brodzik

Dr. Michael Brodzik
Superintendent of Schools

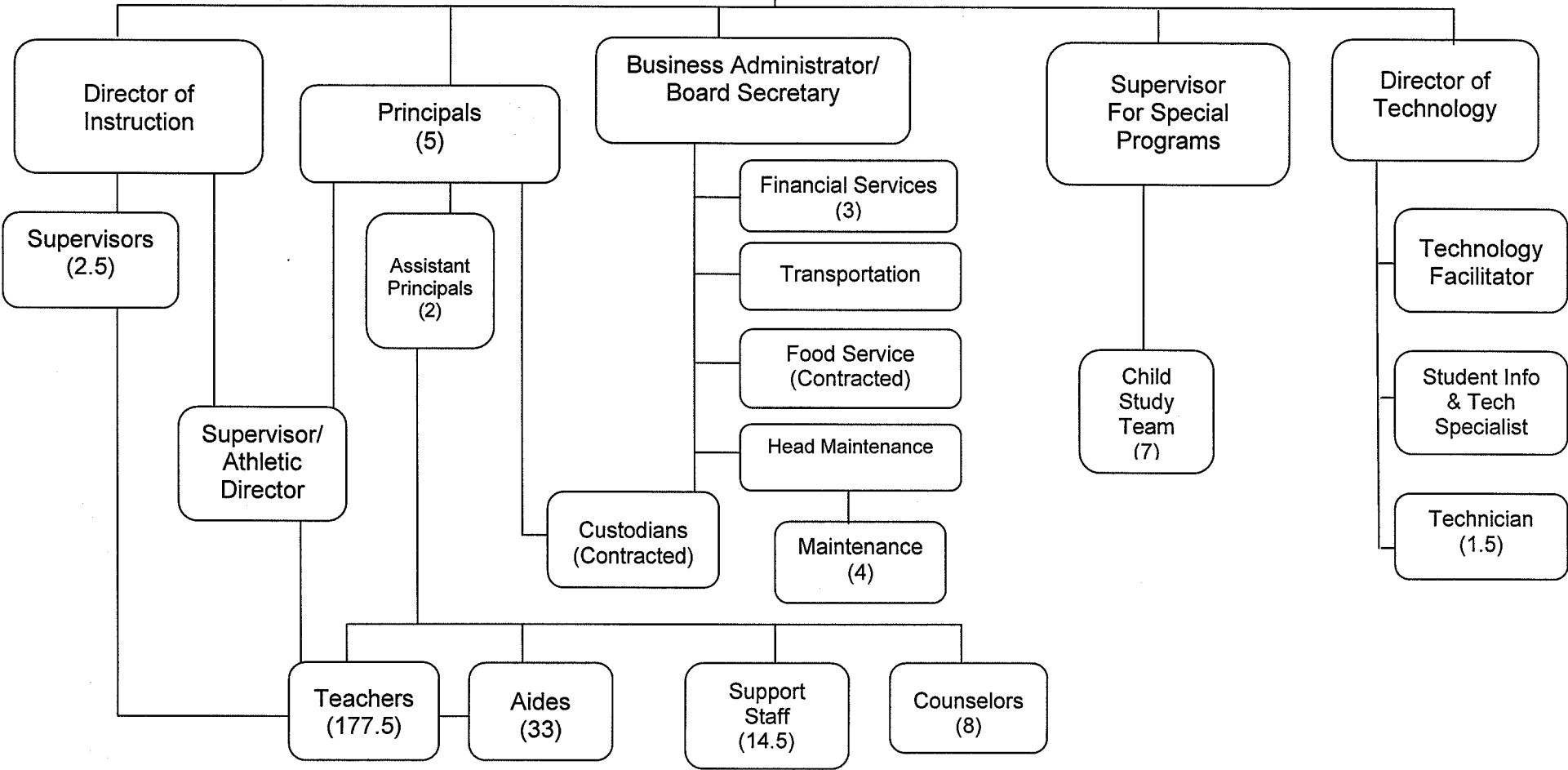
Richard Davidson

Richard Davidson
Board Secretary/
Business Administrator

**Pennsville Township Board of Education
Pennsville, New Jersey**

BOARD OF EDUCATION

SUPERINTENDENT OF SCHOOLS



PENNSVILLE TOWNSHIP BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2017

<u>Board Members Name</u>	<u>Position</u>	<u>Term Expires</u>
Katherine Bodine	President	2019
Jack Nugent	Vice President	2018
Greg Acton		2017
Keith Chambers		2017
Jeffrey Thomas		2018
John Lang		2017
Nancy Phillips		2018
Thomas Hassler		2019
Diana Staffieri-Morris		2019

Other Officials

Michael Brodzik, Ed. D., Superintendent of Schools

Richard Davidson, Business Administrator/Board Secretary

John Willadsen, Treasurer of School Moneys

Mark Toscano, Solicitor

PENNSVILLE TOWNSHIP BOARD OF EDUCATION
CONSULTANTS AND ADVISORS

ENGINEER

Remington & Vernick
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Haddonfield, New Jersey 08033

AUDIT FIRM

Raymond Colavita, CPA, RMA, PSA
Nightlinger, Colavita and Volpa, PA
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Williamstown, NJ 08094

ATTORNEY

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Comegno Law Group, P.C.
521 Pleasant Valley Ave
Morrestown, NJ 08057

OFFICIAL DEPOSITORIES

Pennsville National Bank
170 South Broadway
PO Box 345
Pennsville, NJ 08070

INSURANCE AGENT

Arthur J. Gallagher
Risk Management Services, Inc.
525 Lincoln Drive West
Five Greentree Centre
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Marlton, New Jersey 08053

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

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Certified Public Accountants*

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Williamstown, NJ 08094

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INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Pennsville Township School District
County of Salem, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Pennsville Township School District in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pennsville Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, business-type activities, each major fund, and the aggregate remaining fund information of the Pennsville Township Board of Education in the County of Salem, State of New Jersey, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to accounting and reporting for pensions 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 Pennsville Township School Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by 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 New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule 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 and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule 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.

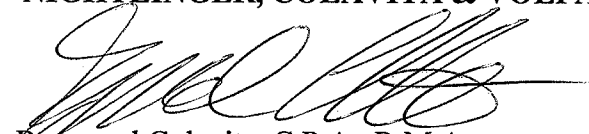
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2017 on our consideration of the Pennsville Township Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Pennsville Township Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



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

November 6, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PENNSVILLE TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR JUNE 30, 2017**

(UNAUDITED)

This section of the Pennsville Township School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year (2016-17) and the prior year (2015-16) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2016-17 fiscal year include the following:

- Net position for governmental and business-type activities were (\$14,481) and \$13,862, respectively.
- Net position for governmental activities decreased by \$249,993 and net position for business-type activities decreased by \$6,249 from July 1, 2016 to June 30, 2017.
- The general fund, fund balance as of June 30, 2017 was \$1,146,317, an increase of \$314,929 when compared with the beginning balance as of July 1, 2016 of \$831,388.

Overview of the Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report, Required Supplementary Information which includes the Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the district-wide statements.
- The governmental funds statements tell us how basic services such as regular and special education were financed in short-term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about the activities that the District operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Table 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table 1
Major Features of the District-Wide and Fund Financial Statements

	<u>District-Wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position	Statement of changes in fiduciary net position
			Statement of cash flows	
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Assets/ Liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid