

KENNETT

CONSOLIDATED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

Kennett Consolidated School District

Kennett Square, Pennsylvania 19348

www.kcsd.org

Comprehensive Annual Financial Report

For the

Fiscal Year Ended June 30, 2020

**Prepared by the Business Office
Mark T. Tracy, Chief Financial Officer
Penny L. Shaffer, Supervisor of Business Services**

**300 East South Street, Kennett Square, Pennsylvania 19348
610-444-6600**

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INTRODUCTORY SECTION



KENNETT CONSOLIDATED SCHOOL DISTRICT

LEARN ♦ APPLY ♦ ACHIEVE

December 15, 2020

To the Members of the Board of School Directors and Citizens of the
Kennett Consolidated School District

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Kennett Consolidated School District (KCS D) for the fiscal year ended June 30, 2020. The District's Business Office prepared this report.

The Comprehensive Annual Financial Report (CAFR) is published to present complete and accurate financial information on all the funds and financial activities of the District for the 2019-20 school year. The business staff and management are responsible for the accuracy of the statements, notes, schedules, and statistical tables. We believe that the information in the report is a fair presentation of the financial position and the results of operations of the District based upon a comprehensive framework of internal control that has been established for this purpose. The report is prepared in accordance with generally accepted accounting and financial reporting principles applicable to governmental entities in the United States of America. Most importantly, this report will provide the reader with a comprehensive understanding of the District's financial affairs.

Barbacane, Thornton & Company LLP, Certified Public Accountants, have audited the financial statements. They have issued an unmodified opinion on the Kennett Consolidated School District's financial statements for the year ending June 30, 2020. Their report is located at the beginning of the financial section of the CAFR.

The Management's Discussion and Analysis (MD&A), which follows the independent auditors' report provides an overview of the District's financial performance during the fiscal year ending June 30, 2020. It should be read in conjunction with this transmittal letter and the District's basic financial statements.

Reporting Entity

School districts were established by the Public School Code of 1949 to assist the General Assembly in its constitutionally mandated duty to provide for the maintenance and support of a thorough and efficient system of public education in the Commonwealth of Pennsylvania. As established by the School Code, the Kennett Consolidated School District is a legally autonomous and fiscally independent political subdivision of the third class. The laws of Pennsylvania give the District corporate powers that distinguish it as a legally separate entity from the Commonwealth of Pennsylvania and any of its subdivisions. The District has the power to determine its budget; to approve and modify that budget; to levy taxes, set rates and establish charges; and to issue bonded debt. The powers may be exercised without substantive approval by another government.

300 EAST SOUTH STREET KENNETT SQUARE, PENNSYLVANIA 19348

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District Profile

Kennett Consolidated School District is comprised of the Townships of Kennett, New Garden, a portion of East Marlborough and the Borough of Kennett Square, all in Chester County. The School District covers an area of approximately 35 square miles. The area is located just north of New Castle County, Delaware, in southern Chester County. The School District lies 10 miles north of Wilmington, Delaware; 24 miles west of Philadelphia, Pennsylvania; 10 miles southwest of West Chester, Pennsylvania and 35 miles east of Lancaster, Pennsylvania. The School District is characterized by rolling hills and valleys that surround the Brandywine River and the White Clay and Red Clay creeks and their tributaries. Economically, the townships within the School District are primarily residential.

The Borough of Kennett Square is located at the geographic center (intersection of Routes #1 and #82) and provides the economic hub for the area served by the schools of the District. The Borough has a business center containing a full range of retail and service stores as well as professional offices to serve this suburban-rural community. Major shopping and commercial centers located in West Chester, Pennsylvania, and the cities of Wilmington and Newark, Delaware, are accessible easily to School District residents for shopping and employment.

The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

Most school district residents find employment in the well-diversified agricultural, financial, medical and industrial sectors of Chester County and the surrounding areas labor markets. Information from U.S. Department of Labor, Bureau of Labor Statistics show for 2019 total employment rates in Chester County to be 285,825 employed and 3.0% unemployed. The state of Pennsylvania shows 4.1% unemployed and 3.5% for the U.S.

During the 2019-20 fiscal year, the district employed 442 employees comprised of 25 administrators, 326 classroom teachers and specialists, and 91 support staff. Teachers in the district are members of the Pennsylvania State Education Association (PSEA) and the Kennett Education Association (KEA), which is the representative bargaining unit.

The facilities presently operated by the School District consist of one Senior High School (grades 9-12), one Middle School (grades 6-8), three elementary schools (grades 1-5) and a full-day Kindergarten Center. The School District also shares facilities at the Chester County Technical College High School and the Chester County Child Development Center with neighboring school districts. Total enrollment at all schools for the 2019-20 school year was 4,156.

Bancroft Elementary School, located in New Garden Township, opened in September, 2011. Greenwood Elementary School, which serves the students from Kennett Township, opened in 1963 and was added to in 1984. The New Garden Elementary School, which serves New Garden Township, opened in 1955 with additions in 1960, 1966, 1989, 1994 and 1998. The District introduced full-day kindergarten in September 2011 and renovated the Mary D. Lang Elementary School, renamed Mary D. Lang Kindergarten Center, for this purpose. The Kennett Middle School building, which serves all District students in grades six, seven, and eight, was opened in 2002. Kennett High School, which observed its ninetieth anniversary in 2020, underwent extensive renovations in 2007 including the addition of a new multi-purpose stadium and improvements to existing playing fields.

While the District does not have any Charter Schools within its geographic boundaries, there are currently one hundred and eighty (180) students who live within the District that attend Charter Schools. The District is obligated to pay the tuition for students that attend Charter Schools. During the year ending June 30, 2020, \$3,351,104 in tuition fees was paid to Charter Schools, including cyber charter schools.

Budget Controls

The District budgets and expends funds following the Pennsylvania Public School Code and according to procedures mandated by the Pennsylvania Department of Education. The District's annually required general fund budget is the approved spending plan for the fiscal year and is revised as necessary in compliance with the requirements of State law and Board Policy. The Board may not obligate funds in excess of the budgeted amounts. However, the Board of Directors may during any fiscal year amend the budget by making additional appropriations or by increasing existing appropriations to meet emergencies. The funds must be provided from unexpended balances in existing appropriations, from un-appropriated revenues, or from temporary loans. Legal budgetary control is maintained by the Board of Directors at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the Board of Directors.

Internal Controls

The objective of a system of internal controls is to provide reasonable, but not absolute, assurance that District assets are properly protected and to ensure that financial transactions, which are relied on in the preparation of financial reports, are accurately recorded. The concept of reasonable assurance recognizes that the cost of the system of internal controls should not exceed the benefits likely to be realized and that the valuation of costs and benefits requires estimates and judgments by management. Management has established policies and procedures to implement and maintain a system of internal accounting controls effectively. Management and independent auditors continually evaluate these policies and procedures to ensure the adequacy and effectiveness of the internal control structure.

**Economic
Condition
and Outlook**

The District's tax base declined by 4% from 2010 to 2014 due to poor economic conditions and increased tax assessment appeals for both residential and commercial properties. However, after four consecutive years of diminishing real estate tax valuations, the District has realized small increases over the past six years, a .45% increase from 2019 to the 2020, but still failing to return to the 2010 level. Earned income tax collections were steadily increasing with the appointment of a new county-wide tax collector in January 2011 but job loss as a result of COVID-19 and the extended due date for 2019 income tax returns caused a decline in earned income taxes for 2019-20. The hope is that the revenue will rebound with a healthier economy.

The student population of the District grew slightly. Current enrollment shows an increase from 4,145 for fiscal 2018-19 to 4,156 for 2019-20 but projections have enrollment trending down below 4,000 over the next several years. The District is carefully monitoring active and proposed developments. Active townhouse communities when complete will have a combined unit count of 430 residential dwellings. Additionally a 174 unit luxury apartment building is scheduled to open October 2020. The District is in constant communication with our four municipalities to keep informed of all future and proposed new developments that will potentially impact not only our student enrollment but our tax base.

Chester County's economy remained healthy with the lowest unemployment rate among the 67 counties of the Commonwealth of Pennsylvania at 3.0% for 2019. While all of this was true in 2019, as the county moved forward into 2020 this sadly was not the reality. Due to the drastic, but necessary, lockdowns that occurred because of COVID-19, many of businesses – small and large – are facing incredible

uncertainty in their ability to continue to operate. While still comparatively low, unemployment rates reached double-digits in the second quarter of 2020. Major employers in the County include growth industries such as financial and insurance services, retail trade and medical services, and computer hardware and software development and design. Such employers include the Vanguard Group of Investments, Inc., Main Line Hospitals and QVC, Inc.

The District's financial results for 2019-20 remained positive. Total revenues increased by \$1,382,935, or 1.6% over the prior year. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$67,147,525, or 75.7%. The District's expenses are predominately related to instructing, caring for and transporting students, which represents 97.1% of total expenses. The closure of schools due to COVID-19 resulted in a decline in expenses in the areas of instruction and non-instructional services. The District's expenses decreased by \$1,122,059, or 1.4%.

An existing Board Policy requires the maintenance of an unassigned fund balance in the amount of the lesser of eight percent (8%) of the following year's budgeted expenditures or the maximum amount permitted by the Commonwealth of Pennsylvania. At the end of each fiscal year, the excess of eight percent (8%) of budgeted expenditures, as certified by the local auditor of the District, is transferred to the Capital Reserve Fund. Reserve monies can only be used for expenditures for which the Board has granted its approval.

At the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$21,818,939. This is an increase of \$3,747,947 in comparison with the prior year and approximately 32.2% of the total amount, \$7,033,210, is available for spending at the District's discretion. The remaining is restricted mainly for capital projects.

However, financially the future is not without challenges. The district continually explores new and improved methods of delivering the best education possible for students while minimizing the financial impact on the taxpayers providing this education especially in this new COVID-19 world. More information can be found in the Management's Discussion and Analysis and the statistical section of this document.

**Long-Term
Financial Planning
and Financial
Policies**

The Board of Directors has adopted a three-prong strategy to minimize the impact of decreasing local revenues on educational and extra-curricular programs. The Board has authorized appropriations from fund balance, reductions in expenditures, and tax increases slightly above the Act 1 Index. Under the governance of Act 1 of 2006, the Homeowners Tax Relief Act, the District is restricted from increasing taxes beyond an inflationary index that is calculated and published annually by the Department of Education. If the District requires a tax increase beyond the index, the electorate must approve a referendum ballot question unless granted an exception by the Department of Education or the Chester County Courts.

The Board has been proactive in addressing the needs for expanding and renovating existing facilities. In August of 2011, the District opened the new Bancroft Elementary School. The 105,000 square foot building is designed for energy efficiency, use of sustainable materials, and low environmental impact. Financing for the project was obtained through the Build America Bonds program. The District is currently looking at renovating two of its older elementary schools. The District also works closely with its financial advisors to monitor refinancing opportunities of its existing debt continually when economic and market conditions are favorable.

Major Initiatives

During the past year, the Kennett Consolidated School District graduated 327 students, 75% of which continued their education at two- and four-year colleges, technical schools, and universities. The mean SAT scores for 2020 graduates were 570 for Evidence Based Reading and Writing and 571 for Math. The Class of 2020 had three National Merit finalist and five commended students in the National Merit Scholarship Program.

In 2020 The *U.S. News & World Report* named Kennett High School one of America's Best High Schools. To produce the 2020 Best High Schools rankings, *U.S. News & World Report* teamed up with North Carolina-based RTI International, a global nonprofit social-science research firm. Kennett High School ranked 42 out of 293 in the Philadelphia Metro Area, 61 out of 754 in the Commonwealth and 1,654 out of 17,792 of the country's eligible schools. The comprehensive rankings methodology is based on the key principles that a great high school must serve all of its students well, not just those who are college bound, and that it must be able to produce measurable academic outcomes to show it is successfully educating its student body across a range of performance indicators.

In 2018 for the third time since 2012, Kennett Middle School was recognized by the Pennsylvania Don Eichhorn Schools: Schools to Watch program. The program annually recognizes a small number of diverse, high-performing, growth-oriented middle schools that demonstrate academic excellence, developmental responsiveness to the unique challenges of early adolescence, social equity, and school structures and processes that support and sustain the path to excellence. The middle school joins a very select cadre of 36 schools in Pennsylvania and more than 465 schools across the country that have earned the distinction of being Schools to Watch. A middle school that is designated as a School to Watch retains that honor for three years and must reapply, as Kennett Middle School did.

The Kennett Consolidated School District has a curriculum that is aligned with Pennsylvania's Core standards and Common Core standards, meets the requirements of Chapter 4, and challenges its students to think critically and creatively. The District also works to utilize local assessments to measure how well students are achieving mastery of the standards. The assessments include teacher observations, traditional tests, and performance tasks such as projects, presentations, and experiments. District and classroom assessments, standardized tests, and feedback from parents all provide detailed information about children's academic progress. Kennett Consolidated teachers use information from all of these sources to make the best instructional decisions for all students.

Independent Audit

As required by State law, the Kennett Consolidated School District submits its financial data to independent certified public accountants at year end for a comprehensive annual audit of the District's financial affairs. The Board of School Directors has retained Barbacane, Thornton & Company LLP, Certified Public Accountants, to complete an independent audit of the financial position and results of its operations and cash flow of its governmental and business type activities in accordance with auditing standards generally accepted in the United States of America and with Government Auditing Standards. The results of that audit for 2019-20 fiscal year are included in the financial section of this report. The District also submitted its federal program financial and operational data to independent certified public accountants in compliance with the provisions of the Federal Government's Office of Management and Budget Uniform Grant Guidance. Results of that audit are reported in the Single Audit Section of this document.

**Certificate of
Excellence - ASBO**

The Association of School Business Officials (ASBO) International awarded the Certificate of Excellence in Financial Reporting to the Kennett Consolidated School District for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2019. This is the eighth consecutive year that the District has received the Certificate of Excellence from ASBO International. We believe our current report will meet or exceed the program's Certificate of Excellence requirements and we are submitting it to ASBO for review.

**Certificate of
Achievement-
GFOA**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kennett Consolidated School District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the ninth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the diligent and dedicated services of the Business Department staff and the administrative assistants in the offices of the Superintendent and Human Resources. We would also like to express our appreciation to the administrators and employees of the Kennett Consolidated School District for their interest and support in planning and conducting the financial affairs in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "D. Dusty Blakey".

D. Dusty Blakey, Ed.D.
Superintendent

A handwritten signature in blue ink, appearing to read "Mark T. Tracy".

Mark T. Tracy
Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Penny L. Shaffer".

Penny L. Shaffer
Supervisor of Business Services



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Kennett Consolidated School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Kennett Consolidated School District
Pennsylvania**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

KENNETT CONSOLIDATED SCHOOL DISTRICT

**Organization
Board of School Directors**

Joseph Meola	President
Victoria Gehrt	Vice-President
Michael H. Finnegan	Treasurer
Ryan Bowers	Member
William Brown	Member
Maribel Garcia	Member
David Kronenberg.....	Member
Ann Parry.....	Member
Jeffrey McVey.....	Member
D. Dusty Blakey, Ed. D. (non-voting member)	Superintendent
Mark T. Tracy (non-voting member).....	Secretary

KENNETT CONSOLIDATED SCHOOL DISTRICT

**Organization
Board Committees**

- Curriculum Committee..... Ann Parry, Chairperson
- Finance CommitteeMichael H. Finnegan, Chairperson
- Government Liaison & CommunicationsRyan Bowers, Chairperson

Liaison with Administration

- Intermediate Unit Board.....Victoria Gehrt
- Legislative CouncilDavid Kronenberg
- PSBA Joseph Meola
- Chester County School Authority Leon R. Spencer, Jr.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Organization

District Administration

D. Dusty Blakey, Ed.D. District Superintendent
Michael A. Barber, Ed.D. Assistant Superintendent of Administrative Services
Mark T. Tracy Chief Financial Officer
Heather Collins, Ed.D. Director of Special Education
Lydia M. Hallman, Ed.D. Director of Curriculum
George Wolhaffe, III Director of Construction and Facilities
Jeremy M. Hritz, Ed.D. Principal, Kennett High School
Lorenzo G. DeAngelis, Jr., Ed.D. Principal, Kennett Middle School
Elizabeth A. Weaver Principal, New Garden Elementary School
Tracey L. Marino Principal, Greenwood Elementary School
Leah A. McComsey Principal, Bancroft Elementary School
April L. Reynolds Principal, Mary D. Lang Kindergarten Center
Duane C. Kotz. Assistant Principal, Kennett High School
Eileen T. Rudisill Assistant Principal, Kennett High School
Jeffrey J. Thomas Assistant Principal, Kennett High School
Brenna L. Austin. Assistant Principal, Kennett Middle School
Jacob D. Moore Assistant Principal, Kennett Middle School
Judith Jester Durante Supervisor of Language Arts and Social Studies
Jo L. Stirling Supervisor of Special Education
Michael E. Ubbens Supervisor of Special Education
Daniel E. Maguire Supervisor of Technology Services
Penny L. Shaffer Supervisor of Business Services
Kevin R. Bridges Supervisor of Information Systems
W. Thompson Jenkins Manager of Transportation

KENNETT CONSOLIDATED SCHOOL DISTRICT

Consultants and Advisors

Independent Auditors

Barbacane, Thornton & Company LLP
Certified Public Accountants
200 Springer Building
3411 Silverside Road
Wilmington, DE 19810

Legal Counsel

John R. Merrick
117 South Broad Street
Kennett Square, PA 19348
(General & Special Counsel)

Kegel, Kelin, Litts & Lord LLP
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Lancaster, PA 17602
(Bond Counsel)

Jeffrey T. Sultanik, Esquire
Fox Rothschild LLP
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Philadelphia, PA 19103
(Labor Counsel)

Financial Advisors

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Lancaster, PA 17601

Public Financial Management
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Harrisburg, PA 17101-2044

Official Depositories

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Kennett Square, PA 19348

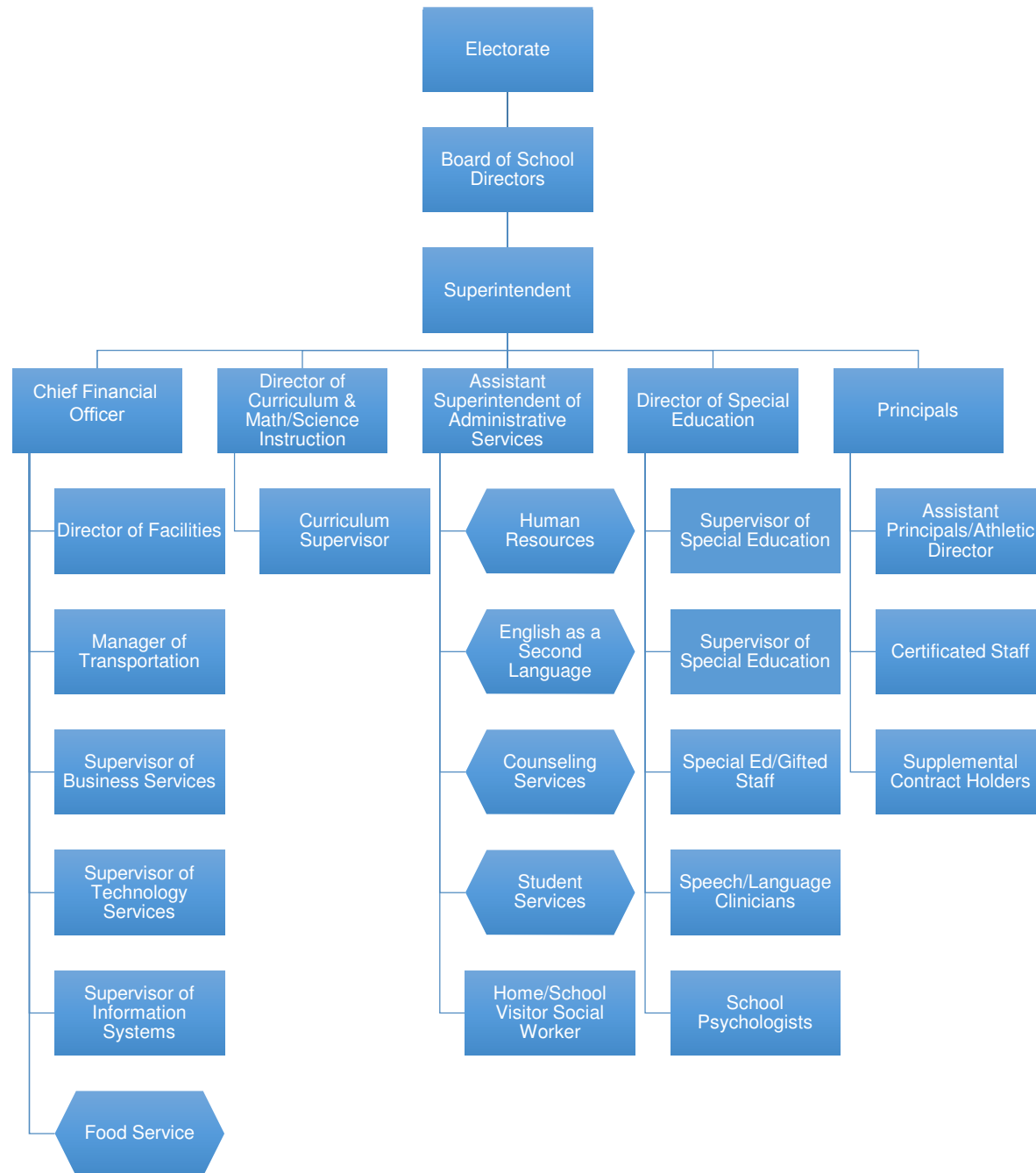
Pennsylvania Local Government
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Harrisburg, PA 17108

RBC Public Funds Services (PSDLAF)
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Lancaster, PA 17601

Architects

Bernardon
10 North High Street, Suite 310
West Chester, PA 19380

Kennett Consolidated School District Organizational Chart



Position



Department



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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 10, 2020

Members of the Board
Kennett Consolidated School District
Kennett Square, Pennsylvania

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 Kennett Consolidated School District ("the District"), Kennett Square, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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. 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 entity's preparation and fair

Members of the Board
Kennett Consolidated School District

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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Kennett Consolidated School District, Kennett Square, Pennsylvania, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Kennett Consolidated School District's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated November 1, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 32 and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the District's net OPEB liability - single employer plan on pages 79 through 83 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.

Members of the Board
Kennett Consolidated School District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 68 and 69 is presented for purposes of additional analysis 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 is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of the 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 solely 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 effectiveness of 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 District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

This section of the Kennett Consolidated School District's ("the District") annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$35,602,869. This is due to the recognition of the District's share of the net pension liability of the Public School Employees Retirement System of Pennsylvania ("PSERS") as required by Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions" and the District's net other postemployment benefits ("OPEB") liability as required by GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The District's allocation of PSERS net pension liability is \$106,337,000, and the District's net OPEB liability is \$15,224,000. As a result, the District's unrestricted net position is \$(103,104,547).
- The District's net position increased by \$8,746,635 during the current fiscal year. The increase in net position is partially attributable to the reduction in the District's general obligation bonds payable of \$6,315,258, as well as revenues exceeding expenses.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$21,818,939, an increase of \$3,747,947 in comparison with the prior year. Approximately 32.2 percent of this total amount, \$7,033,210, is available for spending at the District's discretion.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$7,033,210, or 8.6 percent of total general fund expenditures.
- The District's total liabilities decreased by \$6,735,963, or 3.8 percent, during the fiscal year. The decrease is primarily due to changes in actuarial assumptions in regard to the District's net pension liability (\$1,482,000) and satisfying the District's general obligation bonds (\$6,315,258).
- The net position of business-type activities, the food service operation, decreased by \$16,822 prior to a \$26,729 transfer from Governmental Activities to cover negative student meal account balances. The food service operation was allocated one percent of the District's net pension liability for PSERS and net OPEB liability, which is \$1,063,370 and \$152,240 for the current year, respectively. Revenues for the food service operation decreased by 3.6 percent to \$1,695,762 while expenses decreased by 3.3 percent to \$1,712,584.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the District. The first two statements are government-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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
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the District which report the District's operations in more detail than the government-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about the activities the District operates like a business, such as food services. 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, such as student activity funds and the scholarship fund. The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data.

The following chart summarizes the major features of the District's financial statements. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services and self-insurance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows 	<ul style="list-style-type: none"> Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
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 asset/deferred outflow of resources/liability/deferred inflow of resources information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 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

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Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, the non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing school facilities, are considered.

In the government-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services, and administrative services. Property taxes, along with state formula aid, finance most of these activities.
- **Business-type Activities:** The District operates a food service program and charges fees to staff, students, and visitors to help cover costs of the food service operation.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds – not the District as a whole. Funds are accounting components the District used to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information on a schedule following each of the governmental funds statements explains the relationship (or differences) between them.

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Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. Proprietary funds are classified as enterprise or internal service. The District's *Enterprise Fund* (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the Food Service Fund. Another type of proprietary fund, an internal service fund, is used to account for the operation of the District's self-insurance program for employee medical, prescription drug, and dental claims.

An internal service fund uses the accrual basis of accounting which is the same as the enterprise fund; however, in the government-wide statements, an internal service fund is included with the governmental activities since it largely supports these activities.

Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Impact of GASB Statements No. 68 and No. 71

The District follows the accounting guidance of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measure Date - An Amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

The adoption of GASB Statements No. 68 and 71 has had and will continue to have a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing for certain retirement benefits to the work force.

More specifically, the District contributes to the PSERS, a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multi-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are

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projected employer and employee contributions as well as expectation that the assets will grow at the long-term assumed rate of return on plan investments.

While the net pension liability is significant to the District's financial statements, it is a liability that the District has limited control over. In recent years, the PSERS employer contribution rate has risen significantly, from four percent in 2009 - 2010 to 34.29 percent in 2019 - 2020. These increases are expected to improve the plan's funding level, which should reduce net position in future years. This rate is anticipated to continue to increase to a level of over 36 percent in future years. Senate Bill 1 of 2017, which took effect in 2019-2020, is intended to provide long-term reform to ensure the future sustainability of the pension system.

Impact of GASB Statement No. 75

The District follows the accounting guidance of GASB Statement No 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The purpose of this statement is to improve the transparency, consistency, and comparability of other postemployment benefits provided by state and local governments (e.g. school districts).

The adoption of GASB Statement No. 75 has had and will continue to have a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. Prior to the adoption of this standard, the OPEB liability was being recognized on an amortized basis over a term of 30 years in accordance with GASB Statement No. 45.

The following is a summary of the key changes as a result of the adoption of GASB Statement No. 75:

- The District must now recognize the net OPEB liability, as opposed to an amortized portion of the liability (the Net OPEB Obligation).
- The annual OPEB expense replaces the Annual Required Contribution ("ARC"), with faster recognition than what was previously required.
- Entry age normal cost method is required to determine liability.
- Discount rate is based on employer's assets and calculation of Actuarial Determined Contribution if prefunding. Since the District's plan is unfunded, a 20-year tax exempt municipal bond rate is utilized.
- Enhanced disclosures of historical contributions, funded status, and basis for actuarial assumptions is required.
- Description of any benefit and assumption changes as well as an expanded Notes section and Required Supplementary Information ("RSI") required.

Financial Analysis of the District as a Whole

The District's net position was adversely affected by the District's recognition of its proportionate share of the net pension liability of the Public School Employees' Retirement System of Pennsylvania ("PSERS") and the District's net OPEB liability. For the current year, the District's share of the PSERS net pension liability is \$106,337,000, and the District's net OPEB liability is \$15,224,000. The total net position is \$(35,602,869), resulting in a negative *unrestricted net position* of \$(103,104,547). The following table presents condensed financial information for the net position of the District as of June 30, 2020 and 2019.

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Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 36,798,912	\$ 33,043,019	\$ 1,085,678	\$ 951,065	\$ 37,884,590	\$ 33,994,084
Capital Assets	91,210,368	92,550,635	601,047	640,948	91,811,415	93,191,583
Total Assets	128,009,280	125,593,654	1,686,725	1,592,013	129,696,005	127,185,667
Deferred Outflows of Resources	16,533,599	16,420,649	167,006	165,865	16,700,605	16,586,514
Total Assets and Deferred Outflows of Resources	144,542,879	142,014,303	1,853,731	1,757,878	146,396,610	143,772,181
Long-term liabilities	160,645,221	166,957,878	1,234,383	1,233,048	161,879,604	168,190,926
Other liabilities	9,648,113	10,151,692	201,391	122,453	9,849,504	10,274,145
Total Liabilities	170,293,334	177,109,570	1,435,774	1,355,501	171,729,108	178,465,071
Deferred Inflows of Resources	10,169,008	9,560,924	101,363	95,690	10,270,371	9,656,614
Total Liabilities and Deferred Inflows of Resources	180,462,342	186,670,494	1,537,137	1,451,191	181,999,479	188,121,685
Net position:						
Net investment in capital assets	52,137,694	47,352,086	601,047	640,948	52,738,741	47,993,034
Restricted	14,762,937	11,014,624	-	-	14,762,937	11,014,624
Unrestricted (Deficit)	(102,820,094)	(103,022,901)	(284,453)	(334,261)	(103,104,547)	(103,357,162)
Total Net Position (Deficit)	\$ (35,919,463)	\$ (44,656,191)	\$ 316,594	\$ 306,687	\$ (35,602,869)	\$ (44,349,504)

A significant portion of the District's net position, \$52,738,741, reflects its investment in capital assets (land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$14,762,937, represents resources that are restricted for capital projects.

At the end of the current fiscal year, the District is reporting a negative unrestricted net position for its governmental and business-type activities due to the application of GASB Statement No. 68 and GASB Statement No. 75. Total net position for the governmental activities is also negative; however, the total net position of the business-type activities is positive. Balances for unrestricted net position for both governmental and business-type activities are also negative for the prior fiscal year.

The District's net position increased by \$8,746,635 during the current fiscal year. The increase in net position is partially attributable to the reduction in the District's general obligation bonds payable of \$6,315,258, as well as revenues exceeding expenses. Governmental activities increased the District's net position by \$8,736,728, thereby accounting for all of the total growth in the net position.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to

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specific categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes and the basic education subsidy provided by the Commonwealth of Pennsylvania.

The following table presents condensed financial information from the statement of activities in a different format.

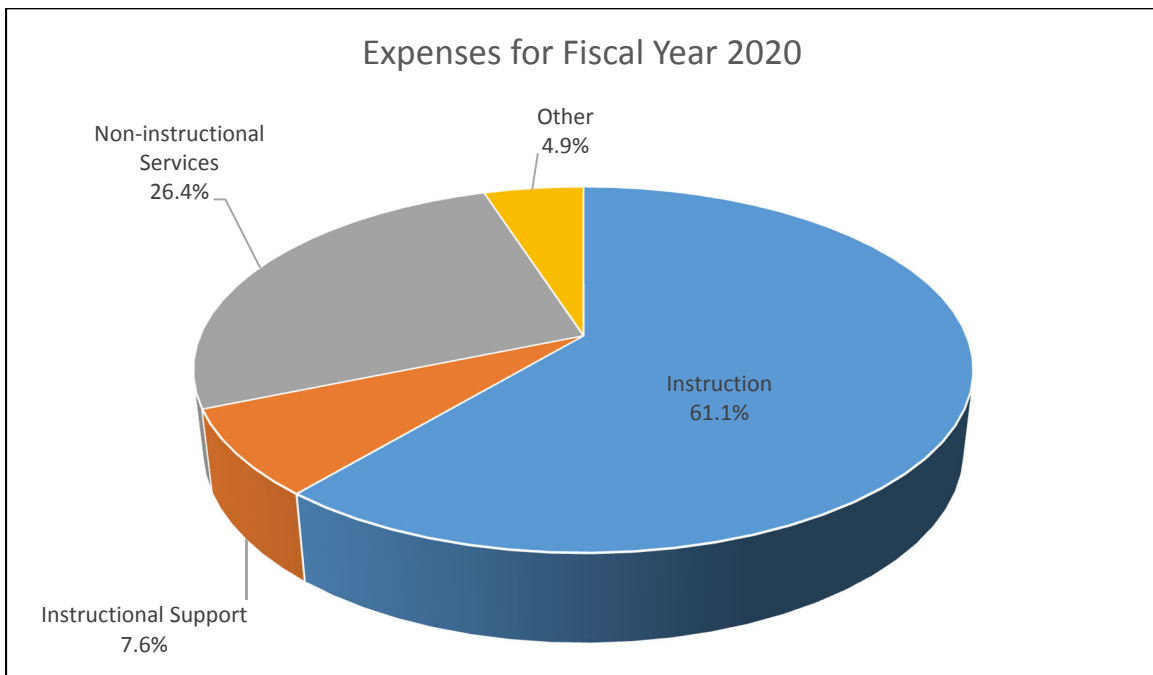
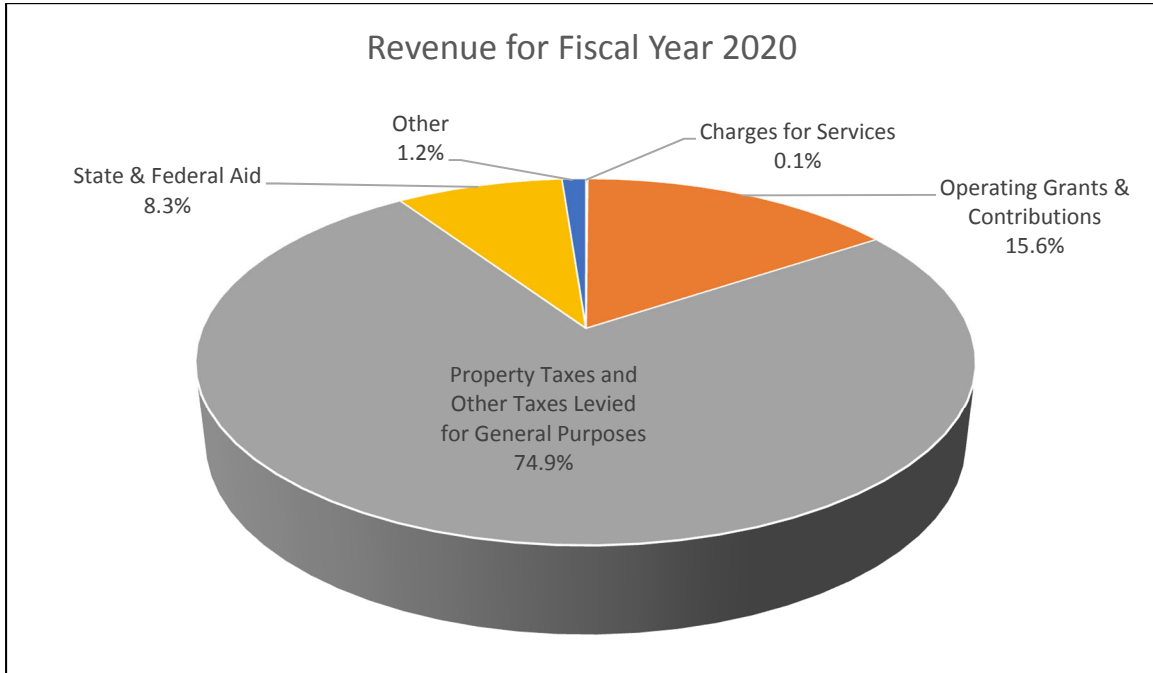
Changes in Net Position from Operating Results

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 223,589	\$ 267,495	\$ 493,146	\$ 663,913	\$ 716,735	\$ 931,408
Operating grants and contributions	12,815,632	12,281,923	1,192,918	1,076,612	14,008,550	13,358,535
General Revenues:						
Property taxes and other taxes levied for general purposes	67,147,525	66,254,073	-	-	67,147,525	66,254,073
State and federal aid	7,405,840	7,237,240	-	-	7,405,840	7,237,240
Other	1,054,587	1,223,507	9,698	18,619	1,064,285	1,242,126
Total Revenues	88,647,173	87,264,238	1,695,762	1,759,144	90,342,935	89,023,382
Expenses:						
Instruction	49,837,619	50,186,950	-	-	49,837,619	50,186,950
Instructional support	6,215,217	5,925,093	-	-	6,215,217	5,925,093
Non-instructional services	21,514,635	23,003,181	-	-	21,514,635	23,003,181
Other	2,316,245	1,890,551	1,712,584	1,771,765	4,028,829	3,662,316
Total Expenses	79,883,716	81,005,775	1,712,584	1,771,765	81,596,300	82,777,540
Increase (Decrease) in Net Position Before Transfers	8,763,457	6,258,463	(16,822)	(12,621)	8,746,635	6,245,842
Transfers	(26,729)	-	26,729	-	-	-
Increase (Decrease) in Net Position	8,736,728	6,258,463	9,907	(12,621)	8,746,635	6,245,842
Beginning Net Position (Deficit), Restated	(44,656,191)	(50,914,654)	306,687	319,308	(44,349,504)	(50,595,346)
Ending Net Position (Deficit)	<u>\$ (35,919,463)</u>	<u>\$ (44,656,191)</u>	<u>\$ 316,594</u>	<u>\$ 306,687</u>	<u>\$ (35,602,869)</u>	<u>\$ (44,349,504)</u>

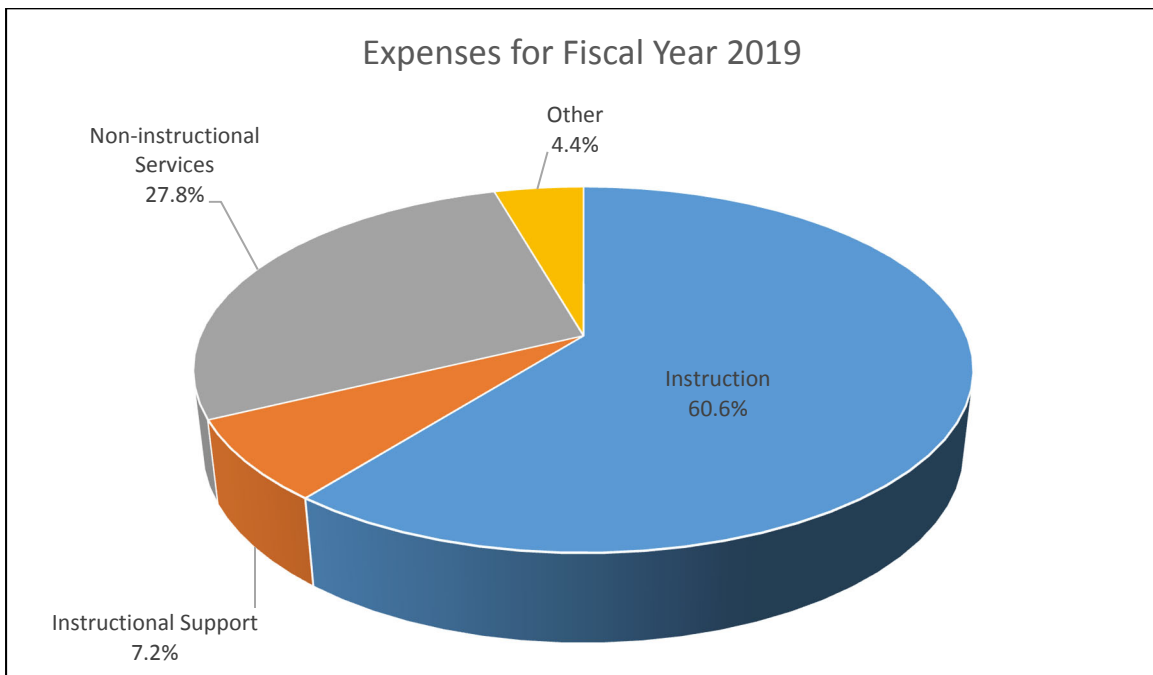
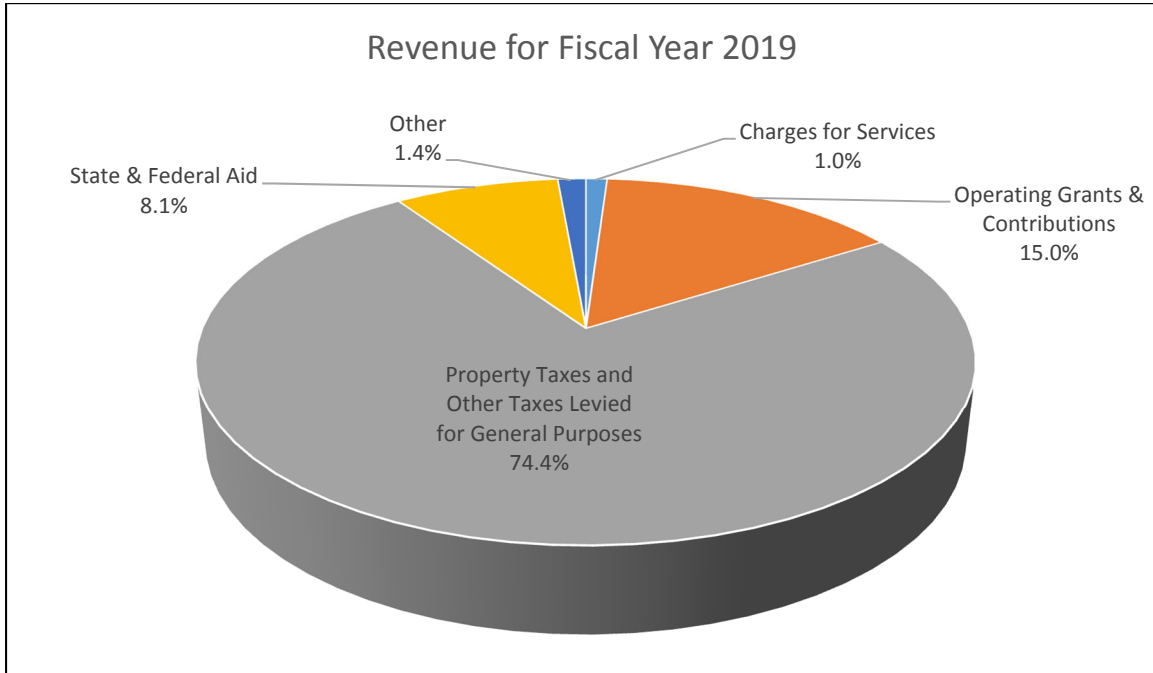
Governmental Activities: Total revenues increased by \$1,356,206, or 1.6 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$67,147,525, or 75.7 percent. The increase of \$893,452 (1.4 percent) is due to an increase in the millage rate of 1.65 percent and a small recovery in the tax base, along with an increase in realty transfer and earned income taxes. Another \$7,405,840, or 8.4 percent, came from state and federal aid, such as the basic education and the Title I subsidies, respectively. The remainder, \$14,093,808 or 15.9 percent, came from various sources. Revenue of \$12,815,632 came from operating grants, including funds for special education, student transportation, retirement, and social security. Revenue of \$840,354 came from earnings on investments, revenue of \$223,589 came from fees charged for services, and other revenue amounted to \$214,233.

The total cost of all governmental programs and services decreased to \$79,883,716, a decrease of \$1,122,059, or 1.4 percent. The District's expenses are predominately related to instructing and caring for and transporting students (instructional support services and operation/maintenance of school facilities),

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which represents \$77,567,471, or 97.1 percent, of total expenses. The closure of schools due to COVID-19 resulted in the decline in expenses in the areas of instruction and non-instructional services. Moving to a virtual environment reduced the need for contracted substitute teachers, classroom aides, and student transportation. Total revenues exceeded total expenses, which produced an increase in net position of \$8,736,728 over the past year.

Presented below is the cost of four major District activities: instruction, instructional support, non-instructional services, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. The net cost of all governmental activities increased by \$1,611,862 to \$66,844,495. The state and federal government subsidized certain programs with capital and operating grants and contributions which totaled \$12,815,632 and charges for certain services also offset the costs by \$223,589.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Functions/Programs						
Instruction	\$ 49,837,619	\$ 50,186,950	-0.7%	\$ 41,038,544	\$ 41,887,861	-2.0%
Instructional support	6,215,217	5,925,093	4.9%	5,577,198	5,312,263	5.0%
Non-instructional services	21,514,635	23,003,181	-6.5%	18,413,186	19,877,636	-7.4%
Other	2,316,245	1,890,551	22.5%	1,815,567	1,378,597	31.7%
Total	<u>\$ 79,883,716</u>	<u>\$ 81,005,775</u>	<u>-1.4%</u>	<u>\$ 66,844,495</u>	<u>\$ 68,456,357</u>	<u>-2.4%</u>

Business-type Activities: Business-type activities decreased the District's net position by \$16,822, prior to a \$26,729 transfer from Governmental Activities to cover negative student meal account balances. Total revenues decreased by \$63,382, or 3.6 percent, over the prior year due to the closure of schools as a result of COVID-19. While the United States Department of Agriculture (USDA) put in place several waivers allowing the District to feed all children, 18 and under, in the community, this additional revenue did not make up for the loss of revenue from sales of non-reimbursable food items. Total expenses also decreased by \$59,181, or 3.3 percent, due mainly to a decrease in contracted labor costs and food costs again the result of school closures. In addition to the District-wide financial statements, the Food Service program is reported in greater detail in the proprietary fund statements.

The table below reflects the activities of the Food Service program, the only business-type activity of the District.

Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Food services	<u>\$ 1,712,584</u>	<u>\$ 1,771,765</u>	<u>-3.3%</u>	<u>\$ 26,520</u>	<u>\$ 31,240</u>	<u>-15.1%</u>

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Financial Analysis of the Government's Funds

Governmental Funds

At the end of June 30, 2020, governmental funds had total fund balances of \$21,818,939, an increase of \$3,747,947 in comparison with the previous year. Approximately 32.2 percent of this total amount, \$7,033,210, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. Fund balance of \$22,792 is classified as nonspendable because it is in a form that cannot be readily converted to liquidate obligations of the District. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed for capital projects or other expenditures.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,033,210, which also represents 8.6 percent of total general fund expenditures. The fund balance of the District's general fund decreased by \$366.

The Capital Projects Fund, which represented the remaining proceeds of a capital settlement fund for repairs to the District's Middle School was exhausted with renovations to the front steps due to the installation of a secured vestibule at the school.

The Capital Reserve Fund has a total fund balance of \$14,762,937, all of which is restricted for capital improvements. Receipts for this type of capital reserve fund come from transfers during or at the end of the fiscal year from appropriations in the General Fund when there is a surplus. The net increase in fund balance during the current year in the Capital Reserve Fund was \$3,937,696. The Capital Reserve Fund received transfers from the General Fund of \$6,596,054. The Capital Reserve Fund had expenditures of \$2,833,352 for a variety of facility improvements including the completion of secured vestibules at the High School, the Middle School, and two elementary schools; a renovation of the kindergarten center front façade; improvements to the High School tennis courts, and the replacement of the artificial grass and resurfacing of the track at the High School stadium. The District has begun a renovation of the historic High School front steps. Other items purchased out of the fund included new doors and windows, HVAC upgrades, and sidewalk and parking lot repairs. Also, through the Capital Reserve Fund, the District continued to make an investment in technology, \$216,500, with the finance of Dell Chromebooks and Notebooks along with appropriate storage cabinets.

Proprietary Funds

The unrestricted net position of the Food Service Fund at the end of the year amounted to \$(284,453). The negative unrestricted net position is due to the Food Service operation's shares of the District's net pension liability for the PSERS of \$1,063,370 and the District's net OPEB liability of \$152,240. The net position for this fund decreased by \$16,822 before transfers. The Food Service Fund received a transfer from the General Fund of \$26,729 to cover negative student meal account balances. Factors concerning the finances of this fund are addressed in the discussion of the District's business-type activities.

The District's internal service fund is used to account for the operation of its self-insurance program for employee medical, prescription drug, and dental claims. The unrestricted net position of the internal service fund at the end of the year amounted to \$4,276,856 and represents resources accumulated for anticipated future losses. The net position for this fund increased by \$209,116 due to a planned decrease in funding resulting from decreased insurance claims. This residual balance is reported in the governmental activities since the services provided primarily benefit the governmental activities.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2020**

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes transfers between functional categories to accommodate differences from the original budget to the actual expenditures. A schedule showing the District's original budget and final budget amounts compared to amounts actually received or disbursed is provided in the financial statements.

The difference in the 2019 - 2020 revenues, expenditures, and other financing sources and uses compared to the budget resulted in an overall favorable variance of \$5,483,780 excluding transfers. While the District's original budget for the General Fund anticipated the use of \$714,330 of fund balance in order to balance the budget, the actual results for the year reflected a surplus of \$6,622,417 excluding transfers. An amount of \$6,596,054 was transferred to the District's Capital Reserve Fund for anticipated capital improvements outlined in the District's five-year plan, and \$26,729 was transferred to the Food Service Fund to cover negative student meal account balances. The net surplus after the transfer decreased the General Fund's fund balance by \$366 to \$7,056,002.

The timing of COVID-19 negatively impacted the variance between the final budget and actual revenues. While real estate related taxes remained favorable, earned income tax was significantly affected. Job loss and the extended due date for 2019 income tax returns caused a decline in earned income taxes for 2019-20. The hope is that both items will rebound with a healthier economy. The closure of schools resulted in the inability to spend federal funds in the planned time frame; therefore, resulting in a decline in federal income for 2019-2020. All of the federal funds will be spent in early 2020-2021 and the funds received.

The following are the main factors that contributed to the variance in revenues:

- Increases in real estate taxes (regular, interim and delinquent) resulted in additional revenues of \$547,506.
- Increases in real estate transfer taxes resulted in additional revenues of \$266,477.
- Decreases in earned income taxes resulted in a decline in revenues of \$601,184.
- Decreases in federal planned spending resulted in a temporary decline in revenues of \$687,065.

The impact of COVID-19 forced school districts to close physical locations and operate remotely in a matter of days. The variance between the final budgeted and actual expenditures was due in large part to the change in the delivery educational programs for the last quarter of the school year. However, successful management of health insurance through self-insured programs and continued change in the delivery of Special Education programs also contributed.

The following are the main factors that contributed to the variance in expenditures:

- Decreases in self-insurance claims resulted in a savings of \$1,782,967.
- Decreases in contracted services for Special Educations programs resulted in a savings of \$1,802,170.
- Decreases in contracted services for substitute teachers and classroom aides resulted in a savings of \$878,218.
- Decreases in student transportation and staff travel resulted in a savings of \$740,397.
- Decreases in contracted technical services for staff development, security, copying, technology, and others resulted in a savings of \$351,068.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2020**

- Decreases in the use of utilities resulted in a savings of \$168,883.
- Postponement of the purchase of supplies and equipment along with unrequired rental and repairs resulted in a savings of \$1,219,695. \$563,397 funded by the CARES Act will be purchased in 2020-2021.
- Postponement of District-Wide new textbook adoptions resulted in a savings of \$238,564.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District had investments of \$91,811,415 (net of depreciation) in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, fixtures, and equipment. This amount represents a decrease of \$1,380,168, or 1.5 percent, for the year. Total depreciation expense for the year amounted to \$4,038,445. More detailed information about capital assets can be found in notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2020	2019	2020	2019	2020	2019	
Land	\$ 3,060,599	\$ 3,060,599	\$ -	\$ -	\$ 3,060,599	\$ 3,060,599	0.0%
Construction-in-progress	2,009,869	136,447	-	-	2,009,869	136,447	1373.0%
Building and building improvements	84,668,824	87,518,752	-	-	84,668,824	87,518,752	-3.3%
Fixtures and equipment	1,471,076	1,834,837	601,047	640,948	2,072,123	2,475,785	-16.3%
Total	<u>\$ 91,210,368</u>	<u>\$ 92,550,635</u>	<u>\$ 601,047</u>	<u>\$ 640,948</u>	<u>\$ 91,811,415</u>	<u>\$ 93,191,583</u>	<u>-1.5%</u>

Long-term Debt

As of June 30, 2020, the District had \$161,879,604 in outstanding long-term debt, a decrease of \$6,311,320, or 3.8 percent, over last year primarily due to satisfying the District's general obligation bonds. The District made annual debt service payments totaling \$6,015,000 and issued no new debt in 2020. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Outstanding Long-term Liabilities

	Totals		% Change
	2020	2019	
General Obligation Bonds, net	\$ 39,072,674	\$ 45,387,932	-13.9%
Compensated absences	1,245,930	1,120,994	11.1%
Net OPEB liability	15,224,000	13,863,000	9.8%
Net pension liability	106,337,000	107,819,000	-1.4%
Total	<u>\$ 161,879,604</u>	<u>\$ 168,190,926</u>	<u>-3.8%</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2020**

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The COVID-19 pandemic and related economic uncertainties may impact the financial operations of the District. Business were forced to close and jobs were lost, directly affecting the earned income tax base and possibly indirectly the timeliness of real estate tax collections. The decline in interest rates to near zero limits potential earnings on investments. Schools moving from in-person to remote learning bring new and sometimes costly challenges such as internet connectivity and the feeding and distribution of student meals. The impact is expected to be mostly offset by the CARES Act and USDA funding.
- June 30, 2021 will mark the expiration of the current five-year teachers' contract. The economic package (salaries and fringe benefits) over the next year provides for an annual increase of 2.7 percent and includes employee contributions for healthcare costs.
- July 31, 2021 will mark the expiration of the current five-year Student Transportation Agreement with the Krapf Bus Company. The agreement represents approximately five percent of the District's annual operating budget. The existing agreement stipulated increase in the remaining year tied to the 12-month Consumer Price Index for Philadelphia – All Urban Consumers. With a minimum of two percent. The increase for 2020-2021 was two percent. At the May 11, 2020 Board Meeting, the District approved an addendum to the Student Transportation Agreement that reduced the daily rate to 65% of the stipulated contractual rate for buses not in service during the COVID – 19 pandemic school closure with a guarantee of payment for 180 days per school year. The terms and conditions of the Addendum extend for the duration of the agreement.
- After many years of dormant residential housing growth and declining housing market values, new taxable properties are coming online and the real estate market appears vibrant. As a result, tax assessment appeals are down over previous years, while interim taxes and transfer taxes are expected to increase.
- The District is carefully monitoring active and proposed residential developments in our community. Active townhouse communities include Longwood Preserve, Pemberton, Northridge, Sinclair Springs, and Stonehouse which when complete will have a combined unit count of 430 residential dwellings. Additionally the Flats at Kennett, a 174 luxury apartment building is scheduled to open October 2020. The District is in constant communication with our four municipalities to keep abreast of all future and proposed new developments that potentially will impact our tax base and student enrollment.
- The District's administration is continually exploring changes to the existing elementary school configuration to better match the distribution of the student population with building capacity to ensure that current and future students can be accommodated.
- Consistent with historical trends, the District expects state and federal funding for public education to remain relatively flat, which will result in the need for greater local tax effort to fund instructional programs and services. The Commonwealth of Pennsylvania provided only 21 percent of total

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2020**

revenue sources to fund costs supporting the District's educational programs during the past year. Local sources of revenue, primarily property taxes, now support 77 percent of the costs for educational programs and services in the District. The federal government only provided 2 percent of the funds to support general operations.

- Special Session of Act 1 of 2006: The law limits real estate tax increases to an index established by the Pennsylvania Department of Education. Districts that cannot balance their budget, even after including revenue to be obtained by increasing taxes to the maximum extent allowed by the index, are eligible to seek back-end referendum exceptions. The exceptions are for costs that are beyond the direct control of local school boards. However, the number of exceptions has been reduced from seven to two; increases in contributions to the employee retirement system and in mandated special education costs (Act 25 of 2011). The District's adjusted Act 1 Index for 2021 - 2022 is 3.0 percent, as it was in 2020 - 2021. The District does not anticipate needing a referendum for the 2021 - 2022 budget.
- Senate Bill 1 of 2017: The bill offers a significant step toward systemic long-term reform intended to ensure the future sustainability of the pension system. The bill focuses on the long-term advantages by gradually shifting the investment, inflation and longevity risks away from the state and school districts to future employees. Current employees have a Defined Benefit (DB) plan, which provides them with a retirement payment determined by a formula that takes into account retirement age, years of service, and final average salary. A Defined Contribution (DC) plan is a retirement investment program that is designed to offer employees a vehicle to save for retirement in a tax deferred environment. The pension benefit is determined by the amount of the contributions and the investment performance of the member's account. The plan under Senate Bill 1 of 2017 requires employees starting in 2019-2020 to select one of three new plan design options, either one of two side-by-side hybrid defined benefit (DB)/defined contribution (DC) plans or a stand-alone DC plan. No changes were made to retirement benefits for current employees, but they would have the option to choose one of the new plan designs. The PSERS retirement rate increased from 33.43 percent in 2018 - 2019 to 34.29 percent in 2019 - 2020. The PSERS projections indicate that employer contribution rates will increase to 34.51 percent in 2020 - 2021. Rates are projected into the future to increase to over 36 percent by 2026 - 2027, further out than previously anticipated. Positive economic performance and plan design changes are expected to slow the employer rate increases and eventually lower them.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Kennett Consolidated School District, 300 East South Street, Kennett Square, PA 19348.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 12,053,675	\$ 924,890	\$ 12,978,565	\$ 2,930,331
Investments	21,282,437	-	21,282,437	27,717,083
Taxes receivable, net	1,346,775	-	1,346,775	1,161,238
Due from other governments	2,109,397	83,428	2,192,825	2,094,900
Internal balance	(26,729)	26,729	-	-
Other receivables	10,565	-	10,565	41,694
Prepaid expenses	22,792	-	22,792	11,564
Inventories	-	50,631	50,631	37,274
Land	3,060,599	-	3,060,599	3,060,599
Construction-in-progress	2,009,869	-	2,009,869	136,447
Buildings and improvements	140,897,836	-	140,897,836	140,267,324
Furniture and equipment	7,044,096	1,411,220	8,455,316	8,344,164
Accumulated depreciation	(61,802,032)	(810,173)	(62,612,205)	(58,616,951)
TOTAL ASSETS	128,009,280	1,686,725	129,696,005	127,185,667
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows relating to OPEB	2,388,102	24,121	2,412,223	1,135,416
Deferred outflows relating to pension	14,145,497	142,885	14,288,382	15,451,098
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,533,599	167,006	16,700,605	16,586,514
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 144,542,879	\$ 1,853,731	\$ 146,396,610	\$ 143,772,181
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 1,823,559	\$ 201,391	\$ 2,024,950	\$ 2,378,366
Accrued salaries and benefits	7,628,502	-	7,628,502	7,641,779
Accrued interest	196,052	-	196,052	254,000
Noncurrent liabilities, due within one year	6,659,613	1,582	6,661,195	6,305,244
Noncurrent liabilities:				
Bonds and notes payable in future years, net	32,546,685	-	32,546,685	39,191,445
Accumulated compensated absences	1,093,533	17,191	1,110,724	1,012,237
Net OPEB liability	15,071,760	152,240	15,224,000	13,863,000
Net pension liability	105,273,630	1,063,370	106,337,000	107,819,000
TOTAL LIABILITIES	170,293,334	1,435,774	171,729,108	178,465,071
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows relating to OPEB	6,322,532	63,073	6,385,605	7,469,000
Deferred inflows relating to pension	3,790,710	38,290	3,829,000	2,100,000
Deferred amount on bond refunding	55,766	-	55,766	87,614
TOTAL DEFERRED INFLOWS OF RESOURCES	10,169,008	101,363	10,270,371	9,656,614
NET POSITION (DEFICIT):				
Net investment in capital assets	52,137,694	601,047	52,738,741	47,993,034
Restricted - capital projects	14,762,937	-	14,762,937	11,014,624
Unrestricted (deficit)	(102,820,094)	(284,453)	(103,104,547)	(103,357,162)
TOTAL NET POSITION (DEFICIT)	(35,919,463)	316,594	(35,602,869)	(44,349,504)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 144,542,879	\$ 1,853,731	\$ 146,396,610	\$ 143,772,181

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
			Operating	Capital		Business-	Totals	
	Expenses	Charges for	Grants and	Grants and	Governmental	type	2020	2019
		Services	Contributions	Contributions	Activities	Activities		
GOVERNMENTAL ACTIVITIES:								
Instruction	\$49,837,619	\$ 10,020	\$ 8,789,055	\$ -	\$(41,038,544)	\$ -	\$(41,038,544)	\$(41,887,861)
Instructional student support	6,215,217	-	638,019	-	(5,577,198)	-	(5,577,198)	(5,312,263)
Administrative and financial support services	8,271,628	-	739,477	-	(7,532,151)	-	(7,532,151)	(7,741,230)
Operation and maintenance of plant services	7,059,482	-	630,822	-	(6,428,660)	-	(6,428,660)	(7,157,238)
Pupil transportation	4,644,457	113,697	1,400,222	-	(3,130,538)	-	(3,130,538)	(3,603,811)
Student activities	1,539,068	99,872	117,359	-	(1,321,837)	-	(1,321,837)	(1,375,357)
Interest on long-term debt	1,116,683	-	500,678	-	(616,005)	-	(616,005)	(183,230)
Unallocated depreciation	1,199,562	-	-	-	(1,199,562)	-	(1,199,562)	(1,195,367)
TOTAL GOVERNMENTAL ACTIVITIES	79,883,716	223,589	12,815,632	-	(66,844,495)	-	(66,844,495)	(68,456,357)
BUSINESS-TYPE ACTIVITIES:								
Food service	1,712,584	493,146	1,192,918	-	-	(26,520)	(26,520)	(31,240)
TOTAL BUSINESS-TYPE ACTIVITIES	1,712,584	493,146	1,192,918	-	-	(26,520)	(26,520)	(31,240)
TOTAL PRIMARY GOVERNMENT	\$81,596,300	\$ 716,735	\$14,008,550	\$ -	(66,844,495)	(26,520)	(66,871,015)	(68,487,597)
		GENERAL REVENUES						
		Property taxes, levied for general purposes			61,952,996	-	61,952,996	60,487,878
		Taxes levied for specific purposes			5,194,529	-	5,194,529	5,766,195
		Grants and entitlements not restricted to						
		specific programs			7,405,840	-	7,405,840	7,237,240
		Investment earnings			840,354	9,698	850,052	1,031,947
		Miscellaneous			214,233	-	214,233	210,179
		Transfers			(26,729)	26,729	-	-
		TOTAL GENERAL REVENUES			75,581,223	36,427	75,617,650	74,733,439
		CHANGE IN NET POSITION (DEFICIT)			8,736,728	9,907	8,746,635	6,245,842
		NET POSITION (DEFICIT), BEGINNING OF YEAR			(44,656,191)	306,687	(44,349,504)	(50,595,346)
		NET POSITION (DEFICIT), END OF YEAR			\$(35,919,463)	\$ 316,594	\$(35,602,869)	\$(44,349,504)

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals	
				2020	2019
ASSETS					
Cash and cash equivalents	\$ 469,279	\$ -	\$ 7,877,215	\$ 8,346,494	\$ 241,118
Investments	17,582,437	-	2,700,000	20,282,437	24,717,083
Taxes receivable	1,366,255	-	-	1,366,255	1,180,718
Due from other funds	-	-	4,743,087	4,743,087	3,393,858
Due from other governments	2,109,397	-	-	2,109,397	2,059,470
Other receivables	10,565	-	-	10,565	31,810
Prepaid expenditures	22,792	-	-	22,792	11,564
TOTAL ASSETS	<u>\$ 21,560,725</u>	<u>\$ -</u>	<u>\$ 15,320,302</u>	<u>\$ 36,881,027</u>	<u>\$ 31,635,621</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 835,869	\$ -	\$ 557,365	\$ 1,393,234	\$ 1,503,694
Due to other funds	4,769,816	-	-	4,769,816	3,393,081
Accrued salaries and benefits	7,628,502	-	-	7,628,502	7,641,779
Current portion of compensated absences	133,624	-	-	133,624	108,296
TOTAL LIABILITIES	<u>13,367,811</u>	<u>-</u>	<u>557,365</u>	<u>13,925,176</u>	<u>12,646,850</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - delinquent taxes	1,136,912	-	-	1,136,912	917,779
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,136,912</u>	<u>-</u>	<u>-</u>	<u>1,136,912</u>	<u>917,779</u>
FUND BALANCES:					
Nonspendable	22,792	-	-	22,792	11,564
Restricted - capital projects	-	-	14,762,937	14,762,937	11,014,624
Unassigned	7,033,210	-	-	7,033,210	7,044,804
TOTAL FUND BALANCES	<u>7,056,002</u>	<u>-</u>	<u>14,762,937</u>	<u>21,818,939</u>	<u>18,070,992</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 21,560,725</u>	<u>\$ -</u>	<u>\$ 15,320,302</u>	<u>\$ 36,881,027</u>	<u>\$ 31,635,621</u>

The accompanying notes are an integral part of these financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2020**

TOTAL GOVERNMENTAL FUND BALANCES \$ 21,818,939

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 3,060,599	
Construction-in-progress	2,009,869	
Buildings and improvements	140,897,836	
Furniture and equipment	7,044,096	
Accumulated depreciation	<u>(61,802,032)</u>	91,210,368

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable in future years, net	(39,072,674)	
Accumulated compensated absences	(1,093,533)	
Accrued interest	(196,052)	
Net OPEB liability	(15,071,760)	
Net pension liability	<u>(105,273,630)</u>	(160,707,649)

The establishment of an allowance for doubtful accounts for property taxes receivable is not recorded in the funds because property taxes receivable are recorded as deferred outflows of resources.

(19,480)

An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

4,276,856

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

1,136,912

Refunded debt resulted in deferred inflows of resources which will be amortized over the life of new debt but do not represent current obligations.

(55,766)

Deferred inflows and outflows related to the District's net OPEB liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined total OPEB liability or proportion of the District's amount of the total OPEB liability, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources:		
Deferred OPEB	2,388,102	
Deferred inflows of resources:		
Deferred OPEB	<u>(6,322,532)</u>	(3,934,430)

Deferred inflows and outflows related to the District's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the District's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources:		
Deferred pension	14,145,497	
Deferred inflows of resources:		
Deferred pension	<u>(3,790,710)</u>	<u>10,354,787</u>

NET DEFICIT OF GOVERNMENTAL ACTIVITIES

\$ (35,919,463)

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals	
				2020	2019
REVENUES					
Local sources	\$ 67,959,649	\$ 1,190	\$ 174,494	\$ 68,135,333	\$ 68,086,375
State sources	18,292,080	-	-	18,292,080	17,844,931
Federal sources	1,929,393	-	-	1,929,393	1,674,233
TOTAL REVENUES	<u>88,181,122</u>	<u>1,190</u>	<u>174,494</u>	<u>88,356,806</u>	<u>87,605,539</u>
EXPENDITURES					
Current:					
Instruction	47,470,067	-	-	47,470,067	48,981,965
Support services	24,819,143	-	-	24,819,143	26,437,352
Operation of noninstructional services	1,525,931	-	-	1,525,931	1,645,931
Capital outlays	226,027	190,573	2,833,352	3,249,952	1,720,108
Debt service	7,521,737	-	-	7,521,737	7,138,003
TOTAL EXPENDITURES	<u>81,562,905</u>	<u>190,573</u>	<u>2,833,352</u>	<u>84,586,830</u>	<u>85,923,359</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,618,217</u>	<u>(189,383)</u>	<u>(2,658,858)</u>	<u>3,769,976</u>	<u>1,682,180</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond refunding	-	-	-	-	19,785,000
Premium on bond refunding	-	-	-	-	842,574
Payments to bond refunding agent	-	-	-	-	(20,376,515)
Refund of prior year expenditures	-	-	500	500	-
Sale of capital assets	4,200	-	-	4,200	7,560
Interfund transfers	(6,622,783)	-	6,596,054	(26,729)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,618,583)</u>	<u>-</u>	<u>6,596,554</u>	<u>(22,029)</u>	<u>258,619</u>
NET CHANGE IN FUND BALANCES	(366)	(189,383)	3,937,696	3,747,947	1,940,799
FUND BALANCES, BEGINNING OF YEAR	<u>7,056,368</u>	<u>189,383</u>	<u>10,825,241</u>	<u>18,070,992</u>	<u>16,130,193</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,056,002</u>	<u>\$ -</u>	<u>\$ 14,762,937</u>	<u>\$ 21,818,939</u>	<u>\$ 18,070,992</u>

The accompanying notes are an integral part of these financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 3,747,947
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the effect of these activities:		
Capital outlays	\$ 2,658,278	
Depreciation expense	<u>(3,998,544)</u>	(1,340,266)
Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are recorded as deferred inflows of resources. Unavailable revenues increased by this amount this year.		219,133
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences.		6,015,000
An internal service fund has been established to account for self-insured healthcare costs. The net revenue is reported with governmental activities.		209,116
In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		(97,063)
Governmental funds report bond premiums as revenue. However, these amounts are reported netted against the outstanding bond liability on the statement of net position and amortized over the life of the debt. This is the amount of net amortization.		300,258
Interest and deferred amounts on refunding on long-term debt in the statement of activities differs from the amount reported in the governmental funds because deferred amounts on refunding are recognized as an expenditure or other financing use at the time of debt issuance and interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and deferred amounts on refunding are amortized over the life of the debt.		89,796
OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the District's estimated future benefit payments and related deferred inflows and deferred outflows, whereas OPEB expenditures are recognized in the governmental funds when a requirement to pay the benefits or to make contributions to the plan exists.		927,101
Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the District's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.		<u>(1,334,294)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 8,736,728</u>

The accompanying notes are an integral part of these financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 67,543,957	\$ 67,768,468	\$ 67,959,649	\$ 191,181
State sources	18,440,860	18,440,860	18,292,080	(148,780)
Federal sources	1,505,440	2,461,400	1,929,393	(532,007)
TOTAL REVENUES	87,490,257	88,670,728	88,181,122	(489,606)
EXPENDITURES				
Instruction:				
Regular programs	36,811,282	35,598,949	34,498,424	1,100,525
Special programs	13,034,494	12,749,949	10,862,874	1,887,075
Vocational programs	2,001,205	2,001,205	1,910,214	90,991
Other instructional programs	176,696	404,665	198,555	206,110
Total Instruction	52,023,677	50,754,768	47,470,067	3,284,701
Support Services:				
Pupil services	2,649,081	2,549,956	2,512,717	37,239
Instructional support	2,676,427	3,037,724	2,794,565	243,159
Administrative support	4,664,530	4,576,467	4,382,739	193,728
Pupil health	896,740	875,343	850,186	25,157
Business support	1,178,360	1,182,332	1,084,961	97,371
Operation and maintenance of plant services	7,110,783	7,003,697	6,241,467	762,230
Student transportation	5,286,373	5,295,287	4,636,250	659,037
Central support	2,381,880	2,855,141	2,282,076	573,065
Other support services	37,551	37,601	34,182	3,419
Total Support Services	26,881,725	27,413,548	24,819,143	2,594,405
Operation of noninstructional services	1,542,482	1,615,045	1,525,931	89,114
Capital outlay	150,000	226,027	226,027	-
Debt service	7,516,703	7,522,703	7,521,737	966
TOTAL EXPENDITURES	88,114,587	87,532,091	81,562,905	5,969,186
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(624,330)	1,138,637	6,618,217	5,479,580
OTHER FINANCING SOURCES (USES)				
Budgetary reserve	(90,000)	-	-	-
Sale of fixed assets	-	-	4,200	4,200
Transfers out	-	(1,852,967)	(6,622,783)	(4,769,816)
TOTAL OTHER FINANCING USES	(90,000)	(1,852,967)	(6,618,583)	(4,765,616)
NET CHANGE IN FUND BALANCE	(714,330)	(714,330)	(366)	713,964
FUND BALANCE, BEGINNING OF YEAR	7,056,368	7,056,368	7,056,368	-
FUND BALANCE, END OF YEAR	\$ 6,342,038	\$ 6,342,038	\$ 7,056,002	\$ 713,964

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020 (With Comparative Data for June 30, 2019)

	Major Fund		Internal Service Fund	
	Food Service Fund			
	2020	2019	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and cash equivalents	\$ 924,890	\$ 869,254	\$ 3,707,181	\$ 1,819,959
Investments	-	-	1,000,000	3,000,000
Due from other governments	83,428	35,430	-	-
Due from other funds	26,729	-	-	-
Other receivables	-	9,884	-	-
Inventories	50,631	37,274	-	-
Total Current Assets	1,085,678	951,842	4,707,181	4,819,959
FURNITURE AND EQUIPMENT:				
Net furniture and equipment	601,047	640,948	-	-
TOTAL ASSETS	1,686,725	1,592,790	4,707,181	4,819,959
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to OPEB	24,121	11,353	-	-
Deferred outflows relating to pension	142,885	154,512	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	167,006	165,865	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,853,731	\$ 1,758,655	\$ 4,707,181	\$ 4,819,959
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 201,391	\$ 122,453	\$ 430,325	\$ 752,219
Compensated absences	1,582	461	-	-
Due to other funds	-	777	-	-
Total Current Liabilities	202,973	123,691	430,325	752,219
Noncurrent Liabilities:				
Portion due or payable after one year:				
Compensated absences	17,191	15,767	-	-
Net OPEB liability	152,240	138,630	-	-
Net pension liability	1,063,370	1,078,190	-	-
Total Noncurrent Liabilities	1,232,801	1,232,587	-	-
TOTAL LIABILITIES	1,435,774	1,356,278	430,325	752,219
DEFERRED INFLOWS OF RESOURCES:				
Deferred outflows relating to OPEB	63,073	74,690	-	-
Deferred outflows relating to pension	38,290	21,000	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	101,363	95,690	-	-
NET POSITION:				
Net investment in capital assets	601,047	640,948	-	-
Unrestricted (deficit)	(284,453)	(334,261)	4,276,856	4,067,740
TOTAL NET POSITION	316,594	306,687	4,276,856	4,067,740
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,853,731	\$ 1,758,655	\$ 4,707,181	\$ 4,819,959

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Data for the Year Ended June 30, 2019)

	Major Fund		Internal Service Fund	
	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
OPERATING REVENUES				
Food service revenues	\$ 493,146	\$ 663,913	\$ -	\$ -
Charges for health insurance	-	-	6,519,507	8,292,669
TOTAL OPERATING REVENUES	<u>493,146</u>	<u>663,913</u>	<u>6,519,507</u>	<u>8,292,669</u>
OPERATING EXPENSES				
Salaries	231,766	219,630	-	-
Employee benefits	149,053	131,412	-	-
Other purchased services	1,227,190	1,255,159	-	-
Self-insurance claims	-	-	6,381,625	7,760,997
Supplies	64,674	124,589	-	-
Depreciation	39,901	40,975	-	-
TOTAL OPERATING EXPENSES	<u>1,712,584</u>	<u>1,771,765</u>	<u>6,381,625</u>	<u>7,760,997</u>
OPERATING (LOSS) INCOME	<u>(1,219,438)</u>	<u>(1,107,852)</u>	<u>137,882</u>	<u>531,672</u>
NONOPERATING REVENUES				
Earnings on investments	9,698	18,619	71,234	91,312
State sources	91,661	87,771	-	-
Federal sources	1,101,257	988,841	-	-
TOTAL NONOPERATING REVENUES	<u>1,202,616</u>	<u>1,095,231</u>	<u>71,234</u>	<u>91,312</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	(16,822)	(12,621)	209,116	622,984
OTHER FINANCING SOURCES				
Interfund transfers	26,729	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>26,729</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	9,907	(12,621)	209,116	622,984
NET POSITION, BEGINNING OF YEAR	<u>306,687</u>	<u>319,308</u>	<u>4,067,740</u>	<u>3,444,756</u>
NET POSITION, END OF YEAR	<u>\$ 316,594</u>	<u>\$ 306,687</u>	<u>\$ 4,276,856</u>	<u>\$ 4,067,740</u>

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Data for the Year Ended June 30, 2019)

	Major Fund		Internal Service Fund	
	Food Service Fund			
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users	\$ 503,030	\$ 657,143	\$ 6,519,507	\$ 8,292,669
Payments to suppliers	(1,091,657)	(1,273,309)	-	-
Payments to employees	(374,952)	(358,016)	-	-
Cash payments for health insurance costs	-	-	(6,703,519)	(7,545,278)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(963,579)	(974,182)	(184,012)	747,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	90,028	93,556	-	-
Federal sources	892,760	991,231	-	-
Transfers to other funds	26,729	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,009,517	1,084,787	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Sale of investments	-	-	2,000,000	-
Earnings on investments	9,698	18,619	71,234	91,312
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	9,698	18,619	2,071,234	91,312
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,636	129,224	1,887,222	838,703
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	869,254	740,030	1,819,959	981,256
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 924,890	\$ 869,254	\$ 3,707,181	\$ 1,819,959
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating (loss) income	\$ (1,219,438)	\$ (1,107,852)	\$ 137,882	\$ 531,672
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:				
Depreciation	39,901	40,975	-	-
Donated commodities	162,132	113,691	-	-
(Increase) Decrease in:				
Other receivables	9,884	(6,770)	-	-
Due from other funds	(26,729)	-	-	-
Inventories	(13,357)	(217)	-	-
Deferred outflows of resources - OPEB	(12,768)	(8,593)	-	-
Deferred outflows of resources - pension	11,627	28,935	-	-
Increase (Decrease) in:				
Accounts payable	78,938	(7,947)	(321,894)	215,719
Due to other funds	(777)	777	-	-
Compensated absences	2,545	539	-	-
Net OPEB liability	13,610	(66,070)	-	-
Net pension liability	(14,820)	(25,640)	-	-
Deferred inflows of resources - OPEB	(11,617)	68,750	-	-
Deferred inflows of resources - pension	17,290	(4,760)	-	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (963,579)	\$ (974,182)	\$ (184,012)	\$ 747,391
SUPPLEMENTAL DISCLOSURE				
NONCASH NONCAPITAL FINANCING ACTIVITY:				
USDA donated commodities	\$ 162,132	\$ 113,691	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020 (With Comparative Data for June 30, 2019)

	Private-Purpose Trust		Agency Fund	
	2020	2019	2020	2019
ASSETS				
Cash	<u>\$ 251,369</u>	<u>\$ 261,551</u>	<u>\$ 82,102</u>	<u>\$ 40,917</u>
TOTAL ASSETS	<u><u>\$ 251,369</u></u>	<u><u>\$ 261,551</u></u>	<u><u>\$ 82,102</u></u>	<u><u>\$ 40,917</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	<u>\$ 60</u>	<u>\$ 61</u>	<u>\$ 82,102</u>	<u>\$ 40,917</u>
NET POSITION:				
Reserved for trust	<u>251,309</u>	<u>261,490</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 251,369</u></u>	<u><u>\$ 261,551</u></u>	<u><u>\$ 82,102</u></u>	<u><u>\$ 40,917</u></u>

The accompanying notes are an integral part of these financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
STATEMENTS OF CHANGES IN NET POSITION
FIDUCIARY FUND**

FOR THE YEAR ENDED JUNE 30, 2020 (With Comparative Data for the Year Ended June 30, 2019)

	Private-Purpose Trust	
	2020	2019
ADDITIONS		
Local contributions	\$ 56,900	\$ 51,778
Earnings on investments	1,519	4,024
TOTAL ADDITIONS	58,419	55,802
DEDUCTIONS		
Fees paid and scholarships awarded	68,600	55,800
TOTAL DEDUCTIONS	68,600	55,800
CHANGE IN NET POSITION	(10,181)	2
NET POSITION, BEGINNING OF YEAR	261,490	261,488
NET POSITION, END OF YEAR	\$ 251,309	\$ 261,490

The accompanying notes are an integral part of these financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Kennett Consolidated School District ("the District") was formed by state law and began operations on July 1, 1932. The District covers a geographical area of 33 square miles in the southeastern part of Chester County, Pennsylvania, and includes the townships of New Garden and Kennett, and the Borough of Kennett Square.

The District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The District is governed by a Board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such District between the ages of six and twenty-one years who may attend.

The Superintendent is the chief administrative officer and chief instructional officer of the Board and the District, and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the District with the assistance of the Assistant Superintendent of Administrative Services, Chief Financial Officer, Director of Special Education, Director of Curriculum, Director of Construction and Facilities, and the building principals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable and, as such, may or may not be required to include within the District's financial statements. The criteria for including organizations within the District's reporting entity, as set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification"), relate to financial accountability. On the basis of these criteria, the District

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

has no other entities that are required to be included in its financial statements, nor is the District includable in the financial statements of any other reporting entity. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the application of this criteria, the District has determined it does not have any component units for which the District must include in its financial statements.

Fund Accounting

The accounts of the 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, which are comprised of each fund's assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purposes for which they are to be spent. The three fund types presented are governmental, proprietary, and fiduciary.

GOVERNMENTAL FUNDS – These funds are used to account for most of the District's finances. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination. The following are the District's major governmental funds.

- **General Fund** – This is the general operating fund of the District. This fund is used to account for all financial resources not accounted for and reported in another fund.
- **Capital Projects Fund** – This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for capital outlays, including capital asset acquisitions, construction, and improvements.
- **Capital Reserve Fund** – This fund is used to account for maintenance and improvement projects under Section 1432 of the Municipal Code.

PROPRIETARY FUNDS – These funds account for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position, and changes in financial position. (Economic resources measurement focus proprietary funds are classified as Enterprise Funds or Internal Service Funds.)

- **Enterprise Fund** – The enterprise fund is used to account for operations where the intent of the governmental entity is to recover the costs of providing goods and services to the District's student population and staff primarily through user charges. The food service fund is the only enterprise fund operated by the District. This fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases, and costs and expenses for the Food Service Program.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Internal Service Fund** – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is used to account for the operation of the District's self-insurance program for employee medical, prescription drug, and dental claims on a cost reimbursement basis.

FIDUCIARY FUNDS – These funds are used to account for assets held by the District as trustee or agent. The District excludes these activities from the government-wide financial statements because it cannot use those assets to finance its operations.

- **Private Purpose Trust Funds** – Trust funds are used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship programs for students.
- **Agency Fund** – This fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with explicit approval and are subject to revocation of the District governing body. This accounting reflects the District's agency relationship with the student activity organizations.

Basis of Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual enterprise and internal service funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

this definition are reported as non-operating revenues and expenses. The principal operating revenues of the District's internal service fund are charges to the general fund and food service fund for self-insured employee medical, prescription drug, and dental cost reimbursements. Operating expenses for the District's internal service fund include charges for medical, prescription drug, and dental claims paid to insurance providers. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the fiduciary fund financial statements. (Agency funds have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension liabilities, and claims and judgments, are recorded only when payment is due.

Budgetary Information

An operating budget is adopted each year for the general fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures, including a timeline of events, relative to adoption of the District's budget and reporting of its financial statements, specifically:

- The District, before levying annual school taxes, is required to adopt an operating budget by June 30 for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, twenty days prior to final budget adoption, that the proposed budget has been prepared and is available for public inspection at the administrative office

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the School Board of Directors.

- The School Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the School Board of Directors, which authorize the District to make expenditures. Appropriations lapse at the end of the fiscal period.
- The general fund budget includes program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency.
- Capital budgets are not implemented for capital improvements and capital projects in the Capital Projects Fund. An adopted budget is not presently required due to the fund's recent inception and the limited amount of transactions. Additionally, all transactions of the Capital Projects Fund are approved by the School Board of Directors prior to commitment, thereby constructively achieving budgetary control.
- Proprietary fund budgets are not adopted; however, formal budgets are prepared and approved by management; and expenditures are controlled on the basis of these budgets.
- Trust funds are not formally budgeted; however, each individual expenditure/expense request is reviewed for compliance with trust provisions and for availability of funding.
- There were no supplemental budgetary appropriations or amendments proposed or approved during the year.

Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Cash and Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, certificates of deposit, and liquid asset funds.

Cash equivalents in the basic financial statements include all highly-liquid investments with an original maturity of three months or less.

The District's investments are reported at amortized cost, which approximates fair value.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both entity-wide and fund financial statements. In both the governmental funds and the proprietary fund, these payments are reported as expense when they are consumed in accordance with the consumption method of accounting. Prepaid items are comprised of insurance premiums associated with future accounting periods.

Inventories

Inventories are presented cost using a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the consistent policy of the District to charge these items to expense upon acquisition.

Inventories of the food service fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their acquisition value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2020 consist of the purchased food/supplies for use in the food program in the amount of \$50,631.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$10,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
School buildings	50
Building improvements	20
Land improvements	25
Furniture	15
Vehicles	10
Equipment	5 - 15

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

The District accounts for compensated absences in accordance with the GASB Codification, which requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid. Accumulated vacation or sick leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it.

The District allows employees to accumulate vacation days and sick leave subject to limits which are paid prior to retirement or termination. At the end of the fiscal year, the amount expected to be paid for compensated absences from current resources is accrued in the general fund and food service fund.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortization is calculated using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts and premiums on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense) until that time. The District currently has four items that qualify for reporting in this category. Certain changes to the net pension liability, including pension contributions made subsequent to the measurement date and, therefore, not reflected in the net pension liability under full accrual basis reporting, are required to be amortized over a period of years. Additionally, certain changes to the net OPEB liability, including OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net OPEB liability under full accrual basis reporting, are required to be amortized over a period of years. The unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. Outstanding bond premiums and discounts on bonds refunded are removed from the bonds payable liability on the entity-wide statements of net position and presented as a deferred amount on bond refunding to be amortized over a period of years. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The District has one type of item that qualifies for reporting in this category. Delinquent taxes not collected within 60 days of year end and, therefore, are not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Balances

The District complies with GASB Codification, which provides clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (the School Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board of Directors or by an official or body to which the School Board of Directors delegates the authority.
- **Unassigned fund balance** – amounts available for any purpose. Positive amounts are reported only in the general fund. Negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The School Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the School Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service, or for other purposes).

The District will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

In the general fund, the District strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately eight percent of the actual GAAP basis expenditures and other financing sources and uses.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain amounts presented in the prior year summarized data have been restated consistent with implementation of new standards, as described below.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

- Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law therefore, shall be pledged by the depository.
- Commercial paper, bankers' acceptances, and negotiable certificates of deposit receiving top ratings from at least two nationally recognized statistical ratings organizations.

The deposit and investment policy of the District adheres to state statutes. The administration is not aware of any deposits or investment transactions during the year that were in violation of either state statutes or the policy of the District.

The breakdown of total cash and investments at June 30, 2020 is as follows:

Cash and cash equivalents	\$ 13,312,036
Investments	<u>21,282,437</u>
Total Cash and Investments	<u><u>\$ 34,594,473</u></u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

Deposits

At year end, the carrying amount of the District's deposits was \$13,312,036, and the bank balance was \$13,588,115. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$854,588 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name. The remaining \$12,483,527 was cash equivalents held with the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), which enables governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

Investments

In general, all of the District's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the government's name.

As of June 30, 2020, the District had the following investments:

	<u>Fair Value</u>
Pennsylvania Local Government Investment Trust (PLGIT)	\$ 50,746
Pennsylvania School District Liquid Asset Trust (PSDLAF)	<u>21,231,691</u>
Total Investments	<u><u>\$ 21,282,437</u></u>

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent audit. The District currently has no investments which are categorized within the fair value hierarchy established by generally accepted accounting principles.

Of the investments, \$9,905,000 is invested in FDIC insured non-negotiable certificates of deposit with maturities of less than one year. The remaining \$11,326,691 is invested in 2a7-like pools. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PSDLAF is administered by PMA Financial Network, Inc., and the pool is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. PLGIT is administered by PFM Fund Distributors, Inc., and the pool is audited annually by Ernst & Young LLP, an independent certified public accounting firm.

Interest Rate Risk

The District does have a formal investment policy that limits maturities to 13 months or less in certain investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2020, the District's investments were rated as:

Investment	Standard & Poor's
Pennsylvania School District Liquid Asset Fund (PSDLAF)	AAAm
Pennsylvania Local Government Investment Fund (PLGIT)	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2020, all of the District's investments are in PLGIT and PSDLAF.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

NOTE 4 – REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE

Real estate taxes for the District are collected by the District. The assessed values are established by the County Board of Assessment. The District tax rate for the year ended June 30, 2020 was 30.9594 mills (\$30.9594 per \$1,000 of assessed valuation) as levied by the School Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	-	Levy date
July 1 - August 31	-	2% discount period
September 1 - October 31	-	Face payment period
November 1 - December 15	-	10% penalty period
December 15	-	Lien date

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration.

The allowance as of June 30, 2020 was \$19,480. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 4 – REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE - continued

The deferred inflow of resources balance in the general fund of \$1,136,912 consists of unavailable real estate taxes.

NOTE 5 – INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

Due To	Amount	Due From	Amount
Capital Reserve Fund	\$ 4,743,087	General Fund	\$ 4,769,816
Food Service Fund	26,729		
	<u>\$ 4,769,816</u>		<u>\$ 4,769,816</u>
Transfer To	Amount	Transfer From	Amount
Capital Reserve Fund	\$ 6,596,054	General Fund	\$ 6,622,783
Food Service Fund	26,729		
	<u>\$ 6,622,783</u>		<u>\$ 6,622,783</u>

Interfund balances between funds represent transfers of funds which are carried out at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end. Transfers represent funds set aside for the anticipation of future capital needs.

NOTE 6 – UNEARNED REVENUES

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, the District had no unearned revenues.

NOTE 7 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,060,599	\$ -	\$ -	\$ 3,060,599
Construction-in-progress	136,447	1,887,589	14,167	2,009,869
Total Capital Assets Not Being Depreciated	<u>3,197,046</u>	<u>1,887,589</u>	<u>14,167</u>	<u>5,070,468</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 7 – CHANGES IN CAPITAL ASSETS - continued

(cont'd)	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	140,267,324	630,512	-	140,897,836
Furniture and equipment	6,932,944	154,343	43,191	7,044,096
Total Capital Assets Being Depreciated	147,200,268	784,855	43,191	147,941,932
Less accumulated depreciation for:				
Buildings and improvements	52,748,572	3,480,440	-	56,229,012
Furniture and equipment	5,098,107	518,104	43,191	5,573,020
Total Accumulated Depreciation	57,846,679	3,998,544	43,191	61,802,032
Total Capital Assets Being Depreciated, Net	89,353,589	(3,213,689)	-	86,139,900
Governmental Activities Assets, Net	<u>\$ 92,550,635</u>	<u>\$ (1,326,100)</u>	<u>\$ 14,167</u>	<u>\$ 91,210,368</u>

Business-type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Equipment	\$ 1,411,220	\$ -	\$ -	\$ 1,411,220
Less accumulated depreciation for:				
Equipment	770,272	39,901	-	810,173
Business-type Activities Capital Assets, Net	<u>\$ 640,948</u>	<u>\$ (39,901)</u>	<u>\$ -</u>	<u>\$ 601,047</u>

Depreciation expense was charged to functions/program of primary government as follows:

Governmental Activities:

Instruction	\$ 1,599,420
Administrative and financial support	418,597
Operation and maintenance of plant services	780,965
Unallocated depreciation	1,199,562
Total Depreciation Expense - Governmental Activities	<u>\$ 3,998,544</u>

Depreciation expense was charged to the functions of the business-type activities as follows:

Food Service:

Equipment	\$ 39,901
Total Depreciation Expense - Business-type Activities	<u>\$ 39,901</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 8 – LONG-TERM LIABILITIES

Long-term liabilities, except for compensated absences, net pension liability, and net other postemployment benefits liability:

General Obligation Bonds - Series of 2015

On November 24, 2015, the District issued \$9,035,000 of General Obligation Bonds, Series of 2015, maturing through February 15, 2026, and bearing interest ranging from 0.25% to 4.00%. Interest is payable semi-annually on February 15 and August 15. Proceeds of the issue were used to (1) partially refund the outstanding General Obligation Bonds, Series of 2005, of the school district; (2) partially refund the outstanding General Obligation Bonds, Series of 2011, of the school district; and (3) pay the costs of issuing the Bonds. This refunding resulted in additional cash flows of \$191,490 with an economic benefit of \$310,990.

\$ 6,265,000

General Obligation Bonds - Series of 2016

On January 7, 2016, the District issued \$8,760,000 of General Obligation Bonds, Series of 2016, maturing through February 15, 2023, and bearing interest ranging from 0.69% to 4.00%. Interest is payable semi-annually on February 15 and August 15. Proceeds of the issue were used to (1) partially refund the outstanding General Obligation Bonds, Series of 2005, of the school district and (2) pay the costs of issuing the bonds. This refunding resulted in reduced cash outflows of \$436,204, with an economic benefit of \$629,327.

3,650,000

General Obligation Bonds - Series of 2018 and 2018A

On May 31, 2018 the District issued \$11,425,000 of General Obligation Bonds, Series of 2018 and 2018A, maturing through October 1, 2024, and bearing interest ranging from 2.00% to 5.00%. Interest is payable semi-annually on April 1 and October 1. The Series of 2018 provided funds to refund the Series of 2006 and 2011 bonds. The refunding resulted in a cash flows savings of \$520,151 and present value savings of \$427,694.

10,575,000

General Obligation Bonds - Series of 2018AA

On November 29, 2018 the District issued \$19,785,000 of General Obligation Bonds, Series of 2018AA, maturing through February 15, 2024, and bearing interest ranging from 2.00% to 4.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2018AA provided funds to refund the Series of 2010 bonds. The refunding resulted in a cash flows savings of \$155,756 and present value savings of \$153,234.

17,110,000

Total Bonds/Notes Payable

\$ 37,600,000

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 8 – LONG-TERM LIABILITIES – continued

Annual debt service requirements to maturity for general obligation bonds and notes, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 6,200,000	\$ 1,303,926	\$ 7,503,926
2022	6,425,000	1,081,106	7,506,106
2023	6,645,000	862,306	7,507,306
2024	6,635,000	592,836	7,227,836
2025	6,930,000	290,635	7,220,635
2026 - 2027	4,795,000	130,438	4,895,438
	<u>\$ 37,600,000</u>	<u>\$ 4,261,247</u>	<u>\$ 41,861,247</u>

Changes in Long-term Liabilities

Long-term liability balance and activity for the year ended June 30, 2020 was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and notes payable	\$ 46,615,000	\$ -	\$ 6,015,000	\$ 37,600,000	\$ 6,200,000
Bond premiums	1,772,932	-	300,258	1,472,674	325,989
Net bonds and notes payable	45,387,932	-	6,315,258	39,072,674	6,525,989
Other liabilities:					
Compensated absences	1,104,766	122,391	-	1,227,157	133,624
Net pension liability	106,740,810	-	1,467,180	105,273,630	-
Net OPEB liability	13,724,370	1,347,390	-	15,071,760	-
Total Governmental Long-term Liabilities	<u>\$ 166,957,878</u>	<u>\$ 1,469,781</u>	<u>\$ 7,782,438</u>	<u>\$ 160,645,221</u>	<u>\$ 6,659,613</u>
	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Business-type Activities					
Compensated absences	\$ 16,228	\$ 2,545	\$ -	\$ 18,773	\$ 1,582
Net pension liability	1,078,190	-	14,820	1,063,370	-
Net OPEB liability	138,630	13,610	-	152,240	-
Total Business-type Long-term Liabilities	<u>\$ 1,233,048</u>	<u>\$ 16,155</u>	<u>\$ 14,820</u>	<u>\$ 1,234,383</u>	<u>\$ 1,582</u>

Governmental activities long-term liabilities are liquidated by the general fund, and business-type activities long-term liabilities are liquidated by the food service fund. Total interest expense during the year ended June 30, 2020 was \$1,116,683.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 8 – LONG-TERM LIABILITIES – continued

Legal Debt Margin

The District is subject to a debt limitation that is 225% of borrowing base (the average total revenues for three years). At June 30, 2020, that amount is \$194,133,560. As of June 30, 2020, the total outstanding debt applicable to the limit is \$39,072,674.

NOTE 9 – EMPLOYEE RETIREMENT PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 9 – EMPLOYEE RETIREMENT PLAN-continued

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, the rate of the employer contribution was 34.29 percent of covered payroll, which was comprised of 33.36 percent for pension contributions, 0.09 percent for Act 5 defined contribution plan contributions, and 0.84 percent for healthcare contributions. The District's contribution to PSERS for pension contributions for the year ended June 30, 2020 was \$10,606,238.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2020, the District reported a liability of \$106,337,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2273 percent, which was an increase of 0.0027 percent from its proportion measured as of June 30, 2018.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 9 – EMPLOYEE RETIREMENT PLAN-continued

For the year ended June 30, 2020, the District recognized pension expense of \$12,054,224. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 305,000
Difference between expected and actual experience	586,000	3,524,000
Change in proportionate share of net pension liability	1,831,000	-
Change in assumptions	1,017,000	-
Difference between employer contributions and proportionate share of total contributions	248,144	-
Contributions subsequent to the date of measurement	10,606,238	-
	<u>\$14,288,382</u>	<u>\$ 3,829,000</u>

An amount of \$10,606,238 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 1,584,002
2022	(1,250,791)
2023	(714,734)
2024	234,667
	<u>\$ (146,856)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the system's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.25 percent, including inflation of 2.75 percent.
- Salary increases – Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent and real wage growth and merit and seniority increases of 2.25 percent.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully-funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$132,454,000	\$106,337,000	\$ 84,222,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the system's website at www.psers.state.pa.us.

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. The OPEB Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2020, the District paid \$775,000 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2020. The total OPEB liability as of June 30, 2020 was determined by rolling forward the plan's total OPEB liability as of the June 30, 2018 actuarial valuation to the June 30, 2020 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 2.21 percent for the measurement date of June 30, 2020, a decrease from the discount rate of 3.50 percent used for the June 30, 2019 measurement date.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

Health Cost Trend

Healthcare costs and premium rates are assumed to increase as shown in the following table (selected years shown):

<u>Fiscal Year Ending June 30</u>	<u>Increase in Health Cost Over Prior Year</u>
2020	6.70%
2021	6.30%
2022	5.60%
2023	5.20%
2024	5.20%
2029	5.70%
2039	5.50%
2049	5.20%
2059	4.90%
2092 and later	3.90%

The Society of Actuaries (“SOA”) Long-Run Medical Cost Trend Model was used to develop the medical trend schedule used in projecting per capita claim costs and premiums for this report. The model's projections are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA

Project Oversight Group and have been modified slightly to reflect the District’s actuary’s expectations for long-term inflation. In addition, the estimated impact of the excise tax due to healthcare reform is incorporated through an adjustment to the healthcare trend assumption.

Dental and vision costs are assumed to increase 4.0 percent annually.

Census Data

As of July 1, 2018, the plan consisted of 425 active participants, 46 retired participants receiving benefits, and 2 spouses of retired participants receiving benefits.

Mortality Rates

RP-2014 Mortality Tables are adjusted to reflect Mortality Improvement Scale MP-2018 from 2006 base year and projected forward on a generational basis with Scale MP-2018 (based on recommendation of Society of Actuaries’ Retirement Plans Experience Committee). As a generational table, it reflects mortality improvements both before and after the measurement date.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

Salary Increases

For purposes of cost method allocation and projection of support staff retirement bonuses, assumed salary increases are based on the rates utilized in the June 30, 2017 actuarial valuation for the Pennsylvania PSERS and vary by age. Illustrative rates are shown below.

<u>Age</u>	<u>Rate</u>
25	9.25%
35	6.75%
45	4.75%
55	3.25%

Medicare Participation

It is assumed that current active administrators who were hired before January 1, 2000 will participate in Medicare upon retirement. Current retired administrators who were hired before January 1, 2000 were valued based on individual data regarding Medicare participation.

Inflation Rate

The inflation rate used to measure the total OPEB liability was 2.30 percent.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 2.21 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease 1.21%</u>	<u>Current Rate Discount Rate 2.21%</u>	<u>1% Increase 3.21%</u>
Total OPEB liability	\$ 11,176,000	\$ 10,390,000	\$ 9,207,000
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 11,176,000</u>	<u>\$ 10,390,000</u>	<u>\$ 9,207,000</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate Discount Rate	1% Increase
Total OPEB liability	\$ 9,482,000	\$ 10,390,000	\$ 11,466,000
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 9,482,000</u>	<u>\$ 10,390,000</u>	<u>\$ 11,466,000</u>

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2019	\$ 9,180,000
Service cost	252,000
Interest on OPEB designation	308,000
Effect of assumption changes or inputs	1,425,000
Benefit payments	<u>(775,000)</u>
Total OPEB liability as of June 30, 2020	<u>\$ 10,390,000</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$294,900 for the year ended June 30, 2020. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 1,247,000	\$ 6,242,000
Difference between actual and expected experience	<u>624,000</u>	<u>-</u>
	<u>\$ 1,871,000</u>	<u>\$ 6,242,000</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

Deferred inflows of resources due to the change in assumptions will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (768,000)
2022	(768,000)
2023	(768,000)
2024	(768,000)
2025	(765,000)
Thereafter	<u>(534,000)</u>
	<u>\$ (4,371,000)</u>

NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

PSERS provides premium assistance, which is a governmental cost-sharing, multiple-employer other postemployment benefit plan (“OPEB”) for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

OPEB Plan Description

The District contributes to the Public School Employees’ Retirement System (“PSERS”), a governmental cost-sharing multiple-employer defined benefit OPEB plan that provides postemployment benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued

PSERS plan include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees’ Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS’ Health Options Program. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The Districts’ contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.84 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$266,345 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2020, the District reported a liability of \$4,834,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system’s total OPEB liability as of June 30, 2018 to June 30, 2019. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District’s proportion was 0.2273 percent, which was an increase of 0.0027 from its proportion measured as of June 30, 2018.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued

For the year ended June 30, 2020, the District recognized OPEB expense of \$251,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 8,000	\$ -
Change in proportionate share of net pension liability	78,000	-
Difference between expected and actual experience	27,000	-
Change in assumptions	160,000	143,605
Difference between employer contributions and proportionate share of total contributions	1,878	-
Contributions subsequent to the date of measurement	266,345	-
	<u>\$ 541,223</u>	<u>\$ 143,605</u>

An amount of \$266,345 is reported as deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 16,725
2022	16,725
2023	15,434
2024	14,343
2025	49,656
Thereafter	18,390
	<u>\$ 131,273</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by rolling forward the system’s total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level percent of pay
- Investment return – 2.79 percent - S&P 20-year Municipal Bond Rate
- Salary growth - effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued

- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent.
 - Eligible retirees will elect to participate post-age 65 at 70 percent.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value
- Participation rate: 63 percent of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	13.2%	0.2%
U.S. Core Fixed Income	83.1%	1.0%
Non-U.S. Developed Fixed	3.7%	0.0%
	100.0%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 11 – PUBLIC SCHOOL EMPLOYEES’ RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN - continued

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79 percent, a decrease from 2.98 percent in the prior year. Under the plan’s funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System’s Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2019, retirees’ premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the system’s net OPEB liability for June 30, 2019, calculated using current healthcare cost trends as well as what the system’s net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District’s proportionate share of the net OPEB liability	\$ 4,834,000	\$ 4,834,000	\$ 4,835,000

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.79 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.79 percent) or one percentage point higher (3.79 percent) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District’s proportionate share of the net OPEB liability	\$ 5,507,000	\$ 4,834,000	\$ 4,277,000

OPEB Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the system’s website at www.psers.pa.gov.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 12 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

	OPEB Expense	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 10)	\$ 294,900	\$ 10,390,000	\$ 1,871,000	\$ 6,242,000
PSERS Plan (See Note 11)	251,000	4,834,000	541,223	143,605
Total	<u>\$ 545,900</u>	<u>\$ 15,224,000</u>	<u>\$ 2,412,223</u>	<u>\$ 6,385,605</u>

NOTE 13 – FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
Nonspendable; Prepaid expenditures	\$ 22,792	\$ -	\$ -	\$ 22,792
Restricted:				
Capital projects	-	-	14,762,937	14,762,937
Unassigned	7,033,210	-	-	7,033,210
Total Fund Balances	<u>\$ 7,056,002</u>	<u>\$ -</u>	<u>\$ 14,762,937</u>	<u>\$ 21,818,939</u>

NOTE 14 – CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District participates in both state and federally-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Construction-in-progress

At June 30, 2020, the District had \$2,009,869 in construction-in-progress, none of which was subject to ongoing construction commitments as of June 30, 2020.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 15 – 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. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2019 - 2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The district is a member of the School Districts Insurance Consortium (SDIC) for workers' compensation coverage. SDIC is comprised of 79 member school districts which jointly self-assume their workers' compensation liabilities. Even though member school districts contribute to SDIC's insurance fund, they remain individually liable for their own workers' compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. As June 30, 2020, there was no unfunded liability.

The premium/billings from the SDIC are two part formula driven and based upon the estimated salaries for the fiscal year. The first part of the annual premium is direct claims from workers. There is a cap on the liability for the District. For the 2019-2020 year, the maximum claims liability was \$32,960. The second part of the annual premium represents administrative costs for the current year and claims from prior years. This portion is pooled together with all the other members of the consortium.

	Fiscal Year Ended	
	6/30/2020	6/30/2019
Unpaid Claims Premiums, beginning of fiscal year	\$ 0	\$ 0
Claims and premiums	142,279	160,786
Payments	(142,279)	(160,786)
Unpaid Claims Premiums, end of fiscal year	<u>\$ 0</u>	<u>\$ 0</u>

Effective July 1, 2010, the District became self-insured for medical insurance for employees and dependents. Effective June 30, 2013, the District established an internal service fund to administer self-insurance benefits for medical, dental and prescription insurance to all District employees. The District used a third-party administrator to provide consulting and administrative services to process claims within the self-insurance fund. The arrangement also includes stop-loss coverage which provides protection for claims in excess of \$200,000 per person. The following table presents the components of the self-insurance benefits obligation and the related changes to the funds benefit obligation at June 30, 2020:

Claims Payable	\$ 504,112
Changes in benefit obligations as follows for the year ended June 30, 2019:	
Claims Payable, beginning of year	584,527
Benefits earned	6,301,210
Claims paid	<u>(6,381,625)</u>
Claims payable, end of year	<u>\$ 504,112</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 16 – DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$102,820,094, \$284,453, and \$284,453, respectively, include the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the District's share of the net pension and OPEB liabilities. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings and changes in assumptions.

NOTE 17 – UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30, 2020, economic and operational uncertainties have arisen which may impact the District in fiscal year 2021. There exist uncertainties surrounding the District's operations in the 2020-2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 18 – SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 10, 2020, the date the financial statements were available to be issued.

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS

- Statement No. 84, Fiduciary Activities - This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2021.

- Statement No. 87, Leases - This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS - continued

governments' leasing activities. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

- Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements - This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for the purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with financed-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

- Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period - The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. It also establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

- Statement No. 90, Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61 - The primary objects of this Statement are to improve the consistency and comparability of reporting a government's majority interest in a legally separated organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2020

NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS - continued

endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separated organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented influence statements of the component unit in that circumstances should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

- **Statement No. 91, Conduit Debt Obligations** - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.
- **Statement No. 96, Subscription-Based Information Technology Arrangements** - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

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REQUIRED SUPPLEMENTARY INFORMATION

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.2273%	0.2246%	0.2235%	0.2225%	0.2175%	0.2204%
District's proportion of the net pension liability - dollar value	\$ 106,337,000	\$ 107,819,000	\$ 110,383,000	\$ 110,264,000	\$ 94,210,000	\$ 87,236,000
District's covered employee payroll	\$ 31,269,723	\$ 30,382,999	\$ 29,881,260	\$ 28,934,868	\$ 28,164,151	\$ 28,122,261
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	340.06%	354.87%	369.41%	381.08%	334.50%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS -
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 10,606,238	\$ 10,193,930	\$ 9,643,564	\$ 8,725,328	\$ 7,233,717	\$ 5,773,651
Contributions in relation to the contractually required contribution	<u>10,606,238</u>	<u>10,193,930</u>	<u>9,643,564</u>	<u>8,725,328</u>	<u>7,233,717</u>	<u>5,773,651</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 31,793,279	\$ 31,269,723	\$ 30,382,999	\$ 29,881,260	\$ 28,934,868	\$ 28,164,151
Contributions as a percentage of covered-employee payroll	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.2273%	0.2246%	0.2235%
District's proportion of the net OPEB liability - dollar value	\$ 4,834,000	\$ 4,683,000	\$ 4,554,000
District's covered employee payroll	\$ 31,269,723	\$ 30,382,999	\$ 29,881,260
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.46%	15.41%	15.24%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS -
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 266,345	\$ 260,406	\$ 252,177
Contributions in relation to the contractually required contribution	<u>266,345</u>	<u>260,406</u>	<u>252,177</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 31,793,279	\$ 31,269,723	\$ 30,382,999
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY -
SINGLE EMPLOYER PLAN**

	MEASUREMENT DATE		
	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY			
Service cost	\$ 252,000	\$ 521,000	\$ 503,000
Interest on total OPEB liability	308,000	602,000	605,000
Effect of assumption changes or inputs	1,425,000	(7,960,000)	(437,000)
Effect of liability gains or losses	-	832,000	-
Benefit payments	(775,000)	(731,000)	(775,000)
NET CHANGE IN TOTAL OPEB LIABILITY	1,210,000	(6,736,000)	(104,000)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	9,180,000	15,916,000	16,020,000
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 10,390,000</u>	<u>\$ 9,180,000</u>	<u>\$ 15,916,000</u>
<u>PLAN FIDUCIARY NET POSITION</u>			
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	\$ -	\$ -	\$ -
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DISTRICT'S NET OPEB LIABILITY	<u>\$ 10,390,000</u>	<u>\$ 9,180,000</u>	<u>\$ 15,916,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 31,062,034	\$ 30,557,282	\$ 29,587,921
District's net OPEB liability as a percentage of covered payroll	33.45%	30.04%	53.79%
Expected average remaining service years of all participants	8	8	8

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SUPPLEMENTARY INFORMATION

KENNETT CONSOLIDATED SCHOOL DISTRICT

Supplementary Information Individual Fund Schedules

General Fund

The General Fund is used to account for resources traditionally associated with the District which are not required legally or by sound financial management to be accounted for in another fund. This fund accounts for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund in relation to the District's overall operations.

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KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Revenues – Budget to Actual
For the Year Ended June 30, 2020

REVENUES	Original Budget	Final Budget	Actual	Variance with Final Budget
Local Revenue				
Current Real Estate Taxes	\$ 59,106,094	\$ 59,106,094	\$ 59,768,574	\$ 662,480
Interim Real Estate Taxes	300,000	300,000	593,037	293,037
Utility Taxes	64,500	64,500	59,237	(5,263)
Earned Income	4,570,000	4,570,000	3,968,816	(601,184)
Realty Transfer Tax	900,000	900,000	1,166,477	266,477
Delinquent Real Estate Taxes	1,775,000	1,775,000	1,372,252	(402,748)
Investment Earnings	520,000	520,000	593,415	73,415
Facility Rental Fees	70,863	70,863	76,747	5,884
Other Revenue	237,500	462,011	361,094	(100,917)
Total Revenue from Local Sources	67,543,957	67,768,468	67,959,649	191,181
State Revenue				
State Basic Subsidy	5,951,408	5,951,408	5,949,350	(2,058)
Migratory Children	-	-	3,188	3,188
Tuition Orphans & Children	-	-	25,238	25,238
Special Education	1,956,234	1,956,234	1,922,312	(33,922)
Transportation	1,400,000	1,400,000	1,400,222	222
Authority Rental Reimbursement	493,829	493,829	500,678	6,849
Health Services	86,000	86,000	82,383	(3,617)
Property Tax Reduction Allocation	1,456,490	1,456,490	1,456,490	-
School Safety Grant	-	-	45,000	45,000
Ready to Learn Grant	400,617	400,617	400,617	-
FICA Reimbursement	1,211,946	1,211,946	1,159,972	(51,974)
Retirement Reimbursement	5,484,336	5,484,336	5,346,630	(137,706)
Total Revenue from State Sources	18,440,860	18,440,860	18,292,080	(148,780)
Federal Revenue				
Title I	595,000	752,722	621,107	(131,615)
Title II	115,325	126,189	125,771	(418)
Title III	125,115	131,986	97,728	(34,258)
Title IV	40,000	47,683	45,183	(2,500)
IDEA	500,000	500,000	449,290	(50,710)
CARES Act	-	772,819	115,958	(656,861)
SBAP Reimbursements (Access)	115,000	115,000	456,541	341,541
Medical Assistance Reimbursement	15,000	15,000	17,815	2,815
Total Revenue From Federal Sources	1,505,440	2,461,399	1,929,393	(532,006)
Other Sources				
Sale of Capital Assets	-	-	4,200	4,200
Total Revenue From Other Sources	-	-	4,200	4,200
Total Revenues	\$ 87,490,257	\$ 88,670,727	\$ 88,185,322	\$ (485,405)

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual
For the Year Ended June 30, 2020

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
Regular Instruction				
Salaries	\$ 19,195,572	\$ 19,132,582	\$ 19,058,473	\$ 74,109
Employee Benefits	13,077,507	11,825,679	11,704,067	121,612
Purchased Professional & Technical Services	172,649	58,564	33,614	24,950
Purchased Property Services	3,500	2,900	1,548	1,352
Other Purchased Services	3,861,233	3,859,910	3,209,604	650,306
Supplies	473,221	682,647	457,604	225,043
Property	27,600	25,995	22,842	3,153
Other Objects	-	10,672	10,672	-
Total	36,811,282	35,598,949	34,498,424	1,100,525
Special Instruction				
Salaries	2,677,261	2,649,061	2,643,609	5,452
Employee Benefits	1,851,194	1,584,349	1,570,606	13,743
Purchased Professional & Technical Services	5,347,751	5,333,251	4,101,510	1,231,741
Purchased Property Services	2,000	2,000	-	2,000
Other Purchased Services	3,084,789	3,084,789	2,511,826	572,963
Supplies	46,999	46,999	34,224	12,775
Property	20,000	45,000	1,098	43,902
Other Objects	4,500	4,500	-	4,500
Total	13,034,494	12,749,949	10,862,874	1,887,075
Vocational Programs				
Other Purchased Services	2,001,205	2,001,205	1,910,214	90,991
Total	2,001,205	2,001,205	1,910,214	90,991
Other Instructional Programs				
Salaries	-	57,600	56,860	740
Employee Benefits	-	24,319	24,097	222
Purchased Professional & Technical Services	57,753	88,852	13,667	75,185
Other Purchased Services	118,943	198,895	97,713	101,182
Supplies	-	16,787	6,217	10,570
Other Objects	-	18,212	-	18,212
Total	176,696	404,665	198,555	206,110
Support Services-Students				
Salaries	1,403,084	1,421,992	1,419,681	2,311
Employee Benefits	964,997	846,450	843,567	2,883
Purchased Professional & Technical Services	260,950	261,157	236,299	24,858
Other Purchased Services	5,100	5,100	3,250	1,850
Supplies	13,200	13,507	9,780	3,727
Property	1,000	1,000	-	1,000
Other Objects	750	750	140	610
Total	2,649,081	2,549,956	2,512,717	37,239

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual - continued
For the Year Ended June 30, 2020

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
Support Services-Instructional Staff				
Salaries	1,208,643	1,292,172	1,289,870	2,302
Employee Benefits	742,753	993,756	973,864	19,892
Purchased Professional & Technical Services	73,897	77,074	36,248	40,826
Purchased Property Services	3,800	6,800	5,091	1,709
Other Purchased Services	20,350	35,475	10,499	24,976
Supplies	616,184	623,748	474,898	148,850
Property	6,800	4,700	1,517	3,183
Other Objects	4,000	4,000	2,579	1,421
Total	2,676,427	3,037,724	2,794,565	243,159
Support Services-Administration				
Salaries	2,546,025	2,556,150	2,531,883	24,267
Employee Benefits	1,510,141	1,438,673	1,363,250	75,423
Purchased Professional & Technical Services	316,625	280,125	268,029	12,096
Other Purchased Services	174,925	188,425	156,266	32,159
Supplies	39,420	42,658	17,090	25,568
Property	9,000	9,842	9,842	-
Other Objects	68,394	60,594	36,379	24,215
Total	4,664,530	4,576,467	4,382,739	193,728
Support Services-Pupil Health				
Salaries	499,451	517,912	517,607	305
Employee Benefits	325,688	288,863	288,798	65
Purchased Professional & Technical Services	8,115	9,201	8,657	544
Other Purchased Services	27,500	27,500	12,613	14,887
Supplies	35,986	31,867	22,510	9,357
Total	896,740	875,343	850,186	25,157
Support Services-Business				
Salaries	668,035	668,035	641,870	26,165
Employee Benefits	360,178	334,150	317,538	16,612
Purchased Professional & Technical Services	75,522	75,522	42,056	33,466
Other Purchased Services	9,250	9,250	4,988	4,262
Supplies	15,000	15,000	3,130	11,870
Property	10,000	3,000	-	3,000
Other Objects	40,375	77,375	75,378	1,997
Total	1,178,360	1,182,332	1,084,961	97,371
Operation & Maintenance of Plant Services				
Salaries	2,199,852	2,199,852	2,097,070	102,782
Employee Benefits	1,696,919	1,483,743	1,434,683	49,060
Purchased Professional & Technical Services	240,205	236,205	173,376	62,829
Purchased Property Services	1,100,407	1,100,407	993,376	107,031
Other Purchased Services	267,500	267,500	225,030	42,470
Supplies	1,425,400	1,535,490	1,205,203	330,287
Property	154,000	154,000	109,379	44,621
Other Objects	26,500	26,500	3,350	23,150
Total	7,110,783	7,003,697	6,241,467	762,230

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual – continued
For the Year Ended June 30, 2020

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
Student Transportation				
Salaries	131,982	136,859	136,774	85
Employee Benefits	98,636	87,956	87,933	23
Purchased Professional & Technical Services	2,000	8,790	8,790	-
Purchased Property Services	2,500	6,520	6,519	1
Other Purchased Services	4,994,755	5,000,462	4,372,734	627,728
Supplies	30,000	28,200	22,794	5,406
Property	25,000	25,000	-	25,000
Other Objects	1,500	1,500	706	794
Total	5,286,373	5,295,287	4,636,250	659,037
Support Services-Central				
Salaries	773,523	812,575	812,377	198
Employee Benefits	529,467	540,310	539,953	357
Purchased Professional & Technical Services	115,000	113,774	63,430	50,344
Other Purchased Services	170,499	170,639	170,638	1
Supplies	393,515	393,515	336,482	57,033
Property	396,376	820,828	357,386	463,442
Other Objects	3,500	3,500	1,810	1,690
Total	2,381,880	2,855,141	2,282,076	573,065
Other Support Services				
Other Purchased Services	37,551	37,601	34,182	3,419
Total	37,551	37,601	34,182	3,419
Student Activities				
Salaries	723,656	756,907	754,101	2,806
Employee Benefits	407,890	331,752	307,535	24,217
Purchased Professional & Technical Services	101,751	97,201	79,697	17,504
Purchased Property Services	3,000	4,043	163	3,880
Other Purchased Services	126,481	91,031	88,433	2,598
Supplies	119,833	113,631	104,026	9,605
Property	19,111	103,207	102,955	252
Other Objects	40,760	105,138	78,162	26,976
Total	1,542,482	1,602,910	1,515,072	87,838
Community Services				
Salaries	-	330	120	210
Employee Benefits	-	500	51	450
Purchased Professional & Technical Services	-	11,304	10,689	616
Total	-	12,135	10,859	1,276
Facilities Acquisition, Construction & Improvement Services				
Purchased Property Services	150,000	226,027	226,027	0
Total	150,000	226,027	226,027	0
Other Expenditures & Financing Uses				
Debt Service Interest	1,501,703	1,507,703	1,506,737	966
Debt Service Principal	6,015,000	6,015,000	6,015,000	-
Fund Transfers	-	1,852,967	6,622,782	(4,769,815)
Budgetary Reserve	90,000	-	-	-
Total	7,606,703	9,375,670	14,144,519	(4,768,849)
Total Expenditures	\$ 88,204,587	\$ 89,385,057	\$ 88,185,688	\$ 1,199,369

KENNETT CONSOLIDATED SCHOOL DISTRICT

Other Supplementary Information Individual Fund Schedule

Agency Funds Student Activities

This fund accounts for moneys authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. The Agency Fund Student Activities is used to account for all Student Activities Clubs and Organizations. Student Activity Funds are generally earned by the students and used for student activities.

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KENNETT CONSOLIDATED SCHOOL DISTRICT

Agency Funds-Activity Funds
Statement of Changes in Assets and Liabilities
Fiscal Period Ended June 30, 2020

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020
ASSETS				
Current Assets				
Cash and Cash Equivalents	<u>\$ 40,917</u>	<u>\$ 119,799</u>	<u>\$ 78,614</u>	<u>\$ 82,102</u>
Total Current Assets	<u>\$ 40,917</u>	<u>\$ 119,799</u>	<u>\$ 78,614</u>	<u>\$ 82,102</u>
CURRENT LIABILITIES				
Other Current Liabilities	<u>\$ 40,917</u>	<u>\$ 78,516</u>	<u>\$ 37,331</u>	<u>\$ 82,102</u>

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STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section of the Kennett Consolidated School District's Comprehensive Annual Financial Report (CAFR) presents other detailed information to allow the reader a better understanding of the Government's overall financial health in conjunction with the information in the financial statements, note disclosures, and required supplementary information.

Contents	Pages
Financial Trends	97-106
<i>These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	107-114
<i>The information in this section will help the reader assess the property tax revenue for the District, which is the Government's most significant source of local revenue.</i>	
Debt Capacity	115-119
<i>These schedules present information that display the District's ability to afford the current levels of outstanding debt as well as the Government's ability to issue more debt in the future.</i>	
Demographic and Economic Information	120-122
<i>Demographic and economic indicators help the reader better understand the environment within which the Government's financial activities take place.</i>	
Operating Information	123-131
<i>These schedules contain data to help the reader understand and relate information of other sections of the CAFR to the services provided and activities performed.</i>	

Sources of Data: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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KENNETT CONSOLIDATED SCHOOL DISTRICT

Net Position by Component Last Ten Fiscal Years

	Fiscal Year Ending June 30				
	2020	2019	2018	2017	2016
Governmental Activities					
Net Investment in capital assets	\$ 52,137,694	\$ 47,352,086	\$ 44,364,140	\$ 41,619,899	\$ 36,394,244
Restricted	14,762,937	11,014,624	9,233,980	6,426,725	8,474,047
Unrestricted (deficit)	(102,820,094)	(103,022,901)	(104,512,774)	(90,220,849)	(90,014,965)
Total Net Position (Deficit)	(35,919,463)	(44,656,191)	(50,914,654)	(42,174,225)	(45,146,674)
Business-type Activities					
Net Investment in capital assets	601,047	640,948	681,923	723,127	756,764
Unrestricted (deficit)	(284,453)	(334,261)	(362,615)	(172,533)	(141,247)
Total Net Position	316,594	306,687	319,308	550,594	615,517
Total Primary Government					
Net Investment in capital assets	52,738,741	47,993,034	45,046,063	42,343,026	37,151,008
Restricted	14,762,937	11,014,624	9,233,980	6,426,725	8,474,047
Unrestricted (deficit)	(103,104,547)	(103,357,162)	(104,875,389)	(90,393,382)	(90,156,212)
Total Net Position (Deficit)	\$ (35,602,869)	\$ (44,349,504)	\$ (50,595,346)	\$ (41,623,631)	\$ (44,531,157)

Source: District Audited Financial Statements

Notes: Starting in 2017-2018 the district booked their share of the PSERS multiple employer net OPEB liability and the District's single employer total OPEB liability to comply with GASB 75.

Starting in 2014-2015 the district booked their share of the PSERS multiple employer pension plan liability to comply with GASB 67/68.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Net Position by Component - continued Last Ten Fiscal Years

	Fiscal Year Ending June 30				
	2015	2014	2013	2012	2011
Governmental Activities					
Net Investment in capital assets	\$ 33,432,135	\$ 29,177,881	\$ 26,321,970	\$ 25,733,483	\$ 21,438,008
Restricted	8,912,438	9,471,432	9,160,280	9,546,005	10,451,173
Unrestricted	(90,647,267)	(89,481,724)	944,365	(803,045)	2,163,205
Total Net Position	(48,302,694)	(50,832,411)	36,426,615	34,476,443	34,052,386
Business-type Activities					
Net Investment in capital assets	807,942	830,369	867,408	911,864	556,624
Unrestricted	(163,191)	(174,188)	742,531	648,727	505,552
Total Net Position	644,751	656,181	1,609,939	1,560,591	1,062,176
Total Primary Government					
Net Investment in capital assets	34,240,077	30,008,250	27,189,378	26,645,347	21,994,632
Restricted	8,912,438	9,471,432	9,160,280	9,546,005	10,451,173
Unrestricted	(90,810,458)	(89,655,912)	1,686,896	(154,318)	2,668,757
Total Net Position	\$ (47,657,943)	\$ (50,176,230)	\$ 38,036,554	\$ 36,037,034	\$ 35,114,562

Source: District Audited Financial Statements

Notes: Starting in 2017-2018 the district booked their share of the PSERS multiple employer net OPEB liability and the District's single employer total OPEB liability to comply with GASB 75.

Starting in 2014-2015 the district booked their share of the PSERS multiple employer pension plan liability to comply with GASB 67/68.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2020	2019	2018	2017	2016
Expenses					
Governmental Activities:					
Instruction	\$ 49,837,619	\$ 50,186,950	\$ 49,295,717	\$ 50,130,855	\$ 47,394,610
Instructional Student Support	6,215,217	5,925,093	5,809,112	4,765,349	5,357,520
Administrative & Financial Support Services	8,271,628	8,470,982	8,116,912	7,958,298	7,709,518
Operation & Maintenance of Plant Services	7,059,482	7,774,911	7,173,418	7,280,812	6,942,484
Pupil Transportation	4,644,457	5,127,163	5,017,352	4,965,476	5,054,747
Student Activities	1,539,068	1,630,125	1,516,007	1,471,939	1,254,487
Community Services	-	-	-	-	-
Interest on Long-term Debt	1,116,683	695,184	1,371,272	1,445,831	1,781,169
Unallocated Depreciation Expense	1,199,562	1,195,367	1,192,020	1,137,857	1,112,243
Total Governmental Activities Expense	79,883,716	81,005,775	79,491,810	79,156,417	76,606,778
Business-type Activities:					
Food Services	1,712,584	1,771,765	1,817,583	1,877,620	1,825,470
Total Primary Government Expenses	81,596,300	82,777,540	81,309,393	81,034,037	78,432,248
Program Revenues					
Governmental Activities:					
Charges for Service	223,589	267,495	219,992	261,483	200,969
Operating Grants and Contributions	12,815,632	12,281,923	11,943,111	11,290,760	10,462,025
Capital Grants and Contributions	-	-	-	-	-
Total Governmental Program Revenue	13,039,221	12,549,418	12,163,103	11,552,243	10,662,994
Business-type Activities					
Charges for Service	493,146	663,913	702,816	692,442	714,040
Operating Grants and Contributions	1,192,918	1,076,612	1,078,068	1,115,248	1,075,411
Total Business-type Program Revenues	1,686,064	1,740,525	1,780,884	1,807,690	1,789,451
Total Primary Government Program Revenues	14,725,285	14,289,943	13,943,987	13,359,933	12,452,445
Net Revenues (Expenses)					
Governmental Activities	(66,844,495)	(68,456,357)	(67,328,707)	(67,604,174)	(65,943,784)
Business-type Activities	(26,520)	(31,240)	(36,699)	(69,930)	(36,019)
Total Primary Government	\$ (66,871,015)	\$ (68,487,597)	\$ (67,365,406)	\$ (67,674,104)	\$ (65,979,803)

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2015	2014	2013	2012	2011
Expenses					
Governmental Activities:					
Instruction	\$ 45,847,083	\$ 42,797,572	\$ 41,822,110	\$ 40,805,780	\$ 39,516,197
Instructional Student Support	4,953,537	4,943,339	10,299,201	9,974,543	9,865,076
Administrative & Financial Support Services	6,833,294	6,422,488	977,727	944,789	936,078
Operation & Maintenance of Plant Services	6,776,493	6,749,110	6,177,565	6,502,464	6,090,677
Pupil Transportation	5,018,670	4,753,709	5,234,257	5,219,016	5,050,335
Student Activities	1,226,738	1,189,028	1,103,142	1,079,627	985,023
Community Services	-	108,225	210	22,289	13,141
Interest on Long-term Debt	1,939,805	2,144,350	3,031,457	2,912,171	3,027,264
Unallocated Depreciation Expense	1,066,578	1,037,914	1,072,256	1,013,403	889,411
Total Governmental Activities Expense	73,662,198	70,145,735	69,717,925	68,474,082	66,373,202
Business-type Activities:					
Food Services	1,781,548	1,797,999	1,632,842	1,665,483	1,485,208
Total Primary Government Expenses	75,443,746	71,943,734	71,350,767	70,139,565	67,858,410
Program Revenues					
Governmental Activities:					
Charges for Service	205,253	176,484	-	-	-
Operating Grants and Contributions	9,675,484	8,637,648	3,008,134	3,116,728	3,325,116
Capital Grants and Contributions	-	-	366,705	417,636	435,681
Total Governmental Program Revenue	9,880,737	8,814,132	3,374,839	3,534,364	3,760,797
Business-type Activities					
Charges for Service	752,780	723,032	768,217	818,847	775,625
Operating Grants and Contributions	1,016,523	1,032,266	913,337	944,545	890,905
Total Business-type Program Revenues	1,769,303	1,755,298	1,681,554	1,763,392	1,666,530
Total Primary Government Program Revenues	11,650,040	10,569,430	5,056,393	5,297,756	5,427,327
Net Revenues (Expenses)					
Governmental Activities	(63,781,461)	(61,331,603)	(66,343,086)	(64,939,718)	(62,612,405)
Business-type Activities	(12,245)	(42,701)	48,712	97,909	181,322
Total Primary Government	\$ (63,793,706)	\$ (61,374,304)	\$ (66,294,374)	\$ (64,841,809)	\$ (62,431,083)

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2020	2019	2018	2017	2016
Net Revenues (Expenses)					
Governmental Activities	\$ (66,844,495)	\$ (68,456,357)	\$ (67,328,707)	\$ (67,604,174)	\$ (65,943,784)
Business-Type Activities	(26,520)	(31,240)	(36,699)	(69,930)	(36,019)
Total Primary Government	(66,871,015)	(68,487,597)	(67,365,406)	(67,674,104)	(65,979,803)
GENERAL REVENUES					
Governmental Activities					
Taxes:					
Property Taxes Levied for General Purposes, net	61,952,996	60,487,878	58,782,626	57,336,108	56,516,864
Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net	5,194,529	5,766,195	5,548,666	5,789,265	5,475,062
Grants, Subsidies, & Contributions Not Restricted	7,405,840	7,237,240	7,088,002	7,010,842	6,714,900
Investment Earnings	840,354	1,013,328	549,069	177,099	100,433
Miscellaneous Income	214,233	210,179	158,670	263,309	297,469
Total Government Activities	75,607,952	74,714,820	72,127,033	70,576,623	69,104,728
Business-type Activities					
Investment Earnings	9,698	18,619	11,063	5,007	1,861
Total Business-type Activities	9,698	18,619	11,063	5,007	1,861
Total Primary Government	75,617,650	74,733,439	72,138,096	70,581,630	69,106,589
Excess (Deficiency) of Revenues Over Expenditures					
Governmental Activities	8,763,457	6,258,463	4,798,326	2,972,449	3,160,944
Business-type Activities	(16,822)	(12,621)	(25,636)	(64,923)	(34,158)
Other Financing Sources (Uses)					
Governmental Activities-Transfers Out	(26,729)	-	-	-	(4,924)
Business-type Activities-Transfers In	26,729	-	-	-	4,924
Total Other Financing Sources (Uses)	-	-	-	-	-
Change in Net Position					
Governmental Activities	8,736,728	6,258,463	4,798,326	2,972,449	3,156,020
Business-type Activities	9,907	(12,621)	(25,636)	(64,923)	(29,234)
Total Primary Government	\$ 8,746,635	\$ 6,245,842	\$ 4,772,690	\$ 2,907,526	\$ 3,126,786

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2015	2014	2013	2012	2011
Net Revenues (Expenses)					
Governmental Activities	\$ (63,781,461)	\$ (61,331,603)	\$ (66,343,086)	\$ (64,939,718)	\$ (62,612,405)
Business-Type Activities	(12,245)	(42,701)	48,712	97,909	181,322
Total Primary Government	(63,793,706)	(61,374,304)	(66,294,374)	(64,841,809)	(62,431,083)
GENERAL REVENUES					
Governmental Activities					
Taxes:					
Property Taxes Levied for General Purposes, net	54,590,123	53,427,263	52,137,413	50,789,517	49,954,005
Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net	4,902,057	4,935,324	4,614,053	3,841,949	3,524,101
Grants, Subsidies, & Contributions Not Restricted	6,494,554	6,509,788	11,061,864	10,671,410	11,183,489
Investment Earnings	52,014	103,203	71,589	96,483	238,073
Miscellaneous Income	272,430	250,180	408,339	364,416	536,363
Total Government Activities	66,311,178	65,225,758	68,293,258	65,763,775	65,436,031
Business-type Activities					
Investment Earnings	815	750	636	506	246
Total Business-type Activities	815	750	636	506	246
Total Primary Government	66,311,993	65,226,508	68,293,894	65,764,281	65,436,277
Excess (Deficiency) of Revenues Over Expenditures					
Governmental Activities	2,529,717	3,894,155	1,950,172	824,057	2,823,626
Business-type Activities	(11,430)	(41,951)	49,348	98,415	181,568
Other Financing Sources (Uses)					
Governmental Activities-Transfers Out	-	(8,843)	-	(400,000)	-
Business-type Activities-Transfers In	-	8,843	-	400,000	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Change in Net Position					
Governmental Activities	2,529,717	3,885,312	1,950,172	424,057	2,823,626
Business-type Activities	(11,430)	(33,108)	49,348	498,415	181,568
Total Primary Government	\$ 2,518,287	\$ 3,852,204	\$ 1,999,520	\$ 922,472	\$ 3,005,194

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Governmental Funds – Fund Balance Last Ten Fiscal Years (Modified accrual basis of accounting)

	Fiscal Year Ending June 30,				
	2020	2019	2018	2017	2016
General Fund					
Nonspendable	\$ 22,792	\$ 11,564	\$ 7,586	\$ 52,578	\$ 22,038
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	7,033,210	7,044,804	6,888,627	6,710,812	6,496,902
Total General Fund	\$ 7,056,002	\$ 7,056,368	\$ 6,896,213	\$ 6,763,390	\$ 6,518,940
All Other Governmental Funds					
Capital Projects					
Restricted	\$ 14,762,937	\$ 11,014,624	\$ 9,233,980	\$ 6,426,725	\$ 8,474,047
Total All Other Governmental Funds	\$ 14,762,937	\$ 11,014,624	\$ 9,233,980	\$ 6,426,725	\$ 8,474,047

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Governmental Funds – Fund Balance - continued **Last Ten Fiscal Years** **(Modified accrual basis of accounting)**

	Fiscal Year Ending June 30,				
	2015	2014	2013	2012	2011
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	764,933	764,933	764,933
Committed	-	-	778,000	778,000	778,000
Unassigned	6,311,786	6,071,743	4,368,626	3,702,545	4,137,638
Total General Fund	\$ 6,311,786	\$ 6,071,743	\$ 5,911,559	\$ 5,245,478	\$ 5,680,571
All Other Governmental Funds					
Capital Projects					
Restricted	\$ 8,912,438	\$ 9,471,432	\$ 8,395,347	\$ 8,781,072	\$ 18,951,173
Total All Other Governmental Funds	\$ 8,912,438	\$ 9,471,432	\$ 8,395,347	\$ 8,781,072	\$ 18,951,173

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Governmental Funds – Changes in Fund Balance Last Ten Fiscal Years

	Fiscal Year Ending				
	June 30,				
	2020	2019	2018	2017	2016
REVENUES:					
Local Sources	\$ 68,135,333	\$ 68,086,375	\$ 65,350,648	\$ 63,857,789	\$ 62,338,405
State Sources	18,292,080	17,844,931	17,382,556	16,734,075	15,655,262
Federal Sources	1,929,393	1,674,233	1,648,557	1,558,249	1,521,663
TOTAL REVENUES	88,356,806	87,605,539	84,381,761	82,150,113	79,515,330
EXPENDITURES:					
Current:					
Instruction	47,470,067	48,981,965	47,215,650	48,798,636	46,141,491
Support Services	24,819,143	26,437,352	24,822,962	23,990,869	23,698,137
Operation of Non-Instructional Services	1,525,931	1,524,325	1,403,425	1,439,536	1,265,038
Total Current Expenditures	73,815,141	76,943,642	73,442,037	74,229,041	71,104,666
Capital Outlay					
Facilities Acq, Construction & Imprvmnt Servs	3,249,952	1,841,714	863,115	2,370,355	1,438,564
Total Capital Outlay	3,249,952	1,841,714	863,115	2,370,355	1,438,564
Debt Services					
Principal	6,015,000	5,975,000	5,790,000	5,675,000	5,600,000
Interest and Fiscal Charges	1,506,737	1,163,003	1,546,199	1,678,589	2,251,193
Total Debt Service	7,521,737	7,138,003	7,336,199	7,353,589	7,851,193
TOTAL EXPENDITURES	84,586,830	85,923,359	81,641,351	83,952,985	80,394,423
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,769,976	1,682,180	2,740,410	(1,802,872)	(879,093)
OTHER FINANCING SOURCES (USES):					
Issuance of Refunding Debt	-	19,785,000	11,425,000	-	17,795,000
Issuance of Bond Proceeds	-	-	-	-	-
Payment to Refunded Debt Escrow	-	(20,376,515)	(12,166,894)	-	(17,605,000)
Bond Discount	-	-	-	-	-
Bond Premium	-	842,574	934,662	-	462,780
Refund of Prior Year Revenues	500	-	-	-	-
Sale of Capital Assets	4,200	7,560	6,900	-	-
Transfers In	6,596,054	3,393,081	3,485,877	299,498	1,082,595
Transfers Out	(6,622,783)	(3,393,081)	(3,485,877)	(299,498)	(1,087,519)
TOTAL OTHER FINANCING SOURCES (USES)	(22,029)	258,619	199,668	-	647,856
NET CHANGE IN FUND BALANCES	\$ 3,747,947	\$ 1,940,799	\$ 2,940,078	\$ (1,802,872)	\$ (231,237)
Debt Service as a percentage of noncapital expenditures	9.18%	8.43%	9.10%	9.10%	9.92%

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Governmental Funds – Changes in Fund Balance - continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2015	2014	2013	2012	2011
REVENUES:					
Local Sources	\$ 60,070,213	\$58,950,195	\$ 57,000,078	\$ 55,009,082	\$ 54,524,584
State Sources	14,759,517	13,471,522	13,126,037	12,856,031	12,427,729
Federal Sources	1,405,253	1,675,914	1,310,666	1,349,743	2,516,557
TOTAL REVENUES	76,234,983	74,097,631	71,436,781	69,214,856	69,468,870
EXPENDITURES:					
Current:					
Instruction	43,645,410	41,173,135	40,604,143	39,388,054	37,899,272
Support Services	22,017,365	21,322,424	21,269,313	21,226,831	20,607,903
Operation of Non Instructional Services	1,224,276	1,297,851	1,103,352	1,101,917	998,164
Total Current Expenditures	66,887,051	63,793,410	62,976,808	61,716,802	59,505,339
Capital Outlay					
Facilities Acq, Construction & Imprvmnt Servs	1,829,352	1,361,293	1,727,394	10,268,877	15,904,970
Total Capital Outlay	1,829,352	1,361,293	1,727,394	10,268,877	15,904,970
Debt Services					
Principal	5,695,000	5,395,000	4,055,000	4,870,000	4,705,000
Interest and Fiscal Charges	2,142,531	2,302,816	2,397,223	2,964,370	2,978,764
Total Debt Service	7,837,531	7,697,816	6,452,223	7,834,370	7,683,764
TOTAL EXPENDITURES	76,553,934	72,852,519	71,156,425	79,820,049	83,094,073
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(318,951)	1,245,112	280,356	(10,605,193)	(13,895,203)
OTHER FINANCING SOURCES (USES):					
Issuance of Refunding Debt	-	-	18,025,000	-	-
Issuance of Bond Proceeds	-	-	-	-	-
Payment to Refunded Debt Escrow	-	-	(18,675,203)	-	8,500,000
Bond Discount	-	-	(142,398)	-	-
Bond Premium	-	-	792,601	-	-
Refund of Prior Year Revenues	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Transfers In	1,201,675	2,387,477	1,312,377	-	1,855,417
Transfers Out	(1,201,675)	(2,396,320)	(1,312,377)	-	(1,855,417)
TOTAL OTHER FINANCING SOURCES (USES)	-	(8,843)	-	-	8,500,000
NET CHANGE IN FUND BALANCES	\$ (318,951)	\$1,236,269	\$ 280,356	\$ (10,605,193)	\$ (5,395,203)
Debt Service as a percentage of noncapital expenditures	10.51%	10.73%	9.26%	11.23%	11.42%

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

General Fund Revenues by Source Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2020	2019	2018	2017	2016
LOCAL SOURCES:					
Real Estate Taxes (Current)	\$ 59,768,574	\$ 58,419,762	\$ 56,609,086	\$ 55,409,613	\$ 53,935,825
Interim Real Estate Taxes	593,037	468,408	234,855	219,503	364,777
Earned Income Taxes (Current)	3,968,816	4,534,772	4,568,266	4,619,000	4,428,024
Transfer Taxes	1,166,477	1,166,938	916,919	1,103,477	979,140
Delinquent Taxes	1,372,252	2,032,321	2,071,464	1,727,732	1,929,914
Earnings from Investments	593,415	814,344	415,193	153,564	81,791
Utility Taxes	59,237	64,485	63,481	66,788	67,897
Other Sources	437,841	477,674	378,662	534,577	532,395
Total Local Sources	67,959,649	67,978,704	65,257,926	63,834,254	62,319,763
STATE SOURCES:					
Basic Education	5,949,350	5,798,084	5,651,648	5,553,453	5,304,197
Charter Schools	-	-	-	-	-
Special Education	1,922,312	1,840,497	1,850,375	1,812,011	1,796,196
Transportation	1,400,222	1,399,877	1,480,781	1,503,572	1,477,298
Rental & Sinking Fund Payments	500,678	511,954	486,728	438,141	478,304
State Property Tax Allocation	1,456,490	1,439,156	1,436,354	1,457,389	1,410,703
Social Security Subsidy	1,159,972	1,141,674	1,102,443	1,082,919	1,061,348
Retirement Subsidy	5,346,630	5,181,277	4,857,630	4,374,018	3,617,746
Other Sources	556,426	532,412	516,597	512,572	509,470
Total State Sources	18,292,080	17,844,931	17,382,556	16,734,075	15,655,262
FEDERAL SOURCES:					
Total Federal Sources	1,929,393	1,674,233	1,648,557	1,558,249	1,521,663
TOTAL REVENUES	\$ 88,181,122	\$ 87,497,868	\$ 84,289,039	\$ 82,126,578	\$ 79,496,688

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

General Fund Revenues by Source - continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2015	2014	2013	2012	2011
LOCAL SOURCES:					
Real Estate Taxes (Current)	\$ 52,224,846	\$51,522,506	\$ 50,045,173	\$ 49,127,910	\$ 47,679,124
Interim Real Estate Taxes	293,621	176,233	405,286	198,738	245,391
Earned Income Taxes (Current)	4,059,485	4,077,297	3,860,952	3,144,285	3,451,401
Transfer Taxes	771,018	788,695	710,079	623,290	653,733
Delinquent Taxes	2,114,722	1,786,340	1,498,661	1,453,960	1,346,243
Earnings from Investments	41,794	54,727	42,296	47,642	104,256
Utility Taxes	71,554	69,332	73,021	74,375	73,207
Other Sources	482,954	425,164	335,318	290,041	567,412
Total Local Sources	60,059,994	58,900,294	56,970,786	54,960,241	54,120,767
STATE SOURCES:					
Basic Education	5,115,498	5,130,732	4,944,313	4,943,478	4,420,183
Charter Schools	-	-	-	-	582,704
Special Education	1,734,045	1,642,179	1,603,930	1,587,547	1,581,594
Transportation	1,388,565	1,386,207	1,404,204	1,529,181	1,621,315
Rental & Sinking Fund Payments	771,363	458,439	366,705	417,636	435,681
State Property Tax Allocation	1,379,058	1,379,054	1,390,637	1,426,523	1,447,465
Social Security Subsidy	1,045,973	994,567	1,087,238	1,127,468	986,165
Retirement Subsidy	2,919,016	2,254,194	1,778,637	1,267,580	803,951
Other Sources	405,999	226,150	550,374	556,619	548,671
Total State Sources	14,759,517	13,471,522	13,126,037	12,856,031	12,427,729
FEDERAL SOURCES:					
Total Federal Sources	1,405,253	1,675,914	1,310,665	1,349,743	2,516,557
TOTAL REVENUES	\$ 76,224,764	\$74,047,730	\$ 71,407,488	\$ 69,166,015	\$ 69,065,053

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Assessed Value Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2020	2019	2018	2017	2016
Residential Property	\$1,555,707,760	\$1,549,756,500	\$1,547,412,240	\$1,542,272,560	\$1,530,444,750
Industrial Property	33,162,050	32,979,190	33,019,010	32,579,470	33,933,490
Commercial Property	406,117,312	402,078,022	397,228,732	398,841,950	396,376,580
Agricultural Property	38,763,806	39,833,636	41,330,496	41,094,585	44,867,975
Mobile Homes	2,465,680	2,474,310	2,425,870	2,506,190	2,428,990
Direct Tax Rate	30.9497	30.4479	29.8789	29.2408	28.6017
Total Taxable Assessed Property	\$2,036,216,608	\$2,027,121,658	\$2,021,416,348	\$2,017,294,755	\$2,008,051,785
Common Level Ratio*	47.00	49.30	51.30	53.00	53.80
Total Fair Market Value*	\$4,332,375,762	\$4,111,808,637	\$3,940,382,745	\$3,806,216,519	\$3,732,438,262

*The fair market value of the taxable assessed property is calculated using the Common Level Ratio determined by the State Tax Equalization Board. Under Act 267 of 1982, this Board is required to establish a common level ratio of assessed value to market value using a statistically-acceptable technique to make the methodology for computing ratios public, and to certify the ratio of the chief assessor of each county each year.

Source of data: Chester County Assessment Office

Note: Effective June 30, 2007 – Pennsylvania law has imposed restrictions on a district's ability to increase tax rates. The State restricts increases to tax rates to no more than a pre-calculated index. A district may apply for exceptions to the State in order to increase the tax rate above the index.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Assessed Value - continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2015	2014	2013	2012	2011
Residential Property	\$1,532,123,690	\$1,536,068,450	\$1,549,025,370	\$1,573,914,954	\$1,591,982,014
Industrial Property	34,425,310	34,484,150	32,350,820	32,253,820	34,992,130
Commercial Property	391,897,340	385,430,490	383,308,460	382,069,990	382,486,490
Agricultural Property	42,257,345	41,547,780	42,323,150	44,506,250	47,508,390
Mobile Homes	2,390,100	2,347,390	2,368,440	2,366,750	2,318,150
Direct Tax Rate	27.9406	27.452	26.7303	25.7293	24.7781
Total Taxable Assessed Property	\$2,003,093,785	\$1,999,878,260	\$2,009,376,240	\$2,035,111,764	\$2,059,287,174
Common Level Ratio*	55.40	57.70	60.20	58.52	55.87
Total Fair Market Value*	\$3,615,692,753	\$3,465,993,518	\$3,337,834,286	\$3,477,634,593	\$3,685,854,974

*The fair market value of the taxable assessed property is calculated using the Common Level Ratio determined by the State Tax Equalization Board. Under Act 267 of 1982, this Board is required to establish a common level ratio of assessed value to market value using a statistically-acceptable technique to make the methodology for computing ratios public, and to certify the ratio of the chief assessor of each county each year.

Source of data: Chester County Assessment Office

Note: Effective June 30, 2007 – Pennsylvania law has imposed restrictions on a district's ability to increase tax rates. The State restricts increases to tax rates to no more than a pre-calculated index. A district may apply for exceptions with the State in order to increase the tax rate above the index.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Property Tax Rates Direct and Overlapping Governments Last Ten Years (Unaudited)

Year	Kennett Consolidated School District			County	New Garden Township	Kennett Township	East Marlborough Township	Kennett Boro	Total
	Millage for Debt Service	Millage for General Purposes	Direct Millage Rate						
2020	3.5846	26.8633	30.9497	4.3690	1.7200	2.3000	2.1830	6.7500	48.2717
2019	3.6027	26.8452	30.4479	4.3690	1.7200	2.3000	2.1830	6.7500	47.7699
2018	3.5347	26.3442	29.8789	4.3690	1.7200	2.1000	2.1830	6.3500	46.6009
2017	3.5377	25.7031	29.2408	4.3690	1.6200	0.2000	2.1830	6.3500	43.9628
2016	3.6202	24.9815	28.6017	4.1630	1.6200	0.2000	2.1830	6.3500	43.1177
2015	3.7151	24.2255	27.9406	4.1630	1.6200	0.2000	2.0830	5.3500	41.3566
2014	3.7512	23.7008	27.4520	4.1630	1.6200	0.2000	1.9330	5.3500	40.7180
2013	3.1384	23.5919	26.7303	3.9650	0.7500	0.4000	1.7330	4.8500	38.4283
2012	3.7571	21.9722	25.7293	3.9650	0.7500	0.6000	1.4330	4.8500	37.3273
2011	3.6286	21.1495	24.7781	3.9650	0.7500	0.4000	1.4330	3.8500	35.1761

County and Townships operate on a calendar year – District operates on a Fiscal Year and information for District based on year ending June 30th.

Property tax component for all rates listed is real estate.

Source of data: Chester County Assessment Office

KENNETT CONSOLIDATED SCHOOL DISTRICT

Ten Principal Taxpayers **Current Year and Nine Years Ago** *(Unaudited)*

		July 1, 2019			July 1, 2010		
				Percent of			Percent of
				District's			District's
				Total			Total
		Taxable		Taxable	Taxable		Taxable
Name	Type of Property	Assessed Value	Rank	Value (1)	Assessed Value	Rank	Value (2)
Kendal Crosslands Community	Retirement Community	\$27,863,450	1	1.37%	\$21,991,300	1	1.07%
Kennett Exc Limited	Commerical Offices	19,059,480	2	0.94%	19,059,480	2	0.93%
East Marlboro Associates	Retail Shopping Center	11,382,980	3	0.56%	11,382,980	4	0.55%
State Street Associates	Professional Offices	11,329,460	4	0.56%	12,877,150	3	0.63%
Marlborough Associates	Retail Shopping Center	10,155,200	5	0.50%	7,153,220	8	0.35%
Modern Mushroom Farms, Inc.	Agriculture	8,246,170	6	0.40%	8,246,170	6	0.40%
Kennett Center LP	Professional Offices	7,597,700	7	0.37%	7,572,910	7	0.37%
350 Scarlet Group	Retail Shopping Center	6,534,970	8	0.32%	9,020,620	5	0.44%
Turks Head Health Services	Professional Offices	5,643,640	9	0.28%	5,643,640	10	0.27%
Chathan Financial Corp.	Commerical Offices	5,372,020	10	0.26%	6,552,980	9	0.32%
		<u>\$113,185,070</u>		<u>5.56%</u>	<u>\$109,500,450</u>		<u>5.32%</u>

Source of data: Chester County Assessment Office

(1) District's Total Taxable Value - 2019-2020 \$2,036,216,608
(2) District's Total Taxable Value - 2010-2011 \$2,059,287,174

KENNETT CONSOLIDATED SCHOOL DISTRICT

Property Tax Levies and Collections Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Year of the Levy			Collections in Subsequent Years	Total Collections to Date	
	Total Tax Levy for Fiscal Year (1)	Current Amount (2)	% of Levy		Amount	Percentage of Levy
2020	\$61,563,803	\$59,768,574	97.08%	(3)	59,768,574	97.08%
2019	60,282,442	58,419,762	96.91%	1,055,794	58,419,762	96.91%
2018	58,961,343	56,609,086	96.01%	2,110,909	56,609,086	96.01%
2017	57,529,923	55,409,613	96.31%	2,093,655	57,503,268	99.95%
2016	56,022,992	53,935,825	96.27%	2,079,434	56,015,259	99.99%
2015	54,588,884	52,224,846	95.67%	2,361,771	54,586,617	100.00%
2014	53,521,604	51,522,506	96.26%	1,996,883	53,519,389	100.00%
2013	52,320,593	50,045,173	95.65%	2,273,245	52,318,417	100.00%
2012	50,971,364	49,127,910	96.38%	1,842,148	50,970,057	100.00%
2011	49,577,759	47,679,124	96.17%	1,897,378	49,576,501	100.00%

(1) Beginning in 2008-2009, the amount of the Levy is reduced by the amount of the Homestead/Farmstead exemptions. The Levy shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth. The District's state property tax reduction allocation for fiscal 2019-2020 was \$1,456,490.

(2) Does not include delinquent or interim taxes collected.

(3) Collections in subsequent years not yet available for fiscal year ended June 30, 2020.

Source: School District's records.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Governmental Funds – Most Significant Own-Source Revenues Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended June 30,	Property Tax Millage Rate	Current Property Taxes	Other Taxes (1)	Other Revenue (2)	Total
2020	30.9497	\$ 59,768,574	\$ 7,100,582	\$ 1,090,494	\$ 67,959,649
2019	30.4479	58,419,792	8,202,439	1,356,473	67,978,704
2018	29.8789	56,609,086	7,791,504	857,336	65,257,926
2017	29.2408	55,409,513	7,669,712	755,029	63,834,254
2016	28.6017	53,935,825	7,701,855	682,083	62,319,763
2015	27.9406	52,224,846	7,238,846	596,302	60,059,994
2014	27.4520	51,522,506	6,828,565	549,223	58,900,294
2013	26.7303	50,045,173	6,474,978	450,635	56,970,786
2012	25.7293	49,127,910	5,420,273	412,058	54,960,241
2011	24.7781	47,679,124	5,696,768	744,875	54,120,767

(1) Other taxes include delinquent, transfer, interim and earned income.

(2) Other income includes tuition, facility usage, interest and miscellaneous income.

Source: District's records

KENNETT CONSOLIDATED SCHOOL DISTRICT

Gross Principal Debt Outstanding (Unaudited)

Fiscal Year Ending June 30	General Obligation Bonds Series of 2015	General Obligation Bonds Series of 2016	General Obligation Bonds Series of 2018	General Obligation Bonds Series of 2018A	General Obligation Bonds Series of 2018AA	Total Debt Outstanding
2021	440,000	1,545,000	405,000	5,000	3,805,000	6,200,000
2022	90,000	1,075,000	425,000	5,000	4,830,000	6,425,000
2023	90,000	1,030,000	450,000	5,000	5,070,000	6,645,000
2024	5,000	-	585,000	2,640,000	3,405,000	6,635,000
2025	2,060,000	-	675,000	4,195,000	-	6,930,000
2026-2027	3,580,000	-	1,185,000	-	-	4,765,000
	\$ 6,265,000	\$ 3,650,000	\$ 3,725,000	\$ 6,850,000	\$ 17,110,000	\$ 37,600,000

SCHEDULED YEARLY PAYMENTS

Fiscal Year Ending June 30	General Obligation Bonds Series of 2015	General Obligation Bonds Series of 2016	General Obligation Bonds Series of 2018	General Obligation Bonds Series of 2018A	General Obligation Bonds Series of 2018AA	Total Debt Payments
2021	581,098	1,644,900	524,900	306,703	4,446,325	7,503,926
2022	221,373	1,117,100	533,513	306,595	5,327,525	7,506,106
2023	219,573	1,050,600	547,575	306,483	5,383,075	7,507,306
2024	132,773	-	668,175	2,892,788	3,534,100	7,227,836
2025	2,187,660	-	735,900	4,297,075	-	7,220,635
2026-2027	3,662,339	-	1,233,099	-	-	4,895,438
	\$ 7,004,816	\$ 3,812,600	\$ 4,243,162	\$ 8,109,644	\$ 18,691,025	\$ 41,861,247

Note: Debt is all governmental activities. There is no revenue-based debt. All debt is General Obligation Bonds.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita, Per Pupil and Personal Income Last Ten Fiscal Years (Unaudited)

Fiscal Year	Assessed Value (1)	General Obligation Bonds Outstanding	Less: Amounts Available in Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Population (2)	Net Bonded Debt Per Capita	Personal Income (3)	Ratio of Net Bonded Debt to Personal Income	Student Enrollment (4)	Net Bonded Debt per Student
2019-20	2,036,216,608	39,072,674	-	39,072,674	1.92%	27,089	1,442	N/A	N/A	4,156	9,402
2018-19	2,027,121,658	45,387,932	-	45,387,932	2.24%	27,089	1,676	N/A	N/A	4,145	10,950
2017-18	2,021,416,348	51,070,956	-	51,070,956	2.53%	27,089	1,885	1,028,306,705	4.97%	4,176	12,230
2016-17	2,017,294,755	56,817,781	-	56,817,781	2.82%	27,089	2,097	909,148,281	6.25%	4,150	13,691
2015-16	2,008,051,785	62,664,921	-	62,664,921	3.12%	27,089	2,313	970,572,014	6.46%	4,172	15,020
2014-15	2,003,093,785	68,134,790	-	68,134,790	3.40%	27,089	2,515	968,091,475	7.04%	4,207	16,196
2013-14	1,999,878,260	73,957,662	-	73,957,662	3.70%	27,089	2,730	873,016,872	8.47%	4,236	17,459
2012-13	2,009,376,240	78,625,000	-	78,625,000	3.91%	27,089	2,902	845,009,004	9.30%	4,281	18,366
2011-12	2,035,111,764	82,830,000	-	82,830,000	4.07%	27,089	3,058	838,963,157	9.87%	4,276	19,371
2010-11	2,059,287,174	87,700,000	-	87,700,000	4.26%	27,089	3,237	806,188,707	10.88%	4,219	20,787

Sources:

- (1) Chester County Board of Assessment Appeals, West Chester, PA.
- (2) 2010-2011 to 2019-2020 fiscal years based on results of 2010 U. S. Census.
- (3) Pennsylvania Department of Education; Years 2018-2019 and 2019-2020 not yet available.
- (4) October enrollment for the fiscal year noted.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Schedule of Direct and Overlapping Debt
June 30, 2020
(Unaudited)

Name of Governmental Unit	Gross Debt Outstanding	Percentage Applicable to Governmental Unit	Net Share of Debt
<u>Direct Debt:</u>			
Kennett Consolidated School District (3)	\$ 39,072,674	100%	\$ 39,072,674
<u>Overlapping Debt:</u>			
East Marlborough Township (2)(4)	6,215,000	26%	1,590,419
New Garden Township (2)(4)	-	100%	-
Borough of Kennett Square (2)(4)	13,180,637	100%	13,180,637
Chester County (1)(2)(4)	<u>563,995,836</u>	<u>5.26%</u>	<u>29,666,181</u>
Total Overlapping Debt	583,391,473	7.62%	44,437,236
Total Direct and Overlapping Debt	<u>\$ 622,464,147</u>	<u>13.42%</u>	<u>\$ 83,509,910</u>

Method/Computation/Definitions:

- Gross Direct Debt is the total debt of the District, the municipalities that are within the District's boundaries and the County within which the District lies.
- Overlapping Debt is the proportionate share of the debt of local governments located wholly or in part within the limits of the reporting government that must be borne by property within each government. The amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction.
- The direct debt ratios are computed by applying the District's direct debt only.
- The direct and overlapping ratios are computed by applying the net share of direct and overlapping debt.
 - The District's proportionate share of debt (5.26%) is based on Kennett Consolidated School District's assessed value of \$2,036,216,608 as a percentage of Chester County's assessed value of \$38,700,276,590.
 - As of December 31, 2019
 - As of June 30, 2020
 - Data Source: Chester County Comprehensive Annual Financial Report, 2019
- There is no other debt for which the Kennett Consolidated School District is legally responsible.

Sources: School District's Annual Financial Reports and Chester County Comptroller's Office.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Computation of Nonelectoral Debt Margin Past Ten Years (Unaudited)

	2020	2019	2018	2017	2016
Total Nonelectoral Debt Limit	\$ 194,133,560	\$ 189,525,060	\$ 183,457,176	\$ 177,094,319	\$ 171,020,339
Less: Amount of Debt Applicable to Debt Limit	<u>39,072,674</u>	<u>45,387,932</u>	<u>51,070,956</u>	<u>56,817,781</u>	<u>62,664,921</u>
Total Debt Margin	\$ 155,060,886	\$ 144,137,128	\$ 132,386,220	\$ 120,276,538	\$ 108,355,418
Total Debt Margin Percentage	79.87%	76.05%	72.16%	67.92%	63.36%

Formula for Debt Limit	For the Period Ended June 30,		
	2018 Audited	2019 Audited	2020 Audited
Total Revenues	\$ 84,381,761	\$ 87,605,539	\$ 88,356,806
Less: Required Deductions if Included in Total Revenues			
a. Rental & Sinking Fund Reimbursement	486,728	511,954	500,678
b. Sale of Property & Nonrecurring Items	-	-	-
Net Revenue	<u>\$ 83,895,033</u>	<u>\$ 87,093,585</u>	<u>\$ 87,856,128</u>
Total Net Revenues for Three Years			258,844,746
Borrowing Base - Average Net Revenues for Three			86,281,582
Calculation of Remaining Borrowing Capacity			
1. Net Non-Electoral Debt and Lease Rental Debt			-
Borrowing Capacity			
(a) Debt Limitation - 225% of Borrowing Base			194,133,560
(b) Less: Net Non-electoral and Lease Rental Debt			<u>39,072,674</u>
(c) Current Debt Margin			<u>\$ 155,060,886</u>
Total Debt Margin Percentage			<u>79.87%</u>

NOTE

Act 50 of 1998 amends various provisions pertaining to municipal borrowing in the Local Government Unit Debt Act (Act 52 of 1978, re-enacting and amending Act 185 of 1972). Among other things, section 5 of Act 50 lowers the permitted debt, which may be incurred by school districts. Effective 7/4/98, the new limit is 225% of the school district's borrowing base. The "Debt Act" is administered by the Pennsylvania Department of Community and Economic Development.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Computation of Nonelectoral Debt Margin - continued
Past Ten Years
(Unaudited)

	2015	2014	2013	2012	2011
Total Nonelectoral Debt Limit	\$ 165,062,606	\$ 160,033,841	\$ 156,313,901	\$ 153,681,847	\$ 151,133,519
Less: Amount of Debt Applicable to Debt Limit	68,134,790	73,957,662	78,625,000	82,830,000	87,700,000
Total Debt Margin	\$ 96,927,816	\$ 86,076,179	\$ 77,688,901	\$ 70,851,847	\$ 63,433,519
Total Debt Margin Percentage	58.72%	53.79%	49.70%	46.10%	41.97%

NOTE

Act 50 of 1998 amends various provisions pertaining to municipal borrowing in the Local Government Unit Debt Act (Act 52 of 1978, re-enacting and amending Act 185 of 1972). Among other things, section 5 of Act 50 lowers the permitted debt, which may be incurred by school districts. Effective 7/4/98, the new limit is 225% of the school district's borrowing base. The "Debt Act" is administered by the Pennsylvania Department of Community and Economic Development.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Demographic and Economic Statistics (Unaudited)

Fiscal Year Ended June 30,	Kennett Consolidated School District Population (1)	Kennett Consolidated School District Personal Income (2)	Kennett Consolidated School District Per Capita Personal Income	School Enrollment (3)	Chester County Estimated Population (4)	Pennsylvania Estimated Population (4)	Chester County Per Capita Income (5)	Pennsylvania Per Capita Personal Income (4)	Chester County Unemployment Rate (6)	Pennsylvania Unemployment Rate (6)
2020	32,647	1,028,306,705	31,498	4,156	N/A	N/A	N/A	N/A	N/A	N/A
2019	32,647	1,028,306,705	31,498	4,145	524,989	12,801,989	N/A	35,804	3.0%	4.1%
2018	32,647	1,028,306,705	31,498	4,176	522,046	12,807,060	82,846	32,889	3.1%	3.8%
2017	32,647	909,148,281	27,848	4,150	519,293	12,805,537	77,465	31,476	3.5%	4.2%
2016	32,647	970,572,014	29,729	4,172	516,312	12,783,977	75,281	30,137	3.9%	5.4%
2015	32,647	968,091,475	29,653	4,207	515,939	12,802,503	73,803	29,291	3.7%	5.3%
2014	32,647	873,016,872	26,741	4,236	512,784	12,787,209	71,971	29,220	4.3%	5.7%
2013	32,647	845,009,004	25,883	4,281	509,468	12,773,801	66,136	29,116	5.8%	7.4%
2012	32,647	838,963,157	25,698	4,276	506,190	12,764,475	63,741	28,639	6.0%	8.1%
2011	32,647	806,188,707	24,694	4,219	503,560	12,741,310	59,467	28,351	6.1%	8.9%

Data Sources:

(1) Bureau of the Census/Chester County Planning Commission

(2) Pennsylvania Department of Education, Data for years 2019 and 2020 not yet available - 2018 data used as estimate.

(3) Based on the school district census at the start of the school year.

(4) U. S. Census Bureau, 2020 information currently not available.

(5) Chester County Annual Financial Report 2019, Data for years 2019 and 2020 not yet available.

(6) U. S. Department of Labor, Bureau of Labor Statistics, 2019 information currently not available.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Principal Employers Current Year and Nine Years Ago Unaudited

Employer	Rank	2019		Rank	2010	
		Employees	Percentage of Labor Force		Employees	Percentage of Labor Force
GHC Payroll LLC (Genesis Health Care)	1	633	0.22%	7	300	0.11%
Kaolin Mushroom Farms Inc.	2	542	0.19%	4	500	0.19%
Kennett Consolidated School District	3	503	0.18%	3	575	0.21%
Exelon Generation Co LLC	4	460	0.16%	1	600	0.22%
Chatham Financial	5	428	0.15%			
YMCA of the Brandywine Valley	6	343	0.12%			
Giant Food Stores	7	334	0.12%			
Kendal-Crosslands Communities	8	330	0.12%	5	500	0.19%
To-Jo Mushrooms Inc	9	274	0.10%			
Labor On Demand	10	270	0.09%			
Amergen Energy Compay				2	583	0.22%
Longwood Gardens				6	413	0.15%
Walmart				8	261	0.10%
Phillips Mushroom				9	260	0.10%
All Energy Gas & Eletric Marketing				10	250	0.09%
Total		4,117	1.44%		4,242	1.58%
Chester County Labor Force 2019 (average)	285,825					
Chester County Labor Force 2010 (average)	268,883					

(1) Estimated Employment Source - 2019: Keystone Collections Group

(2) Estimated Employment Source - 2010: Berkheimer Associates', Manta and employer provided.

(3) Percentage of Labor Force is based on Chester County average labor force per Chester County Comprehensive Annual Financial Report, 2019.

KENNETT CONSOLIDATED SCHOOL DISTRICT**Building Construction**
Last Ten Calendar Years
(Unaudited)

Calendar Year	Number of Permits	Commercial	Residential	Total
2020	96	\$3,268,350	\$13,349,430	\$16,617,780
2019	83	3,216,310	10,474,360	13,690,670
2018	63	7,452,340	11,517,700	18,970,040
2017	35	5,220,870	6,739,470	11,960,340
2016	60	657,180	11,259,050	11,916,230
2015	77	3,432,710	16,957,340	20,390,050
2014	32	3,799,060	4,747,240	8,546,300
2013	36	8,105,480	4,505,670	12,611,150
2012	45	26,536,010	6,391,310	32,927,320
2011	60	2,968,270	8,545,410	11,513,680

*Source: Chester County Board of Assessments. Calendar year 2020 is as of November 2020.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Cost per Pupil for Expenditures and Other Financing Uses Last Ten Fiscal Years *Unaudited*

Fiscal Year Ending June 30,	Total Current Expenditures	Student Enrollment	Current Expenditures Per Pupil	Total Expenditures	Total Expenditures Per Pupil
2020	\$73,815,141	4,156	\$17,761	\$81,336,878	\$19,571
2019	76,943,642	4,145	18,563	84,081,645	20,285
2018	73,442,037	4,176	17,587	80,778,236	19,343
2017	74,165,888	4,150	17,871	81,582,630	19,658
2016	71,104,666	4,172	17,043	80,394,423	19,270
2015	66,887,051	4,207	15,899	76,553,934	18,197
2014	63,793,410	4,236	15,060	72,852,519	17,198
2013	62,976,808	4,281	14,711	71,156,425	16,621
2012	61,716,802	4,276	14,433	79,820,049	18,667
2011	59,505,339	4,219	14,104	83,094,073	19,695

Notes:

1. Total current expenditures consist of expenditures related to instruction, instructional support, administrative and financial support services, operation and maintenance of facilities, student activities and pupil transportation.
2. Total expenditures includes all the items in current expenditures plus debt service.
3. Student enrollment is from the Public School Enrollment report published by the Pennsylvania Department of Education as of October 1.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Personnel Distribution by Function – Full Time Equivalent Employees June 30, 2020 (Unaudited)

Program	Regular Education 1100	Special Education 1200	Pupil Services 2100	Instructional Services 2200	Admin Services 2300	Health Services 2400	Business Office 2500	Maintenance 2600	Transportation 2700	Central Services 2800	Food Services 3100	Student Activities 3200	Total
Administrator													
-Educational				3.00	13.00								16.00
-Support				2.00			2.00	1.00	1.00	2.00		1.00	9.00
Teachers													
-Elementary	126.50	12.50											139.00
-Secondary	137.50	20.50											158.00
Specialists													
-Library				5.00									5.00
-Psychologist			4.00										4.00
-Guidance			11.00										11.00
-Coordinator		1.00	1.00										2.00
-Speech		2.00											2.00
-Nurses						5.00							5.00
Support Staff													
-Supervisor								1.00		1.00	5.00		7.00
-Secretarial			3.00	2.00	9.50		1.00	1.00	1.00		0.50		18.00
-Clerical			2.00	5.00	4.00		2.00			1.00		1.00	15.00
-Accountants							1.00						1.00
-Custodial								33.00					33.00
-Maintenance								6.00					6.00
-Nurse Assistant						3.00							3.00
-Social Workers			2.00										2.00
-Technology										5.00			5.00
-Therapist		1.00											1.00
Function Total	264.00	37.00	23.00	17.00	26.50	8.00	6.00	42.00	2.00	9.00	5.50	2.00	442.00

KENNETT CONSOLIDATED SCHOOL DISTRICT

Salary Data for Classroom Teachers & Specialists As of June 30, 2020 (Unaudited)

Salary Group	number of Teachers with B.S.	number of Teachers with M.Ed.	number of Teachers with D.Ed.	Total of all Classroom Teachers/Specialists
\$100,000 and Over	0.00	16.00	2.00	18.00
\$97,000 - \$99,999	0.00	5.00	0.00	5.00
\$94,000 - \$96,999	0.00	24.00	0.00	24.00
\$91,000 - \$93,999	0.00	15.00	0.00	15.00
\$88,000 - \$90,999	0.00	3.00	0.00	3.00
\$85,000 - \$87,999	3.00	9.00	1.00	13.00
\$82,000 - \$84,999	0.00	12.00	0.00	12.00
\$79,000 - \$81,999	0.00	7.00	0.00	7.00
\$76,000 - \$78,999	0.00	8.00	0.00	8.00
\$73,000 - \$75,999	1.00	10.00	0.00	11.00
\$70,000 - \$72,999	0.00	13.00	1.00	14.00
\$67,000 - \$69,999	0.00	18.00	1.00	19.00
\$64,000 - \$66,999	0.00	19.00	0.00	19.00
\$61,000 - \$63,999	0.00	48.00	0.00	48.00
\$58,000 - \$60,999	1.00	40.00	0.00	41.00
\$55,000 - \$57,999	13.00	7.00	0.00	20.00
\$52,000 - \$54,999	15.00	2.00	0.00	17.00
\$49,000 - \$51,999	32.00	0.00	0.00	32.00
Total No. of Teachers	65.00	256.00	5.00	326.00

	B.S.	M.Ed.	D.Ed.
Highest Salary	\$87,616	\$105,018	\$105,018
Lowest Salary	\$49,000	\$54,500	\$69,250

Total Salaries	\$ 23,022,037
Classroom Teachers	326.00
2019-2020 Average	\$ 70,620

Source of Data: District Human Resource Department Records

Total number of full-time equivalent teachers/specialists – base salary only

KENNETT CONSOLIDATED SCHOOL DISTRICT**Student to Teacher Ratio – By District Building**
As of June 30, 2020
(Unaudited)

Building	Full Time Equivalent Teachers	Number of Students	Student/ Teacher Ratio
High School	92.0	1,362	14.80
Middle School	81.0	1,006	12.42
Bancroft Elementary	43.0	438	10.19
Greenwood Elementary	48.0	569	11.85
Mary D. Lang Kindergarten Center	20.0	278	13.90
New Garden Elementary	42.0	503	11.98
Totals	326.0	4,156	12.75

Source of Data: District's Human Resource Department Records

KENNETT CONSOLIDATED SCHOOL DISTRICT

District Facilities

(Unaudited)

Building	Original Construction	Additions	Square Footage	Building Capacity	Projected Enrollment	Difference
Greenwood Elementary School 420 Greenwood Road Kennett Square, PA 19348	1963	1984	66,897	725	505	220
Kennett High School 100 East South Street Kennett Square, PA 19348	1930	1997 2007	219,763	1,545	1,340	205
Mary D. Lang Kindergarten Center 409 Center Street Kennett Square, PA 19348	1971		68,432	550	280	270
New Garden Elementary School 265 New Garden Road Toughkenamon, PA 19374	1955	1960,1966 1989,1994 1998	73,605	650	433	217
Kennett Middle School 195 Sunny Dell Road Landenberg, PA 19350	2002		192,000	1,150	911	239
Bancroft Elementary 181 Bancroft Road Kennett Square, PA 19348	2011		105,172	625	508	117

Source of Data: District's Records
Projected Enrollment is for 2021-2022

KENNETT CONSOLIDATED SCHOOL DISTRICT

Enrollment History and Projections

(Unaudited)

Year	Elementary Schools	Middle School	High School	Total
2003-04	1,935	1,000	1,054	3,989
2004-05	1,928	962	1,096	3,986
2005-06	1,969	962	1,133	4,064
2006-07	1,904	985	1,213	4,102
2007-08	1,877	964	1,259	4,100
2008-09	1,877	969	1,226	4,072
2009-10	1,940	989	1,281	4,210
2010-11	1,980	944	1,295	4,219
2011-12	2,035	981	1,271	4,287
2012-13	1,987	1,038	1,254	4,279
2013-14	1,968	1,016	1,252	4,236
2014-15	1,965	979	1,263	4,207
2015-16	1,877	1,009	1,286	4,172
2016-17	1,851	1,010	1,289	4,150
2017-18	1,786	1,056	1,334	4,176
2018-19	1,788	1,012	1,345	4,145
2019-20	1,788	1,006	1,362	4,156
2020-21	1,722	910	1,389	4,021
2021-22*	1,726	911	1,340	3,977

Notes:

1. 2021-22 numbers are derived using historical retention ratios.
2. Enrollment for all other years represents September 30th actual.
3. Enrollment figures exclude students enrolled in Charter Schools, Cyber Charter Schools and out-of-district Special Education educational facilities.
4. Enrollment for elementary schools includes kindergarten.
5. Source of Data: District's Records

KENNETT CONSOLIDATED SCHOOL DISTRICT

Enrollment History and Projections Elementary Schools (Unaudited)

Year	Bancroft Elementary	Greenwood Elementary	Mary D. Lang Kindergarten Center	New Garden Elementary	Total
2003-04	0	636	418	881	1,935
2004-05	0	634	439	855	1,928
2005-06	0	677	437	855	1,969
2006-07	0	646	423	835	1,904
2007-08	0	633	428	816	1,877
2008-09	0	639	459	779	1,877
2009-10	0	682	470	788	1,940
2010-11	0	714	491	775	1,980
2011-12	528	607	334	556	2,025
2012-13	538	619	290	540	1,987
2013-14	538	597	310	523	1,968
2014-15	553	587	304	521	1,965
2015-16	512	592	296	477	1,877
2016-17	486	602	301	462	1,851
2017-18	451	604	279	452	1,786
2018-19	450	581	275	482	1,788
2019-20	438	569	278	503	1,788
2020-21	428	540	270	484	1,722
2021-22*	508	505	280	433	1,726

Notes:

1. Bancroft Elementary School opened in September, 2011.
2. Mary D. Lang was converted to a Kindergarten Center in September, 2011.
3. 2021-22 numbers are derived using historical retention ratios.
4. Enrollment for all other years represents September 30th actual.
5. Enrollment figures exclude students enrolled in Charter Schools, Cyber Charter Schools and out-of-district Special Education educational facilities.
6. Source of Data: District's Records

KENNETT CONSOLIDATED SCHOOL DISTRICT

Average Daily Attendance Report Last ten years (Unaudited)

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Kindergarten										
ADA	266.257	266.632	269.176	288.497	282.277	293.397	299.122	272.627	322.285	319.777
ADM	279.907	276.812	280.802	301.859	294.153	305.484	309.05	283.668	335.978	334.316
% Attendance	95.12%	96.32%	95.86%	95.57%	95.96%	96.04%	96.79%	96.11%	95.92%	95.65%
Elementary										
ADA	1,757.016	1,759.302	1,795.276	1,832.288	1,879.852	1,918.124	1,918.317	1,957.098	1,967.363	1,899.658
ADM	1,832.984	1,811.932	1,859.487	1,890.880	1,915.604	1,982.600	1,975.854	2,024.434	2,034.736	1,965.976
% Attendance	95.86%	97.10%	96.55%	96.90%	98.13%	96.75%	97.09%	96.67%	96.69%	96.63%
Secondary										
ADA	1,833.424	1,835.844	1,830.874	1,797.369	1,760.880	1,760.790	1,770.597	1,778.500	1,758.641	1,764.631
ADM	1,945.663	1,947.082	1,934.656	1,929.244	1,880.262	1,850.050	1,858.416	1,870.884	1,843.563	1,852.565
% Attendance	94.23%	94.29%	94.64%	93.16%	93.65%	95.18%	95.27%	95.06%	95.39%	95.25%
District Total										
ADA	3,856.697	3,861.778	3,895.326	3,918.154	3,923.009	3,972.311	3,988.036	4,008.225	4,048.289	3,984.067
ADM	4,058.554	4,035.826	4,074.945	4,121.983	4,090.019	4,138.134	4,143.320	4,178.986	4,214.277	4,152.859
% Attendance	95.03%	95.69%	95.59%	95.06%	95.92%	95.99%	96.25%	95.91%	96.06%	95.94%

Notes:

1. Source: PDE 4062E and 4062S.
2. ADA – Average Daily Attendance
3. ADM – Average Daily Membership

KENNETT CONSOLIDATED SCHOOL DISTRICT

National School Lunch Program Free and Reduced Data Last Ten Years (Unaudited)

Building	Percentage of Participation									
	Fiscal Year									
	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Bancroft Elementary School										
Free	41.19%	45.03%	49.44%	43.09%	45.26%	43.76%	46.27%	42.12%	38.04%	
Reduced	8.92%	7.51%	7.57%	7.01%	7.31%	7.78%	8.21%	8.79%	11.68%	
Greenwood Elementary School										
Free	41.45%	40.31%	45.52%	40.67%	41.67%	33.22%	32.33%	30.61%	30.44%	17.32%
Reduced	3.70%	6.40%	4.82%	5.17%	3.00%	4.60%	4.35%	4.33%	5.56%	3.77%
Kennett High School										
Free	31.94%	34.52%	35.77%	30.19%	30.96%	27.40%	24.76%	24.90%	22.88%	21.66%
Reduced	4.02%	4.24%	3.96%	3.95%	3.13%	5.62%	6.23%	5.85%	7.08%	6.22%
Kennett Middle School										
Free	33.67%	34.59%	36.97%	35.51%	35.39%	32.58%	30.86%	30.98%	27.41%	26.11%
Reduced	4.28%	4.55%	4.64%	4.06%	4.49%	6.23%	6.73%	5.74%	8.12%	6.21%
Mary D. Lang Kindergarten Center										
Free	40.00%	39.07%	47.33%	44.67%	41.22%	42.76%	43.04%	41.32%	33.23%	54.08%
Reduced	3.57%	6.45%	2.85%	5.33%	5.74%	7.89%	7.77%	7.99%	10.89%	9.18%
New Garden Elementary School										
Free	29.53%	33.06%	34.30%	38.26%	37.53%	33.21%	33.52%	31.98%	30.78%	31.35%
Reduced	4.53%	3.12%	3.12%	3.48%	6.50%	4.99%	4.57%	6.65%	7.29%	7.51%

Notes:

1. Bancroft Elementary School opened in September, 2011.
2. Mary D. Lang Elementary School was converted to a full-day Kindergarten Center in September, 2011.

Source: Pennsylvania Department of Education National School Lunch Program

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SINGLE AUDIT SECTION



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

December 10, 2020

Members of the Board
Kennett Consolidated School District
Kennett Square, Pennsylvania

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kennett Consolidated School District ("the District"), Kennett Square, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the auditing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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.

Members of the Board
Kennett Consolidated School District

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP



INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

December 10, 2020

Members of the Board
Kennett Consolidated School District
Kennett Square, Pennsylvania

Report on Compliance for the Major Program

We have audited the Kennett Consolidated School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards.

Auditor's Responsibility

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

Members of the Board
Kennett Consolidated School District

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

Opinion on the Major Federal Program

In our opinion, the Kennett Consolidated 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 its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 District's internal control over compliance.

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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 7/01/2019	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2020	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Education											
Passed through Pennsylvania Department of Education											
Title I - Grants to Local Education Agencies	I	84.010	013-19-0210	08/23/18-09/30/19	\$ 597,328	\$ 256,884	\$ 100,948	\$ 155,936	\$ 155,936	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-20-0210	08/28/19-09/30/20	596,786	341,045	-	465,171	465,171	124,126	-
Total CFDA #84.010						597,929	100,948	621,107	621,107	124,126	-
Title II - Improving Teacher Quality	I	84.367	020-19-0210	08/23/18-09/30/19	120,601	17,471	14,240	3,231	3,231	-	-
Title II - Improving Teacher Quality	I	84.367	020-20-0210	08/28/19-09/30/20	122,959	96,711	-	122,539	122,539	25,828	-
Total CFDA #84.367						114,182	14,240	125,770	125,770	25,828	-
Title III - Language Inst LEP	I	84.365	010-19-0210	08/23/18-09/30/19	125,615	26,917	17,743	9,174	9,174	-	-
Title III - Language Inst LEP	I	84.365	010-20-0210	08/28/19-09/30/20	122,812	78,951	-	88,554	88,554	9,603	-
Total CFDA #84.365						105,868	17,743	97,728	97,728	9,603	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-19-0210	08/23/18-09/30/19	43,780	-	(2,978)	2,978	2,978	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-20-0210	08/28/19-09/30/20	44,706	44,706	-	42,206	42,206	(2,500)	-
Total CFDA# 84.424						44,706	(2,978)	45,184	45,184	(2,500)	-
Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0210	03/13/20-09/30/21	484,452	-	-	66,477	66,477	66,477	-
Subgrant from U.S. Department of Education											
Passed through Chester County Intermediate Unit											
I.D.E.A. Part B	I	84.027	062-18-0024	07/01/18-06/30/19	483,564	193,426	193,426	-	-	-	-
I.D.E.A. Part B	I	84.027	062-19-0024	07/01/19-06/30/20	449,290	269,574	-	449,290	449,290	179,716	-
Total CFDA #84.027						463,000	193,426	449,290	449,290	179,716	-
I.D.E.A. Part B 619	I	84.173	141-18-0024B	07/01/19-06/30/20	1,200	1,200	-	1,200	1,200	-	-
Total Special Education Cluster						464,200	193,426	450,490	450,490	179,716	-
Total U.S. Department of Education						1,326,885	323,379	1,406,756	1,406,756	403,250	-
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	09/01/19-06/30/20	N/A	162,132	-	162,132	162,132	-	-
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	09/01/18-06/30/19	N/A	29,436	29,436	-	-	-	-
National School Lunch Program	I	10.555	N/A	09/01/19-06/30/20	N/A	696,338	-	748,856	748,856	52,518	-
Total CFDA #10.555						887,906	29,436	910,988	910,988	52,518	-

Continued on next page.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 7/1/2019	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2020	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
(cont'd)											
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	09/01/18-06/30/19	N/A	4,326	4,326	-	-	-	-
Breakfast Program	I	10.553	N/A	09/01/19-06/30/20	N/A	162,660	-	190,269	190,269	27,609	-
Total CFDA #10.553						166,986	4,326	190,269	190,269	27,609	-
Total Child Nutrition Cluster						1,054,892	33,762	1,101,257	1,101,257	80,127	-
Total U.S. Department of Agriculture						1,054,892	33,762	1,101,257	1,101,257	80,127	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Health and Human Services											
Medical Assistance Program	I	93.778	N/A	07/01/18-06/30/19	18,187	8,500	8,500	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	17,815	8,320	-	17,815	17,815	9,495	-
Total CFDA# 93.778						16,820	8,500	17,815	17,815	9,495	-
Total U.S. Department of Health and Human Services						16,820	8,500	17,815	17,815	9,495	-
U.S. Department of Justice											
Passed through Pennsylvania Commission on Crime and Delinquency											
COVID-19 School Health and Safety Grants	I	16.034	N/A	03/01/20-10/30/20	49,481	-	-	49,481	49,481	49,481	-
Total CFDA# 16.034						-	-	49,481	49,481	49,481	-
TOTAL FEDERAL AWARDS						<u>\$ 2,398,597</u>	<u>\$ 365,641</u>	<u>\$ 2,575,309</u>	<u>\$ 2,575,309</u>	<u>\$ 542,353</u>	<u>\$ -</u>

Source Code:

I = Indirect Funding

KENNETT CONSOLIDATED SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, National School Lunch Program, include surplus food consumed by the District during the 2019 - 2020 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2020 was \$455,341.

NOTE E INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major program:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.555, 10.553

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

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MISSION STATEMENT

Our mission is to provide a quality education that increases the achievement of every student in order for all to become successful and thoughtful contributors to society.