

# KENNETT CONSOLIDATED SCHOOL DISTRICT



## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



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



# **Kennett Consolidated School District**

**Kennett Square, Pennsylvania 19348**

**[www.kcsd.org](http://www.kcsd.org)**

## **Comprehensive Annual Financial Report**

**For the**

**Fiscal Year Ended June 30, 2019**

**Prepared by the Business Office**

**Mark T. Tracy, Assistant to the Superintendent-  
Business Affairs**

**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 13, 2019

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, 2019. 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 2018-19 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, 2019. 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, 2019. 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

Telephone (610) 444-6600 Fax (610) 444-6614

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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 2018 total employment rates in Chester County to be 280,650 employed and 3.1% unemployed. The state of Pennsylvania shows 3.8% unemployed and 3.7% for the U.S.

During the 2018-19 fiscal year, the district employed 436 employees comprised of 24 administrators, 323 classroom teachers and specialists, and 89 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 2018-19 school year was 4,145.

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 seventy- fifth anniversary in 2005, 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 ninety-nine (199) 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, 2019, \$3,418,251 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 five years, a .3% increase from 2018 to the 2019. Earned income tax collections have increased by 44% since the appointment of a new county-wide tax collector in January, 2011.

The population of the District continues to grow at a slow pace. Current enrollment projections show a decrease in enrollment from 4,176 in 2017-18 to 4,145 for fiscal 2018-19. The District is carefully monitoring active and proposed developments. There are three (3) active residential communities, when sold out will add 202 dwellings to the district and coming in 2020 another three (3) large scale residential developments will yield a combined dwelling count of 379 units. There are three (3) proposed developments that have a potential for 612 new residential units. The District's administration is continually exploring changes to the existing elementary school configuration to ensure that future students can be accommodated.

Chester County's economy remains healthy with the lowest unemployment rate among the 67 counties of the Commonwealth of Pennsylvania at 3.1%. 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. and QVC, Inc.

The District's financial results for 2018-19 remained strong. Total revenues increased by \$2,941,299 or 3.4% over the prior year. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue at 75.9%.

The District's expenses increased by \$1,468,147 or 1.8%. The District's expenses are predominately related to instructing, caring for and transporting students, which represents 97.7% of total expenses.

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 \$18,070,992. This is an increase of \$1,940,799 in comparison with the prior year and approximately 39.0% of the total amount, \$7,044,804, 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. 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 302 students, 79% of which continued their education at two- and four-year colleges, technical schools, and universities. The mean SAT scores for 2019 graduates were 577 for Evidence Based Reading and Writing and 574 for Math. The Class of 2019 had one National Merit finalist and eight commended students in the National Merit Scholarship Program

In 2019 The *U.S. News & World Report* named Kennett High School one of America's Best High Schools. To produce the 2019 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 46 out of

272 in the Philadelphia Metro Area, 70 out of 688 in the Commonwealth and 1,946 out of 17,245 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 2019 The *Washington Post* named Kennett High School one of America's Most Challenging High Schools. In order to name its Most Challenging High Schools, the *Washington Post* uses a "Challenge Index." This index is based on the total number of Advanced Placement, International Baccalaureate and Cambridge tests given at the school each year, divided by the number of seniors who graduated in May or June. Schools that had as many tests as they had graduates and received a ratio of at least 1.00 earned a spot on the national list. Kennett High School was ranked 1,234 out of 2,543 schools that made the national list.

In 2017 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, meet 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.

Kennett enjoys many partnerships with higher education including pre-service teacher placements in District classrooms at all educational levels and an on-site Master of Education program from West Chester University. Based on the University of Pennsylvania's evaluation of District ELD programs and practices, training in the SIOP model, a research-based protocol that addresses the learning needs of English Learners, has been provided to teachers and administrators, and school-based implementation plans have been created to expand the program. Through these and many other ongoing initiatives, the District continues to fulfill its mission to provide a quality education that increases the achievement of every student in order for all to become successful and thoughtful contributors to society.

#### **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 2018-2019 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, 2018. This is the seventh 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, 2018. This was the eighth 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,

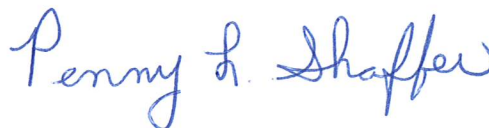
Barry W. Tomasetti, Ed.D.  
Superintendent



Mark T. Tracy  
Assistant to the Superintendent-Business Affairs



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, 2018.**

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



A handwritten signature in black ink, reading 'Tom Wohlleber'.

**Tom Wohlleber, CSRM**  
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, 2018**

*Christopher P. Morrill*

Executive Director/CEO

**KENNETT CONSOLIDATED SCHOOL DISTRICT**

**Organization  
Board of School Directors**

Joseph Meola .....	President
Dominic F. Perigo, Jr. ....	Vice-President
Michael H. Finnegan .....	Treasurer
Rudy Alfonso .....	Member
William Brown .....	Member
Steven Ciprani .....	Member
Aline Frank. ....	Member
Victoria Gehrt.....	Member
Paola Rosas-Weed.....	Member
Barry W. Tomasetti, Ed. D. (non-voting member) .....	Superintendent
Mark T. Tracy (non-voting member).....	Secretary

**KENNETT CONSOLIDATED SCHOOL DISTRICT**

**Organization  
Board Committees**

- Curriculum Committee..... Aline Frank, Chairperson
- Finance Committee .....Michael H. Finnegan, Chairperson
- Government Liaison & Communications .....Paola Rosas-Weed, Chairperson

**Liaison with Administration**

- Facilities & Operations..... Dominic F. Perigo, Jr.
- Intermediate Unit Board..... Rudy Alfonso
- Legislative Council ..... William Brown
- PSBA ..... Joseph Meola
- Chester County School Authority ..... Leon R. Spencer, Jr.

## KENNETT CONSOLIDATED SCHOOL DISTRICT

### Organization

#### District Administration

Barry W. Tomasetti, Ed.D. .... District Superintendent  
Michael A. Barber, Ed.D. .... Assistant Superintendent of Administrative Services  
Mark T. Tracy ..... Assistant to the Superintendent–Business Affairs  
Yvette Line-Koller, 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  
Susan J. McArdle. .... 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  
Raymond A. Fernandez..... Assistant Principal, Kennett High School  
Tomorrow S. Jenkins, Ed.D ..... 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  
W. Thompson Jenkins ..... Manager of Transportation  
Kevin R. Bridges ..... Supervisor of Information Systems

## 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

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#### Legal Counsel

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

Kegel Kelin Almy & Lord LLP  
24 North Lime Street  
Lancaster, PA 17602  
(Bond Counsel)

Jeffrey T. Sultanik, Esquire  
Fox Rothschild LLP  
2000 Market Street  
Philadelphia, PA 19103  
(Labor Counsel)

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#### Financial Advisors

RBC Dain Rauscher  
2101 Oregon Pike  
Lancaster, PA 17601

Public Financial Management  
One Keystone Plaza, Suite 300  
North Front and Market Streets  
Harrisburg, PA 17101-2044

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#### Official Depositories

Fulton Bank  
501 Schoolhouse Road  
Kennett Square, PA 19348

Pennsylvania Local Government  
Investment Trust (PLGIT)  
P. O. Box 1027  
Harrisburg, PA 17108

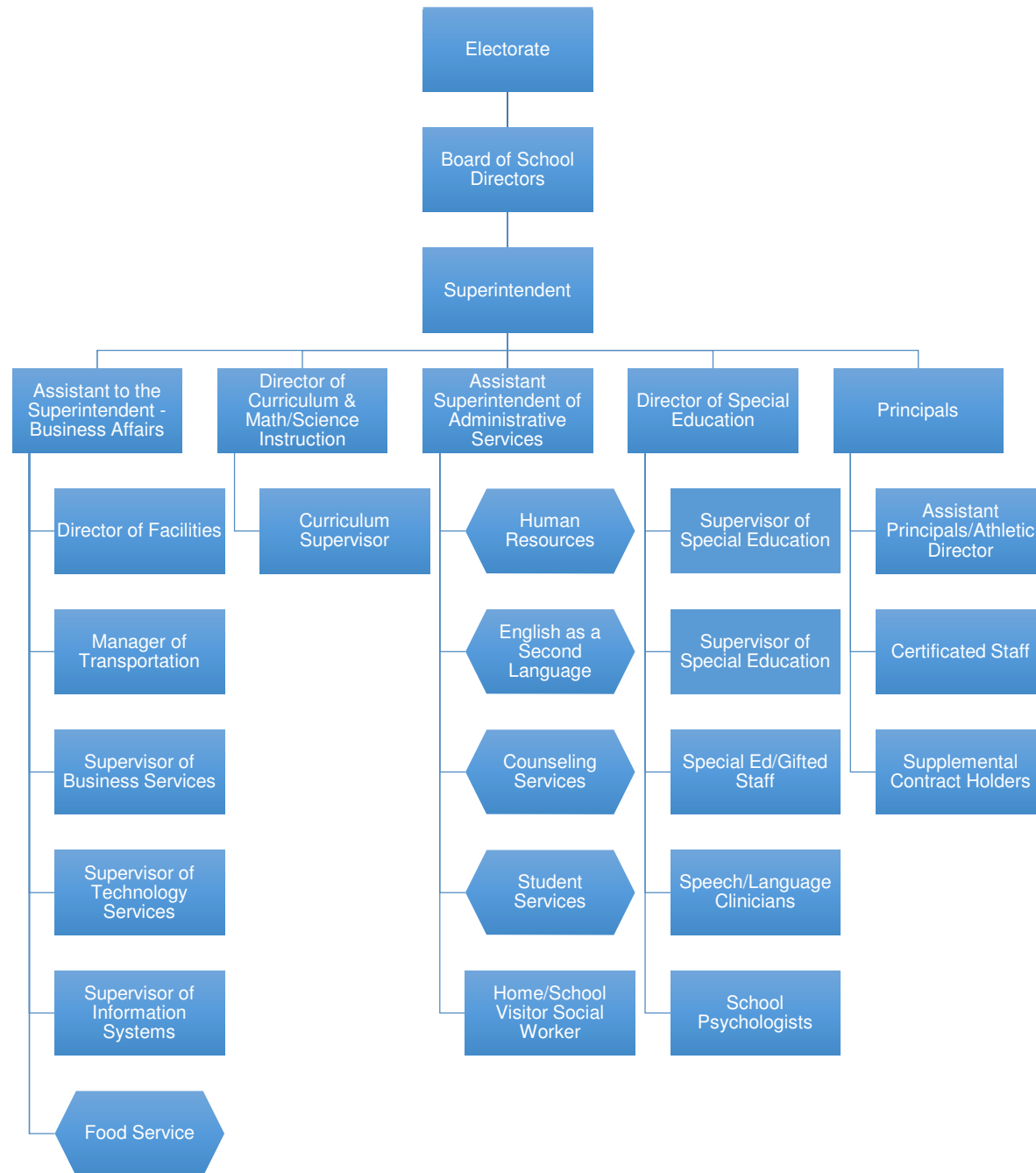
RBC Public Funds Services (PSDLAF)  
2101 Oregon Pike  
Lancaster, PA 17601

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#### Architects

Gilbert Architects Inc.  
626 North Charlotte Street  
Lancaster, PA 17606

# Kennett Consolidated School District Organizational Chart



Position

Department

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# **FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

November 1, 2019

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, 2019, 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, 2019, 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 2018 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, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 page 70 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 November 1, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019. 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 \$44,349,504. 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 \$107,819,000 and the District's net OPEB liability is \$13,863,000. As a result, the District's unrestricted net position is \$(103,357,162).
- The District's net position increased by \$6,245,842 during the current fiscal year. The increase in net position is partially attributable to the reduction in the District's net OPEB liability, 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 \$18,070,992, an increase of \$1,940,799 in comparison with the prior year. Approximately 39.0 percent of this total amount, \$7,044,804, 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 \$7,044,084, or 8.4 percent of total general fund expenditures.
- The District's total long-term liabilities decreased by \$14,879,905, or 8.1 percent, during the fiscal year. The decrease is primarily due to changes in actuarial assumptions in regard to the District's other postemployment healthcare benefits (\$6,607,000) and satisfying the District's general obligation bonds (\$5,683,024).
- The net position of business-type activities, the food service operation, decreased by \$12,621, or 4.0 percent this year. The food service operation was allocated one percent of the District's net pension liability for PSERS and net OPEB liability, which is \$1,078,190 and \$138,630 for the current year, respectively. Revenues for the food service operation decreased by 1.8 percent to \$1,759,144 while expenses decreased by 2.5 percent to \$1,771,765.

**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  
FOR THE YEAR ENDED JUNE 30, 2019**

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"> <li>Statement of Net Position</li> <li>Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Net Position</li> <li>Statement of Revenues, Expenses, and Changes in Net Position</li> <li>Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Fiduciary Net Position</li> <li>Statement of Changes in Fiduciary Net Position</li> </ul>
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

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.



**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

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 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. Over the last six years, the PSERS employer contribution rate has risen significantly, from four percent in 2009 - 2010 to 33.43 percent in 2018 - 2019. 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.

**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

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

is \$107,819,000, and the District's net OPEB liability is \$13,863,000. The total net position is \$(44,349,504), resulting in a negative *unrestricted net position* of \$(103,357,162). The following table presents condensed financial information for the net position of the District as of June 30, 2019 and 2018.

**Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 33,043,019	\$ 30,292,028	\$ 951,065	\$ 937,497	\$ 33,994,084	\$ 31,229,525
Capital Assets	92,550,635	95,249,479	640,948	681,923	93,191,583	95,931,402
<b>Total Assets</b>	<b>125,593,654</b>	<b>125,541,507</b>	<b>1,592,013</b>	<b>1,619,420</b>	<b>127,185,667</b>	<b>127,160,927</b>
Deferred Outflows of Resources	16,420,649	18,434,373	165,865	186,207	16,586,514	18,620,580
<b>Total Assets and Deferred Outflows of Resources</b>	<b>142,014,303</b>	<b>143,975,880</b>	<b>1,757,878</b>	<b>1,805,627</b>	<b>143,772,181</b>	<b>145,781,507</b>
Long-term liabilities	166,957,878	181,746,610	1,233,048	1,324,219	168,190,926	183,070,829
Other liabilities	10,151,692	9,886,162	122,453	130,400	10,274,145	10,016,562
<b>Total Liabilities</b>	<b>177,109,570</b>	<b>191,632,772</b>	<b>1,355,501</b>	<b>1,454,619</b>	<b>178,465,071</b>	<b>193,087,391</b>
Deferred Inflows of Resources	9,560,924	3,257,762	95,690	31,700	9,656,614	3,289,462
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>186,670,494</b>	<b>194,890,534</b>	<b>1,451,191</b>	<b>1,486,319</b>	<b>188,121,685</b>	<b>196,376,853</b>
Net position:						
Net investment in capital assets	47,352,086	44,364,140	640,948	681,923	47,993,034	45,046,063
Restricted	11,014,624	9,233,980	-	-	11,014,624	9,233,980
Unrestricted (Deficit)	(103,022,901)	(104,512,774)	(334,261)	(362,615)	(103,357,162)	(104,875,389)
<b>Total Net Position (Deficit)</b>	<b>\$ (44,656,191)</b>	<b>\$ (50,914,654)</b>	<b>\$ 306,687</b>	<b>\$ 319,308</b>	<b>\$ (44,349,504)</b>	<b>\$ (50,595,346)</b>

A significant portion of the District's net position, \$47,993,034, 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, \$11,014,624, 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 \$6,245,842 during the current fiscal year. The increase in net position is partially attributable to the reduction in the District's net OPEB liability, as well as revenues exceeding expenses. Governmental activities increased the District's net position by \$6,258,463, thereby accounting for all of the total growth in the net position.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

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 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	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ 267,495	\$ 219,992	\$ 663,913	\$ 702,816	\$ 931,408	\$ 922,808
Operating grants and contributions	12,281,923	11,943,111	1,076,612	1,078,068	13,358,535	13,021,179
General Revenues:						
Property taxes and other taxes levied for general purposes	66,254,073	64,331,292	-	-	66,254,073	64,331,292
State and federal aid	7,237,240	7,088,002	-	-	7,237,240	7,088,002
Other	1,223,507	707,739	18,619	11,063	1,242,126	718,802
Total Revenues	<u>87,264,238</u>	<u>84,290,136</u>	<u>1,759,144</u>	<u>1,791,947</u>	<u>89,023,382</u>	<u>86,082,083</u>
Expenses:						
Instruction	50,186,950	49,295,717	-	-	50,186,950	49,295,717
Instructional support	5,925,093	5,809,112	-	-	5,925,093	5,809,112
Non-instructional services	23,003,181	21,823,689	-	-	23,003,181	21,823,689
Other	1,890,551	2,563,292	1,771,765	1,817,583	3,662,316	4,380,875
Total Expenses	<u>81,005,775</u>	<u>79,491,810</u>	<u>1,771,765</u>	<u>1,817,583</u>	<u>82,777,540</u>	<u>81,309,393</u>
Increase (Decrease) in Net Position	6,258,463	4,798,326	(12,621)	(25,636)	6,245,842	4,772,690
Beginning Net Position (Deficit)	<u>(50,914,654)</u>	<u>(55,712,980)</u>	<u>319,308</u>	<u>344,944</u>	<u>(50,595,346)</u>	<u>(55,368,036)</u>
Ending Net Position (Deficit)	<u>\$ (44,656,191)</u>	<u>\$ (50,914,654)</u>	<u>\$ 306,687</u>	<u>\$ 319,308</u>	<u>\$ (44,349,504)</u>	<u>\$ (50,595,346)</u>

**Governmental Activities.** Total revenues increased by \$2,974,102, or 3.5 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$66,254,073, or 75.9 percent. The increase of \$1,922,781 (3.0 percent) is due to an increase in the millage rate of 1.91 percent and a slight recovery in the tax base, along with an increase in realty transfer and earned income taxes. Another \$7,237,240, or 8.3 percent, came from state and federal aid, such as the basic education subsidy. The remainder, \$13,772,925 or 15.8 percent, came from various sources. Revenue of \$12,281,923 came from operating grants, including funds for special education, student transportation, retirement, and social security. Revenue of \$1,013,328 came from earnings on investments, revenue of \$267,495 came from fees charged for services, and other revenue amounted to \$210,179.

The total cost of all governmental programs and services rose to \$81,005,775, an increase of \$1,513,965, or 1.9 percent. The District's expenses are predominately related to instructing, caring for (instructional support services and operation/maintenance of school facilities), and transporting students, which

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

represents \$79,115,224, or 97.7 percent, of total expenses. The growth in expenses includes recognition of the prior year's mild increase of \$918,236 in the employer contributions recognized for the PSERS due to declining increases in the contribution rate. Total revenues exceeded total expenses, which produced an increase in net position of \$6,258,463 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 \$1,127,650 to \$68,456,357. The state and federal government subsidized certain programs with capital and operating grants and contributions which totaled \$12,281,923 and charges for certain services also offset the costs by \$267,495.

**Net Cost of Governmental Activities**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2019	2018		2019	2018	
Functions/Programs						
Instruction	\$ 50,186,950	\$ 49,295,717	1.8%	\$ 41,887,861	\$ 41,261,334	1.5%
Instructional support	5,925,093	5,809,112	2.0%	5,312,263	5,239,175	1.4%
Non-instructional services	23,003,181	21,823,689	5.4%	19,877,636	18,751,634	6.0%
Other	1,890,551	2,563,292	-26.2%	1,378,597	2,076,564	-33.6%
Total	<u>\$ 81,005,775</u>	<u>\$ 79,491,810</u>	<u>1.9%</u>	<u>\$ 68,456,357</u>	<u>\$ 67,328,707</u>	<u>1.7%</u>

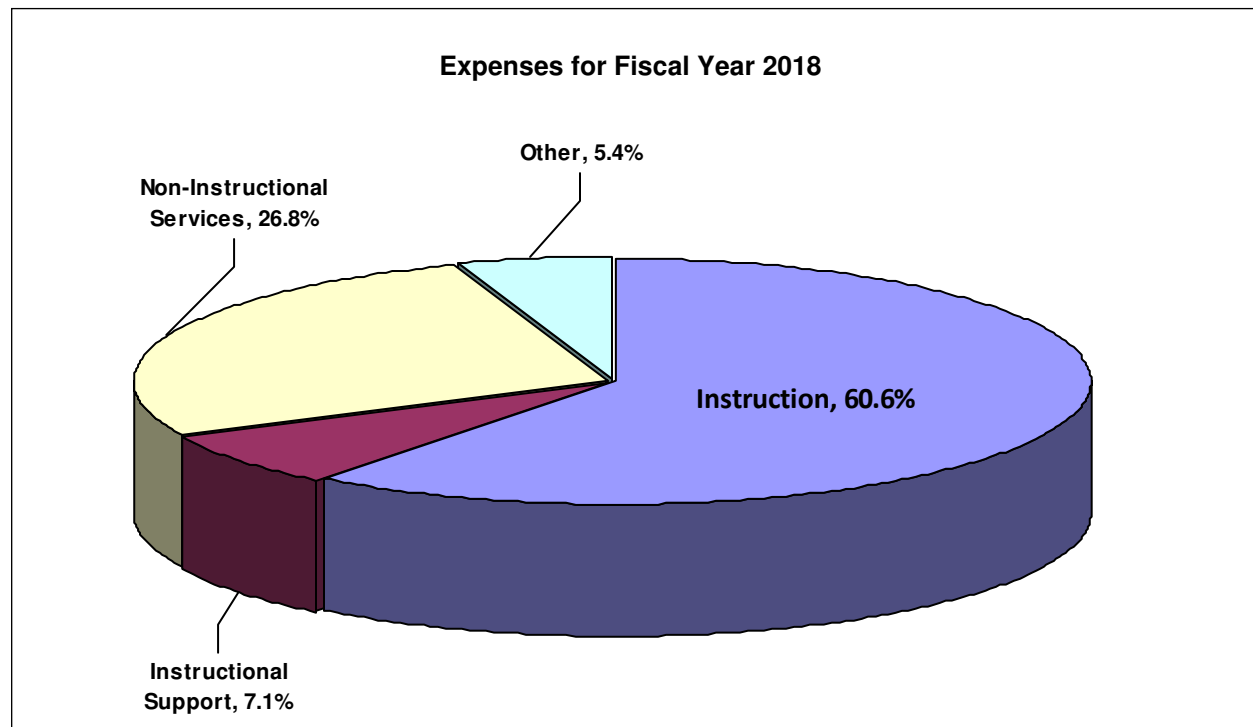
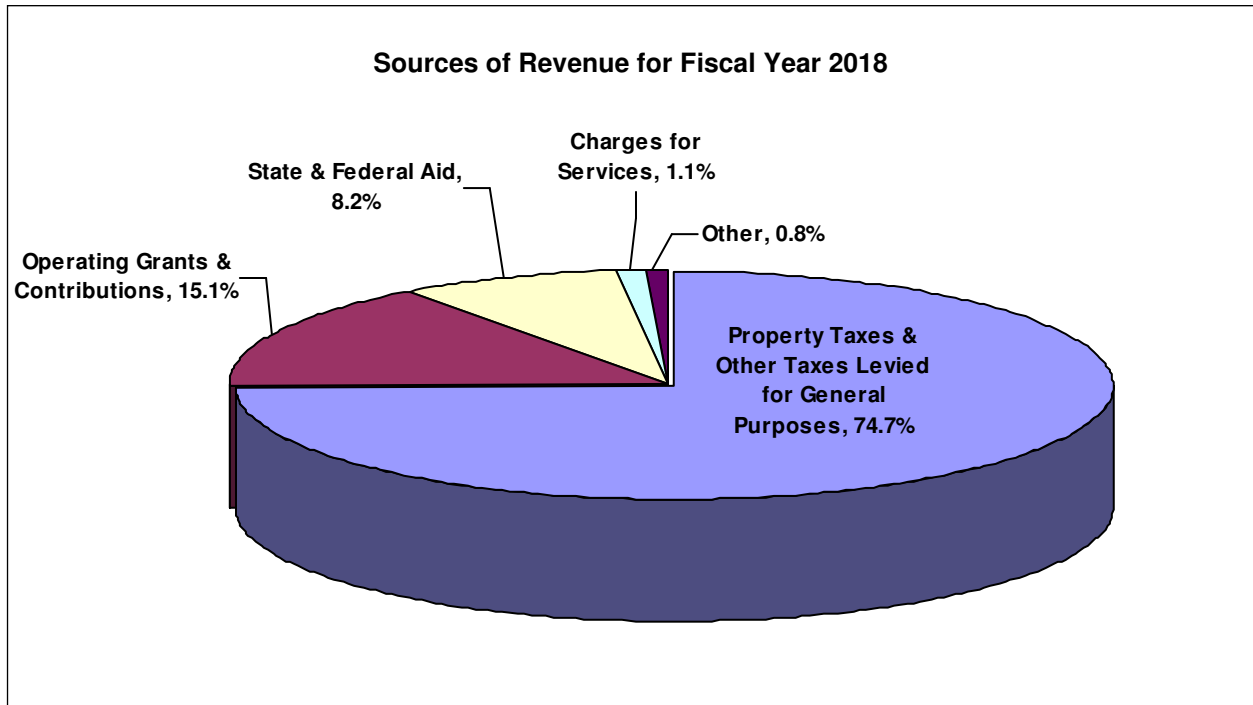
**Business-type Activities.** Business-type activities decreased the District's net position by \$12,621. Total revenues decreased by \$32,803, or 1.8 percent, over the prior year due to a decrease in the number of meals served. Total expenses also decreased by \$45,818, or 2.5 percent, due mainly to a decrease in contracted labor costs. 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.

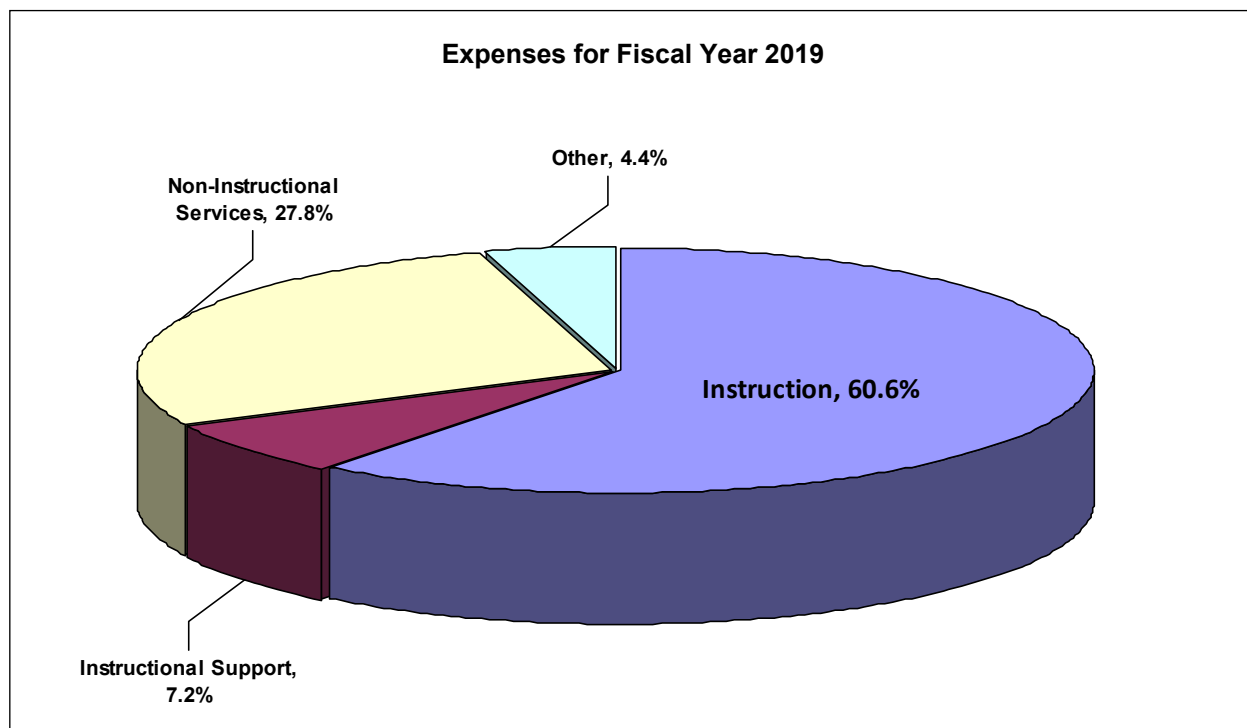
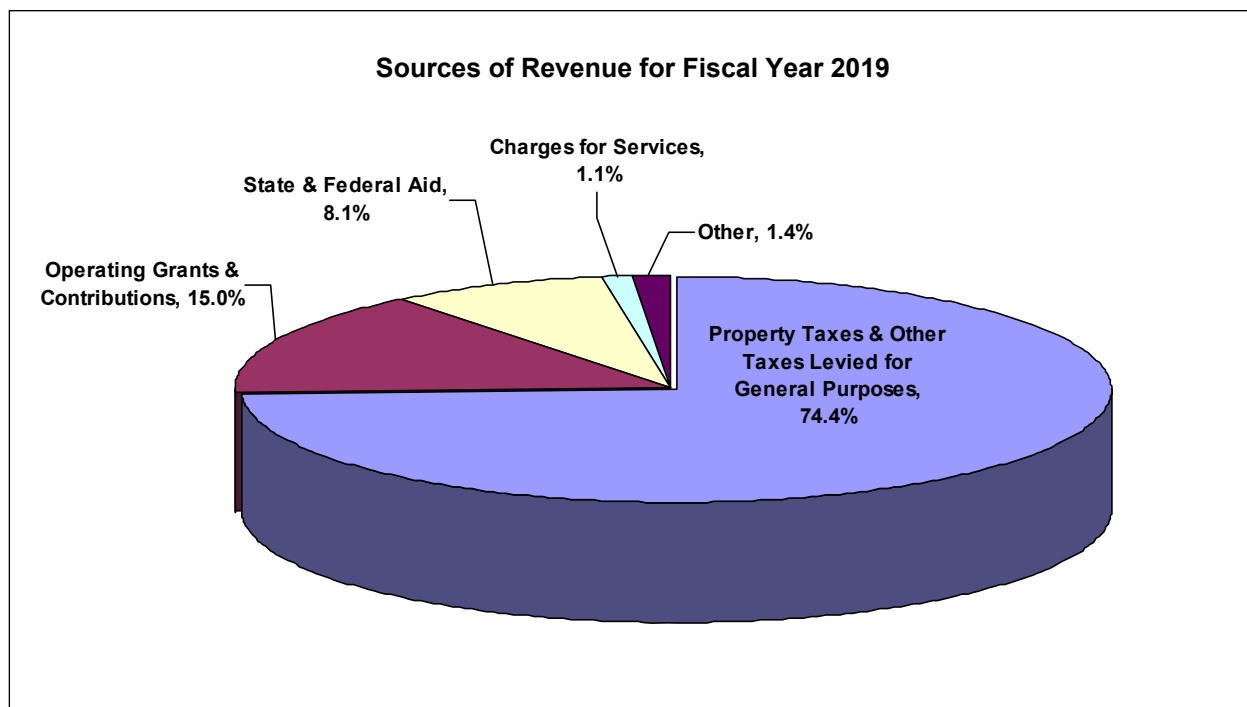
**Net Cost of Business-type Activities**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2019	2018		2019	2018	
Food services	<u>\$ 1,771,765</u>	<u>\$ 1,817,583</u>	<u>-2.5%</u>	<u>\$ 31,240</u>	<u>\$ 36,699</u>	<u>-14.9%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
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**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**



**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

**Financial Analysis of the Government's Funds**

**Governmental Funds**

At the end of June 30, 2019, governmental funds had total fund balances of \$18,070,992, an increase of \$1,940,799 in comparison with the previous year. Approximately 39.0 percent of this total amount, \$7,044,804, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. Fund balance of \$11,564 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 \$7,044,804, which also represents 8.4 percent of total general fund expenditures. The fund balance of the District's general fund increased by \$160,155.

The Capital Projects Fund has a total fund balance of \$189,383, which represents the remaining proceeds of a capital settlement fund for repairs to the District's middle school. The net increase in fund balance during the year of \$3,766 is due to investment income.

The Capital Reserve Fund has a total fund balance of \$10,825,241, 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 \$1,776,878. The Capital Reserve Fund received transfers from the general fund of \$3,393,081. The Capital Reserve Fund had expenditures of \$1,720,108 for a variety of facility improvements including replacements to portions of the roof at the high school and Greenwood Elementary, the installation of secured vestibules at the high school, the middle school, and two elementary schools, and storm water erosion curtailment at the high school and Greenwood Elementary. 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 (\$207,000) 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 \$(334,261). 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 \$1,078,190 and the District's net OPEB liability of \$138,630. The net position for this fund decreased by \$12,621. 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 \$4,067,740 and represents resources accumulated for anticipated future losses. The net position for this fund increased by \$622,984 due to lower than anticipated insurance



**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

claims and an increase in investment income. This residual balance is reported in the governmental activities since the services provided primarily benefit the governmental activities.

**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 2018 - 2019 revenues, expenditures, and other financing sources and uses compared to the budget resulted in an overall favorable variance of \$4,267,566 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 \$3,553,236 excluding transfers. An amount of \$3,393,081 was transferred to the District's Capital Reserve Fund for anticipated capital improvements outlined in the District's five-year plan. The net surplus after the transfer increased the general fund's fund balance by \$160,155 to \$7,056,368.

Significant variances between the final budget and actual revenue occurred in local sources of revenues due to greater than anticipated billings for real estate related taxes and favorable interest rates on investments. Both items were the result of a healthier economy. The variance between the final budgeted and actual expenditures was due to a continued change in delivery of Special Education programs, the elimination of variable interest rates on long-term debt, and favorable procurement practices.

The following are the main factors that contributed to the surplus:

- Increases in real estate taxes (regular, interim, and delinquent) resulted in additional revenue of \$910,773.
- Increases in real estate transfer taxes resulted in additional revenue of \$266,938.
- Increases in the interest rates on investments resulted in additional revenue of \$489,344.
- Decreases in contracted services for Special Education programs resulted in a savings of \$1,317,736.
- Decreases in tuition to other schools resulted in a savings of \$258,874.
- Decreases in interest on long-term debt resulted in a savings of \$136,213.
- Decreases in purchases in non-instructional areas such as maintenance, technology, and transportation resulted in a savings of \$354,497.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2019, the District had investments of \$93,191,583 (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 \$2,739,819, or 2.9 percent, for the year. Total depreciation expense for the year amounted to \$4,025,534. More detailed information about capital assets can be found in notes to the financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2019	2018	2019	2018	2019	2018	
Land	\$ 3,060,599	\$ 3,060,599	\$ -	\$ -	\$ 3,060,599	\$ 3,060,599	0.0%
Construction-in-progress	136,447	34,394	-	-	136,447	34,394	296.7%
Building and building improvements	87,518,752	89,956,932	-	-	87,518,752	89,956,932	-2.7%
Fixtures and equipment	1,834,837	2,197,554	640,948	681,923	2,475,785	2,879,477	-14.0%
Total	<u>\$ 92,550,635</u>	<u>\$ 95,249,479</u>	<u>\$ 640,948</u>	<u>\$ 681,923</u>	<u>\$ 93,191,583</u>	<u>\$ 95,931,402</u>	<u>-2.9%</u>

### Long-term Debt

As of June 30, 2019, the District had \$168,190,926 in outstanding long-term debt, a decrease of \$14,879,903, or 8.1 percent, over last year primarily due to changes in actuarial assumptions in regard to the District's other postemployment healthcare benefits ("OPEB") and satisfying the District's general obligation bonds. Along with its annual debt service payments totaling \$5,975,000, the District issued \$19,785,000 of new debt in 2019 to refund obligations totaling \$19,955,000. 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
	2019	2018	
General Obligation Bonds, Net	\$ 45,387,932	\$ 51,070,956	-11.1%
Compensated Absences	1,120,992	1,146,873	-2.3%
Net OPEB Liability	13,863,000	20,470,000	-32.3%
Net Pension Liability	107,819,000	110,383,000	-2.3%
Total	<u>\$ 168,190,924</u>	<u>\$ 183,070,829</u>	<u>-8.1%</u>

### 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:

- June 30, 2021 will mark the expiration of the current five-year teachers' contract. The economic package (salaries and fringe benefits) over the next two years provides for an annual increase of 2.6 percent and 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 new agreement has a stipulated increase in the remaining two years tied to the 12-month Calendar Consumer Price Index for Philadelphia-All Urban Consumers with a minimum of two percent. The annual increase for 2019 - 2020 was two percent.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

- 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. There are three active residential communities; when sold out, Pemberton, Sinclair Springs, and Stonehouse will add 202 dwellings to the district. Coming in 2020, another three large scale residential developments, Longwood Preserve, The Flats at Kennett, and Northridge, are underway and will yield a combined dwelling count of 379 units. Additionally, under consideration at the municipal level are three proposed developments that have the potential for 612 new residential units.
- 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 20 percent of total revenue sources to fund costs supporting the District's educational programs during the past year. Local sources of revenue, primarily property taxes, now support 78 percent of the costs for educational programs and services in the District. The federal government only provided two 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 2020 - 2021 is 3.0 percent compared to 2.3 percent in 2019 - 2020. The District does not anticipate needing a referendum for the 2020 - 2021 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 future employees starting in 2019 - 2020 to select one of three new plan design options,

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D  
FOR THE YEAR ENDED JUNE 30, 2019**

either one of two side-by-side hybrid DB/DC plans or a stand-alone DC plan. No changes are 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 32.57 percent in 2017 - 2018 to 33.43 percent in 2018 - 2019. The PSERS projections indicate that employer contribution rates will increase to 34.29 percent in 2019 - 2020. Rates are projected into the future to increase to over 36 percent by 2023 - 2024. 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 30,2019 (With Summarized Comparative Data for June 30, 2018)**

	Governmental Activities	Business-type Activities	Totals	
			2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,061,077	\$ 869,254	\$ 2,930,331	\$ 1,917,403
Investments	27,717,083	-	27,717,083	25,423,211
Taxes receivable, net	1,161,238	-	1,161,238	1,654,325
Due from other governments	2,059,470	35,430	2,094,900	2,072,753
Internal balance	777	(777)	-	-
Other receivables	31,810	9,884	41,694	117,190
Prepaid expenses	11,564	-	11,564	7,586
Inventories	-	37,274	37,274	37,057
Land	3,060,599	-	3,060,599	3,060,599
Construction-in-progress	136,447	-	136,447	34,394
Buildings and improvements	140,267,324	-	140,267,324	139,261,458
Furniture and equipment	6,932,944	1,411,220	8,344,164	8,188,800
Accumulated depreciation	(57,846,679)	(770,272)	(58,616,951)	(54,613,849)
<b>TOTAL ASSETS</b>	<b>125,593,654</b>	<b>1,592,013</b>	<b>127,185,667</b>	<b>127,160,927</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows relating to OPEB	1,124,063	11,353	1,135,416	276,047
Deferred outflows relating to pension	15,296,586	154,512	15,451,098	18,344,533
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>16,420,649</b>	<b>165,865</b>	<b>16,586,514</b>	<b>18,620,580</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 142,014,303</b>	<b>\$ 1,757,878</b>	<b>\$ 143,772,181</b>	<b>\$ 145,781,507</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,255,913	\$ 122,453	\$ 2,378,366	\$ 1,856,459
Accrued salaries and benefits	7,641,779	-	7,641,779	7,498,075
Retainage payable	-	-	-	21,265
Accrued interest	254,000	-	254,000	640,763
Long-term liabilities				
Portion due or payable within one year:				
Bonds and notes payable in future years, net	6,196,487	-	6,196,487	6,201,260
Accumulated compensated absences	108,296	461	108,757	141,364
Portion due or payable after one year:				
Bonds and notes payable in future years, net	39,191,445	-	39,191,445	44,869,696
Accumulated compensated absences	996,470	15,767	1,012,237	1,005,509
Net OPEB liability	13,724,370	138,630	13,863,000	20,470,000
Net pension liability	106,740,810	1,078,190	107,819,000	110,383,000
<b>TOTAL LIABILITIES</b>	<b>177,109,570</b>	<b>1,355,501</b>	<b>178,465,071</b>	<b>193,087,391</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows relating to OPEB	7,394,310	74,690	7,469,000	594,000
Deferred inflows relating to pension	2,079,000	21,000	2,100,000	2,576,000
Deferred amount on bond refunding	87,614	-	87,614	119,462
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,560,924</b>	<b>95,690</b>	<b>9,656,614</b>	<b>3,289,462</b>
<b>NET POSITION (DEFICIT):</b>				
Net investment in capital assets	47,352,086	640,948	47,993,034	45,046,063
Restricted - capital projects	11,014,624	-	11,014,624	9,233,980
Unrestricted (deficit)	(103,022,901)	(334,261)	(103,357,162)	(104,875,389)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(44,656,191)</b>	<b>306,687</b>	<b>(44,349,504)</b>	<b>(50,595,346)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$ 142,014,303</b>	<b>\$ 1,757,878</b>	<b>\$ 143,772,181</b>	<b>\$ 145,781,507</b>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2019 (With Summarized Comparative Data for the Year Ended June 30, 2018)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2019	2018
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 50,186,950	\$ 22,075	\$ 8,277,014	\$ -	\$ (41,887,861)	\$ -	\$ (41,887,861)	\$ (41,261,334)
Instructional student support	5,925,093	-	612,830	-	(5,312,263)	-	(5,312,263)	(5,239,175)
Administrative and financial support services	8,470,982	-	729,752	-	(7,741,230)	-	(7,741,230)	(7,444,537)
Operation and maintenance of plant services	7,774,911	-	617,673	-	(7,157,238)	-	(7,157,238)	(6,577,382)
Pupil transportation	5,127,163	123,475	1,399,877	-	(3,603,811)	-	(3,603,811)	(3,455,598)
Student activities	1,630,125	121,945	132,823	-	(1,375,357)	-	(1,375,357)	(1,274,117)
Interest on long-term debt	695,184	-	511,954	-	(183,230)	-	(183,230)	(884,544)
Unallocated depreciation	1,195,367	-	-	-	(1,195,367)	-	(1,195,367)	(1,192,020)
TOTAL GOVERNMENTAL ACTIVITIES	81,005,775	267,495	12,281,923	-	(68,456,357)	-	(68,456,357)	(67,328,707)
BUSINESS-TYPE ACTIVITIES:								
Food service	1,771,765	663,913	1,076,612	-	-	(31,240)	(31,240)	(36,699)
TOTAL BUSINESS-TYPE ACTIVITIES	1,771,765	663,913	1,076,612	-	-	(31,240)	(31,240)	(36,699)
TOTAL PRIMARY GOVERNMENT	<u>\$ 82,777,540</u>	<u>\$ 931,408</u>	<u>\$ 13,358,535</u>	<u>\$ -</u>	<u>(68,456,357)</u>	<u>(31,240)</u>	<u>(68,487,597)</u>	<u>(67,365,406)</u>
GENERAL REVENUES								
Property taxes, levied for general purposes					60,487,878	-	60,487,878	58,782,626
Taxes levied for specific purposes					5,766,195	-	5,766,195	5,548,666
Grants and entitlements not restricted to specific programs					7,237,240	-	7,237,240	7,088,002
Investment earnings					1,013,328	18,619	1,031,947	560,132
Miscellaneous					210,179	-	210,179	158,670
TOTAL GENERAL REVENUES					<u>74,714,820</u>	<u>18,619</u>	<u>74,733,439</u>	<u>72,138,096</u>
CHANGE IN NET POSITION					6,258,463	(12,621)	6,245,842	4,772,690
NET POSITION (DEFICIT), BEGINNING OF YEAR					<u>(50,914,654)</u>	<u>319,308</u>	<u>(50,595,346)</u>	<u>(55,368,036)</u>
NET POSITION (DEFICIT), END OF YEAR					<u>\$ (44,656,191)</u>	<u>\$ 306,687</u>	<u>\$ (44,349,504)</u>	<u>\$ (50,595,346)</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019 (With Summarized Comparative Data for June 30, 2018)**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals	
				2019	2018
ASSETS					
Cash and cash equivalents	\$ 51,517	\$ 189,383	\$ 218	\$ 241,118	\$ 196,117
Investments	17,178,266	-	7,538,817	24,717,083	22,423,211
Taxes receivable	1,180,718	-	-	1,180,718	1,673,805
Due from other funds	777	-	3,393,081	3,393,858	3,485,877
Due from other governments	2,059,470	-	-	2,059,470	1,915,457
Other receivables	31,810	-	-	31,810	114,076
Prepaid expenditures	11,564	-	-	11,564	7,586
<b>TOTAL ASSETS</b>	<b><u>\$ 20,514,122</u></b>	<b><u>\$ 189,383</u></b>	<b><u>\$ 10,932,116</u></b>	<b><u>\$ 31,635,621</u></b>	<b><u>\$ 29,816,129</u></b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,396,819	\$ -	\$ 106,875	\$ 1,503,694	\$ 1,210,824
Due to other funds	3,393,081	-	-	3,393,081	3,485,877
Accrued salaries and benefits	7,641,779	-	-	7,641,779	7,498,075
Accumulated compensated absences	108,296	-	-	108,296	140,768
<b>TOTAL LIABILITIES</b>	<b><u>12,539,975</u></b>	<b><u>-</u></b>	<b><u>106,875</u></b>	<b><u>12,646,850</u></b>	<b><u>12,335,544</u></b>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues - delinquent taxes	917,779	-	-	917,779	1,350,392
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>917,779</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>917,779</u></b>	<b><u>1,350,392</u></b>
FUND BALANCES:					
Nonspendable	11,564	-	-	11,564	7,586
Restricted - capital projects	-	189,383	10,825,241	11,014,624	9,233,980
Unassigned	7,044,804	-	-	7,044,804	6,888,627
<b>TOTAL FUND BALANCES</b>	<b><u>7,056,368</u></b>	<b><u>189,383</u></b>	<b><u>10,825,241</u></b>	<b><u>18,070,992</u></b>	<b><u>16,130,193</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 20,514,122</u></b>	<b><u>\$ 189,383</u></b>	<b><u>\$ 10,932,116</u></b>	<b><u>\$ 31,635,621</u></b>	<b><u>\$ 29,816,129</u></b>

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  
FOR THE YEAR ENDED JUNE 30, 2019**

TOTAL GOVERNMENTAL FUND BALANCES \$ 18,070,992

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	136,447	
Buildings and improvements	140,267,324	
Furniture and equipment	6,932,944	
Accumulated depreciation	<u>(57,846,679)</u>	92,550,635

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	(45,387,932)	
Accumulated compensated absences	(996,470)	
Accrued interest	(254,000)	
Net OPEB liability	(13,724,370)	
Net pension liability	<u>(106,740,810)</u>	(167,103,582)

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. 4,067,740

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. 917,779

Refunded debt resulted in deferred inflows of resources which will be amortized over the life of new debt but do not represent current obligations. (87,614)

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	1,124,063	
Deferred inflows of resources:		
Deferred OPEB	<u>(7,394,310)</u>	<u>(6,270,247)</u>

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	15,296,586	
Deferred inflows of resources:		
Deferred pension	<u>(2,079,000)</u>	<u>13,217,586</u>

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$(44,656,191)

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, 2019**  
**(With Summarized Comparative Data for the Year Ended June 30, 2018)**

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals	
				2019	2018
REVENUES					
Local sources	\$67,978,704	\$ 3,766	\$ 103,905	\$68,086,375	\$65,350,648
State sources	17,844,931	-	-	17,844,931	17,382,556
Federal sources	1,674,233	-	-	1,674,233	1,648,557
TOTAL REVENUES	<u>87,497,868</u>	<u>3,766</u>	<u>103,905</u>	<u>87,605,539</u>	<u>84,381,761</u>
EXPENDITURES					
Current:					
Instruction	48,981,965	-	-	48,981,965	47,215,650
Support services	26,437,352	-	-	26,437,352	24,822,962
Operation of noninstructional services	1,524,325	-	-	1,524,325	1,403,425
Capital outlays	121,606	-	1,720,108	1,841,714	863,115
Debt service	7,138,003	-	-	7,138,003	7,336,199
TOTAL EXPENDITURES	<u>84,203,251</u>	<u>-</u>	<u>1,720,108</u>	<u>85,923,359</u>	<u>81,641,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,294,617</u>	<u>3,766</u>	<u>(1,616,203)</u>	<u>1,682,180</u>	<u>2,740,410</u>
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	19,785,000	-	-	19,785,000	11,425,000
Premium on bond refunding	842,574	-	-	842,574	934,662
Payments to bond refunding agent	(20,376,515)	-	-	(20,376,515)	(12,166,894)
Sale of capital assets	7,560	-	-	7,560	6,900
Interfund transfers	(3,393,081)	-	3,393,081	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,134,462)</u>	<u>-</u>	<u>3,393,081</u>	<u>258,619</u>	<u>199,668</u>
NET CHANGE IN FUND BALANCES	160,155	3,766	1,776,878	1,940,799	2,940,078
FUND BALANCES, BEGINNING OF YEAR	<u>6,896,213</u>	<u>185,617</u>	<u>9,048,363</u>	<u>16,130,193</u>	<u>13,190,115</u>
FUND BALANCES, END 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>

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, 2019**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,940,799

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	\$ 1,285,715	
Depreciation expense	<u>(3,984,559)</u>	(2,698,844)

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 decreased by this amount this year. (432,613)

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. 6,145,000

An internal service fund has been established to account for self-insured healthcare costs. The net revenue is reported with governmental activities. 622,984

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). (6,054)

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 by which current premiums exceeded net amortization. (461,976)

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. 418,611

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. 518,306

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. 212,250

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,258,463

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, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 66,013,081	\$ 66,305,320	\$ 67,978,704	\$ 1,673,384
State sources	17,872,407	17,872,407	17,844,931	(27,476)
Federal sources	1,602,841	1,720,898	1,674,233	(46,665)
TOTAL REVENUES	<u>85,488,329</u>	<u>85,898,625</u>	<u>87,497,868</u>	<u>1,599,243</u>
EXPENDITURES				
Instruction:				
Regular programs	36,058,945	35,645,556	35,218,786	426,770
Special programs	13,119,239	13,061,870	11,776,826	1,285,044
Vocational programs	1,827,709	1,827,709	1,811,208	16,501
Other instructional programs	276,696	316,187	175,145	141,042
Total Instruction	<u>51,282,589</u>	<u>50,851,322</u>	<u>48,981,965</u>	<u>1,869,357</u>
Support Services:				
Pupil services	2,672,285	2,689,451	2,630,299	59,152
Instructional support	2,314,602	2,552,345	2,497,884	54,461
Administrative support	4,503,535	4,614,348	4,792,962	(178,614)
Pupil health	909,393	918,243	865,515	52,728
Business support	1,149,150	1,207,967	1,120,578	87,389
Operation and maintenance of plant services	6,893,196	7,086,128	7,043,512	42,616
Student transportation	5,235,398	5,249,373	5,126,610	122,763
Central support	2,284,612	2,400,711	2,325,369	75,342
Other support services	37,551	37,551	34,623	2,928
Total Support Services	<u>25,999,722</u>	<u>26,756,117</u>	<u>26,437,352</u>	<u>318,765</u>
Operation of noninstructional services	1,431,132	1,604,300	1,524,325	79,975
Capital outlay	125,000	125,000	121,606	3,394
Debt service	7,274,216	7,274,216	7,138,003	136,213
TOTAL EXPENDITURES	<u>86,112,659</u>	<u>86,610,955</u>	<u>84,203,251</u>	<u>2,407,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(624,330)</u>	<u>(712,330)</u>	<u>3,294,617</u>	<u>4,006,947</u>
OTHER FINANCING SOURCES (USES)				
Budgetary reserve	(90,000)	(2,000)	-	2,000
Issuance of refunding bonds	-	-	19,785,000	19,785,000
Premium on bond refunding	-	-	842,574	842,574
Payments to bond refunding agent	-	-	(20,376,515)	(20,376,515)
Sale of capital assets	-	-	7,560	7,560
Transfers out	-	-	(3,393,081)	(3,393,081)
TOTAL OTHER FINANCING USES	<u>(90,000)</u>	<u>(2,000)</u>	<u>(3,134,462)</u>	<u>(3,132,462)</u>
NET CHANGE IN FUND BALANCE	(714,330)	(714,330)	160,155	874,485
FUND BALANCE, BEGINNING OF YEAR	<u>6,896,213</u>	<u>6,896,213</u>	<u>6,896,213</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 6,181,883</u>	<u>\$ 6,181,883</u>	<u>\$ 7,056,368</u>	<u>\$ 874,485</u>

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019 (With Comparative Data for June 30, 2018)**

	Major Fund		Internal Service Fund	
	Food Service Fund		Internal Service Fund	
	2019	2018	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 869,254	\$ 740,030	\$ 1,819,959	\$ 981,256
Investments	-	-	3,000,000	3,000,000
Due from other governments	35,430	157,296	-	-
Other receivables	9,884	3,114	-	-
Inventories	37,274	37,057	-	-
Total Current Assets	951,842	937,497	4,819,959	3,981,256
FURNITURE AND EQUIPMENT:				
Net furniture and equipment	640,948	681,923	-	-
TOTAL ASSETS	1,592,790	1,619,420	4,819,959	3,981,256
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows relating to OPEB	11,353	2,760	-	-
Deferred outflows relating to pension	154,512	183,447	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	165,865	186,207	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,758,655</u>	<u>\$ 1,805,627</u>	<u>\$ 4,819,959</u>	<u>\$ 3,981,256</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 122,453	\$ 130,400	\$ 752,219	\$ 536,500
Compensated absences	461	596	-	-
Due to other funds	777	-	-	-
Long-term liabilities:				
Portion due or payable after one year:				
Compensated absences	15,767	15,093	-	-
Net OPEB liability	138,630	204,700	-	-
Net pension liability	1,078,190	1,103,830	-	-
Total Liabilities	1,356,278	1,454,619	752,219	536,500
DEFERRED INFLOWS OF RESOURCES:				
Deferred outflows relating to OPEB	74,690	5,940	-	-
Deferred outflows relating to pension	21,000	25,760	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	95,690	31,700	-	-
NET POSITION:				
Net investment in capital assets	640,948	681,923	-	-
Unrestricted (deficit)	(334,261)	(362,615)	4,067,740	3,444,756
Total Net Position	306,687	319,308	4,067,740	3,444,756
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,758,655</u>	<u>\$ 1,805,627</u>	<u>\$ 4,819,959</u>	<u>\$ 3,981,256</u>

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, 2019 (With Comparative Data for the Year Ended June 30, 2018)**

	Major Fund		Internal Service Fund	
	Food Service Fund		Internal Service Fund	
	2019	2018	2019	2018
OPERATING REVENUES				
Food service revenues	\$ 663,913	\$ 702,816	\$ -	\$ -
Charges for health insurance	-	-	8,292,669	6,802,906
TOTAL OPERATING REVENUES	<u>663,913</u>	<u>702,816</u>	<u>8,292,669</u>	<u>6,802,906</u>
OPERATING EXPENSES				
Salaries	219,630	213,343	-	-
Employee benefits	131,412	145,417	-	-
Other purchased services	1,255,159	1,290,462	-	-
Self-insurance claims	-	-	7,760,997	6,460,260
Supplies	124,589	127,157	-	-
Depreciation	40,975	41,204	-	-
TOTAL OPERATING EXPENSES	<u>1,771,765</u>	<u>1,817,583</u>	<u>7,760,997</u>	<u>6,460,260</u>
OPERATING (LOSS) INCOME	<u>(1,107,852)</u>	<u>(1,114,767)</u>	<u>531,672</u>	<u>342,646</u>
NONOPERATING REVENUES				
Earnings on investments	18,619	11,063	91,312	41,154
State sources	87,771	86,243	-	-
Federal sources	988,841	991,825	-	-
TOTAL NONOPERATING REVENUES	<u>1,095,231</u>	<u>1,089,131</u>	<u>91,312</u>	<u>41,154</u>
CHANGE IN NET POSITION	(12,621)	(25,636)	622,984	383,800
NET POSITION, BEGINNING OF YEAR	<u>319,308</u>	<u>344,944</u>	<u>3,444,756</u>	<u>3,060,956</u>
NET POSITION, END OF YEAR	<u>\$ 306,687</u>	<u>\$ 319,308</u>	<u>\$ 4,067,740</u>	<u>\$ 3,444,756</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, 2019 (With Comparative Data for the Year Ended June 30, 2018)**

	Major Fund		Internal Service Fund	
	Food Service Fund		Internal Service Fund	
	2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users	\$ 657,143	\$ 707,486	\$ 8,292,669	\$ 6,802,906
Payments to suppliers	(1,273,309)	(1,387,318)	-	-
Payments to employees	(358,016)	(345,553)	-	-
Cash payments for health insurance costs	-	-	(7,545,278)	(6,598,183)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(974,182)</b>	<b>(1,025,385)</b>	<b>747,391</b>	<b>204,723</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
State sources	93,556	85,783	-	-
Federal sources	991,231	862,127	-	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,084,787</b>	<b>947,910</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	-	-	-	(1,000,000)
Earnings on investments	18,619	11,063	91,312	41,154
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>18,619</b>	<b>11,063</b>	<b>91,312</b>	<b>(958,846)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>129,224</b>	<b>(66,412)</b>	<b>838,703</b>	<b>(754,123)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>740,030</b>	<b>806,442</b>	<b>981,256</b>	<b>1,735,379</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 869,254</b>	<b>\$ 740,030</b>	<b>\$ 1,819,959</b>	<b>\$ 981,256</b>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating (loss) income	\$ (1,107,852)	\$ (1,114,767)	\$ 531,672	\$ 342,646
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:				
Depreciation	40,975	41,204	-	-
Donated commodities	113,691	118,794	-	-
(Increase) Decrease in:				
Other receivables	(6,770)	4,670	-	-
Inventories	(217)	2,338	-	-
Deferred outflows of resources - OPEB	(8,593)	(280)	-	-
Deferred outflows of resources - pension	28,935	25,148	-	-
Increase (Decrease) in:				
Accounts payable	(7,947)	(1,284)	215,719	(137,923)
Due to other funds	777	(88,951)	-	-
Compensated absences	539	1,333	-	-
Net OPEB liability	(66,070)	(3,430)	-	-
Net pension liability	(25,640)	1,190	-	-
Deferred inflows of resources - OPEB	68,750	5,940	-	-
Deferred inflows of resources - pension	(4,760)	(17,290)	-	-
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (974,182)</b>	<b>\$ (1,025,385)</b>	<b>\$ 747,391</b>	<b>\$ 204,723</b>
<b>SUPPLEMENTAL DISCLOSURE</b>				
<b>NONCASH NONCAPITAL FINANCING ACTIVITY:</b>				
USDA donated commodities	\$ 113,691	\$ 118,794	\$ -	\$ -

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**STATEMENTS OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019 (With Comparative Data for June 30, 2018)**

	Private-Purpose Trust		Agency Fund	
	2019	2018	2019	2018
ASSETS				
Cash	\$ 261,551	\$ 261,488	\$ 40,917	\$ 49,861
TOTAL ASSETS	<u>\$ 261,551</u>	<u>\$ 261,488</u>	<u>\$ 40,917</u>	<u>\$ 49,861</u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	\$ 61	\$ -	\$ 40,917	\$ 49,861
NET POSITION:				
Reserved for trust	<u>261,490</u>	<u>261,488</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 261,551</u>	<u>\$ 261,488</u>	<u>\$ 40,917</u>	<u>\$ 49,861</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, 2019 (With Comparative Data for the Year Ended June 30, 2018)**

	Private-Purpose Trust	
	2019	2018
ADDITIONS		
Local contributions	\$ 51,778	\$ 50,070
Earnings on investments	4,024	2,523
TOTAL ADDITIONS	55,802	52,593
DEDUCTIONS		
Fees paid and scholarships awarded	55,800	37,700
TOTAL DEDUCTIONS	55,800	37,700
CHANGE IN NET POSITION	2	14,893
NET POSITION, BEGINNING OF YEAR	261,488	246,595
NET POSITION, END OF YEAR	<u>\$ 261,490</u>	<u>\$ 261,488</u>

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



**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2019*

**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 for Curriculum and Instruction, Director of Business Administration, Director of Special Education, Director of Personnel, 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 generally accepted accounting principles ("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, 2019*

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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 at the lower of cost or market on 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, 2019 consist of the purchased food/supplies for use in the food program in the amount of \$37,274.

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, 2019**

**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.

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, 2019**

**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, 2019**

**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, 2018, 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, 2019 is as follows:

Cash and cash equivalents	\$ 3,232,799
Investments	<u>27,717,083</u>
Total Cash and Investments	<u><u>\$ 30,949,862</u></u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued**

Deposits

At year end, the carrying amount of the District's deposits was \$3,232,799, and the bank balance was \$3,243,859. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$229,694 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 \$2,764,165 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, 2019, the District had the following investments:

	<u><b>Fair Value</b></u>
Pennsylvania Local Government Investment Trust (PLGIT)	\$ 359,194
Pennsylvania School District Liquid Asset Trust (PSDLAF)	<u>27,357,889</u>
Total Investments	<u><u>\$ 27,717,083</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, \$21,680,000 is invested in FDIC insured non-negotiable certificates of deposit with maturities of less than one year. The remaining \$6,037,083 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, 2019*

**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, 2019, 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, 2019, 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, 2019 was 30.45 mills (\$30.45 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, 2019 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, 2019**

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

The deferred inflow of resources balance in the general fund of \$917,779 consists of unavailable real estate taxes.

**NOTE 5 – INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2019 is as follows:

Due To	Amount	Due From	Amount
Capital Reserve Fund	\$ 3,393,081	General Fund	\$ 3,393,081
General Fund	<u>777</u>	Food Service Fund	<u>777</u>
	<u>\$ 3,393,858</u>		<u>\$ 3,393,858</u>
Transfer To	Amount	Transfer From	Amount
Capital Reserve Fund	\$ 3,393,081	General Fund	\$ 3,393,081
	<u>\$ 3,393,081</u>		<u>\$ 3,393,081</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, 2019 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	<u>34,394</u>	<u>136,447</u>	<u>34,394</u>	<u>136,447</u>
Total Capital Assets Not Being Depreciated	<u>3,094,993</u>	<u>136,447</u>	<u>34,394</u>	<u>3,197,046</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 7 – CHANGES IN CAPITAL ASSETS - continued**

(cont'd)	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	139,261,458	1,005,866	-	140,267,324
Furniture and equipment	6,777,580	177,796	22,432	6,932,944
Total Capital Assets Being Depreciated	146,039,038	1,183,662	22,432	147,200,268
Less accumulated depreciation for:				
Buildings and improvements	49,304,527	3,444,045	-	52,748,572
Furniture and equipment	4,580,025	540,514	22,432	5,098,107
Total Accumulated Depreciation	53,884,552	3,984,559	22,432	57,846,679
Total Capital Assets Being Depreciated, Net	92,154,486	(2,800,897)	-	89,353,589
Governmental Activities Assets, Net	\$ 95,249,479	\$ (2,664,450)	\$ 34,394	\$ 92,550,635

**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	729,297	40,975	-	770,272
Business-type Activities Capital Assets, Net	\$ 681,923	\$ (40,975)	\$ -	\$ 640,948

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

Governmental Activities:

Instruction	\$ 1,593,825
Administrative and financial support	417,133
Operation and maintenance of plant services	778,234
Unallocated depreciation	1,195,367
Total Depreciation Expense - Governmental Activities	<u>\$ 3,984,559</u>

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

Food Service:

Equipment	\$ 40,975
Total Depreciation Expense - Business-type Activities	<u>\$ 40,975</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**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 2012**

On December 20, 2012 the District issued \$9,975,000 of General Obligation Bonds, Series of 2012, maturing through February 15, 2020, and bearing interest ranging from 1.00% to 3.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2012 provided funds to refund the Series of 2003A, the Series of 2003B, a portion of the Series of 2007, and a portion of the Series of 2008 bonds. Proceeds of the issue were used to (1) currently refund the outstanding General Obligation Bonds, Series A of 2003, of the school district; (2) currently refund the outstanding General Obligation Bonds, Series B of 2003, of the school district; (3) currently refund a portion of the outstanding General Obligation Bonds, Series of 2008, of the school district; (4) currently refund a portion of the outstanding General Obligations Bonds, Series of 2007, of the school district; and (5) pay the cost of issuing the bonds. This refunding resulted in a net cash flow savings of \$695,802 with a corresponding net present value savings of \$626,222.

\$ 1,030,000

**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.

6,890,000

**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.

4,980,000

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
*June 30, 2019*

**NOTE 8 – LONG-TERM LIABILITIES-continued**

**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.

10,975,000

**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.

19,740,000

Total Bonds/Notes Payable

\$ 43,615,000

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>
2020	\$ 6,015,000	\$ 1,495,703	\$ 7,510,703
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 - 2026	<u>11,695,000</u>	<u>421,073</u>	<u>12,116,073</u>
	<u>\$ 43,615,000</u>	<u>\$ 5,756,950</u>	<u>\$ 49,371,950</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 8 – LONG-TERM LIABILITIES – continued**

Changes in Long-term Liabilities

Long-term liability balance and activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable	\$ 49,760,000	\$19,785,000	\$25,930,000	\$ 43,615,000	\$ 6,015,000
Bond premiums	1,310,956	842,574	380,598	1,772,932	181,487
Net bonds and notes payable	51,070,956	20,627,574	26,310,598	45,387,932	6,196,487
Other liabilities:					
Compensated absences	1,131,184	-	26,418	1,104,766	108,296
Net pension liability	109,279,170	-	2,538,360	106,740,810	-
Net OPEB liability	20,265,300	-	6,540,930	13,724,370	-
Total Governmental Long-term Liabilities	\$ 181,746,610	\$20,627,574	\$35,416,306	\$ 166,957,878	\$ 6,304,783
	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<b>Business-type Activities</b>					
Compensated absences	\$ 15,689	\$ 539	\$ -	\$ 16,228	\$ 461
Net pension liability	1,103,830	-	25,640	1,078,190	-
Net OPEB liability	204,700	-	66,070	138,630	-
Total Business-type Long-term Liabilities	\$ 1,324,219	\$ 539	\$ 91,710	\$ 1,233,048	\$ 461

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, 2019 was \$695,184.

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, 2019, that amount is \$189,525,060. As of June 30, 2019, the total outstanding debt applicable to the limit is \$45,387,932.

**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



**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN-continued**

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](http://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.

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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN-continued**

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, 2019, the rate of the employer contribution was 33.43 percent of covered payroll, which was comprised of 32.60 percent for pension contributions and 0.83 percent for healthcare contributions. The District's contribution to PSERS for pension contributions for the year ended June 30, 2019 was \$10,193,930.

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

At June 30, 2019, the District reported a liability of \$107,819,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District's proportion was 0.2246 percent, which was an increase of 0.0011 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$9,981,680. At June 30, 2019, 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	\$ 528,000	\$ -
Difference between expected and actual experience	869,000	1,669,000
Change in proportionate share of net pension liability	1,529,000	431,000
Change in assumptions	2,009,000	-
Difference between employer contributions and proportionate share of total contributions	322,168	-
Contributions subsequent to the date of measurement	10,193,930	-
	<u>\$15,451,098</u>	<u>\$ 2,100,000</u>

An amount of \$10,193,930 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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued**

liability in the year ended June 30, 2020. 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>	
2020	\$ 2,515,005
2021	1,869,209
2022	(934,734)
2023	<u>(292,312)</u>
	<u>\$ 3,157,168</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 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.

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%

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 9 – EMPLOYEE RETIREMENT PLAN-continued**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
(cont'd)		
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, 2018.

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.

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.

	<u>1% Decrease 6.25%</u>	<u>Current Rate Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$133,650,000	\$107,819,000	\$ 85,979,000

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](http://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

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued**

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. A plan report is available in the District office.

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 2019, the District paid \$731,000 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2019. The total OPEB liability as of June 30, 2019 was determined by rolling forward the plan's total OPEB liability as of the June 30, 2017 actuarial valuation to the June 30, 2019 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 3.50 percent for the measurement date of June 30, 2019.

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%

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued**

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.

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.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN – continued**

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 3.50 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.

	1% Decrease 2.50%	Current Rate Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 10,106,000	\$ 9,180,000	\$ 8,365,000
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 10,106,000</u>	<u>\$ 9,180,000</u>	<u>\$ 8,365,000</u>

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	\$ 8,378,000	\$ 9,180,000	\$ 10,131,000
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 8,378,000</u>	<u>\$ 9,180,000</u>	<u>\$ 10,131,000</u>

Changes in Total OPEB Liability

Total OPEB liability as of June 30, 2018	\$ 15,916,000
Service cost	521,000
Interest on OPEB designation	602,000
Effect of liability gains or losses	832,000
Effect of assumption changes or inputs	(7,960,000)
Benefit payments	<u>(731,000)</u>
Total OPEB liability as of June 30, 2019	<u>\$ 9,180,000</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued**

The amount of OPEB expense for the single employer plan recognized by the District was \$294,900 for the year ended June 30, 2019. At June 30, 2019, 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	\$ -	\$ 7,292,000
Difference between actual and expected experience	728,000	-
	<u>\$ 728,000</u>	<u>\$ 7,292,000</u>

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

<u>Year Ending June 30,</u>	
2020	\$ (946,000)
2021	(946,000)
2022	(946,000)
2023	(946,000)
2024	(946,000)
Thereafter	<u>(1,834,000)</u>
	<u>\$ (6,564,000)</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, 2018, there were no assumed future benefit increases to participating eligible retirees.



**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

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

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 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](http://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, 2018 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, 2018 was 0.83 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 \$260,406 for the year ended June 30, 2019.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

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

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

At June 30, 2019, the District reported a liability of \$4,683,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District’s proportion was 0.2246 percent, which was an increase of 0.0011 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$483,812. At June 30, 2019, 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	35,000	-
Difference between expected and actual experience	29,000	-
Change in assumptions	74,000	177,000
Difference between employer contributions and proportionate share of total contributions	1,010	-
Contributions subsequent to the date of measurement	260,406	-
	<u>\$ 407,416</u>	<u>\$ 177,000</u>

An amount of \$260,406 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, 2020. 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:

Year Ending June 30,

2020	\$ (8,882)
2021	(8,882)
2022	(8,882)
2023	(10,099)
2024	(11,168)
Thereafter	17,923
	<u>\$ (29,990)</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

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

Actuarial Assumptions

The total OPEB liability as of June 30, 2018, was determined by rolling forward the system’s total OPEB liability as of June 30, 2017 to June 30, 2018 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 – 2.98 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.
- 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, 2016 determined the employer contribution rate for fiscal year 2018.
- 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.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	5.9%	0.3%
U.S. Core Fixed Income	92.8%	1.2%
Non-U.S. Developed Fixed	1.3%	0.4%
	<u>100.0%</u>	

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, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98 percent. 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 2.98 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, 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, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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, 2018, 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	\$ 4,682,000	\$ 4,683,000	\$ 4,684,000

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

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

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 2.98 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 (1.98 percent) or one percentage point higher (3.98 percent) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District’s proportionate share of the net OPEB liability	\$ 5,326,000	\$ 4,683,000	\$ 4,149,000

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](http://www.psers.pa.gov).

**NOTE 12 – NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

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

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
District Plan (See Note 10)	\$ 9,180,000	\$ 728,000	\$ 7,292,000
PSERS Plan (See Note 11)	4,683,000	407,416	177,000
Total	<u>\$ 13,863,000</u>	<u>\$ 1,135,416</u>	<u>\$ 7,469,000</u>

**NOTE 13 – FUND BALANCES**

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
Nonspendable	\$ 11,564	\$ -	\$ -	\$ 11,564
Restricted:				
Capital projects	-	189,383	10,825,241	11,014,624
Unassigned	7,044,804	-	-	7,044,804
Total Fund Balances	<u>\$ 7,056,368</u>	<u>\$ 189,383</u>	<u>\$ 10,825,241</u>	<u>\$ 18,070,992</u>

Nonspendable fund balance consists of prepaid expenditures.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
*June 30, 2019*

**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, 2019, the District had \$136,447 in construction-in-progress, of which \$106,875 was subject to a construction commitment and \$29,572 was not subject to a construction commitment. The total remaining construction commitment as of June 30, 2019 was \$622,125.

**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 2018 - 2019 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, 2019, 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 2018-19 year, the maximum claims liability was \$32,157. 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	
	6/30/2019	6/30/2018
Unpaid Claims Premiums, beginning of fiscal year	\$ 0	\$ 0
Claims and premiums	160,786	178,570
Payments	(160,786)	(178,570)
Unpaid Claims Premiums, end of fiscal year	\$ 0	\$ 0

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 15 – RISK MANAGEMENT – continued**

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, 2019:

Claims Payable	\$ 584,527
Changes in benefit obligations as follows for the year ended June 30, 2019:	
Claims Payable, beginning of year	426,392
Benefits earned	6,838,128
Claims paid	<u>(6,679,993)</u>
Claims payable, end of year	<u><u>\$ 584,527</u></u>

**NOTE 16 – DEFICIT NET POSITION**

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$103,022,901, \$334,261, and \$334,261, 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 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Administrative support	\$ 178,614
Operation of noninstructional services	\$ 41,631

The excess of expenditures over appropriations was financed with positive budget variances in other functions and revenues in excess of budgeted amounts.

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
*June 30, 2019*

**NOTE 18 – SUBSEQUENT EVENTS**

The District has evaluated all subsequent events through November 1, 2019, 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 are effective for reporting periods beginning after December 15, 2018.

- 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 governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- 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 are effective for reporting periods beginning after June 15, 2018.

- 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



**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - continued**  
**June 30, 2019**

**NOTE 19 – NEW ACCOUNTING PRONOUNCEMENTS - continued**

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 are effective for reporting periods beginning after December 15, 2019.

- 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 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 are effective for reporting periods beginning after December 15, 2019.

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				
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion on the net pension liability	0.2246%	0.2235%	0.2225%	0.2175%	0.2204%
District's proportion of the net pension liability - dollar value	\$ 107,819,000	\$ 110,383,000	\$ 110,264,000	\$ 94,210,000	\$ 87,236,000
District's covered payroll	\$ 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 payroll	354.87%	369.41%	381.08%	334.50%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	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, 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	\$ 10,193,930	\$ 9,643,564	\$ 8,725,328	\$ 7,233,717	\$ 5,773,651
Contributions in relation to the contractually required contribution	<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>
District's covered payroll	\$ 31,269,723	\$ 30,382,999	\$ 29,881,260	\$ 28,934,868	\$ 28,164,151
Contributions as a percentage of covered payroll	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	
	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2246%	0.2235%
District's proportion of the net OPEB liability - dollar value	\$ 4,683,000	\$ 4,554,000
District's covered payroll	\$ 30,382,999	\$ 29,881,260
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.41%	15.24%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 259,539	\$ 252,177
Contributions in relation to the contractually required contribution	<u>259,539</u>	<u>252,177</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,269,723	\$ 30,382,999
Contributions as a percentage of covered payroll	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, 2019	June 30, 2018
TOTAL OPEB LIABILITY		
Service cost	\$ 521,000	\$ 503,000
Interest on total OPEB liability	602,000	605,000
Effect of assumption changes or inputs	(7,960,000)	(437,000)
Effect of liability gains or losses	832,000	-
Benefit payments	(731,000)	(775,000)
NET CHANGE IN TOTAL OPEB LIABILITY	(6,736,000)	(104,000)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	15,916,000	16,020,000
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 9,180,000</u>	<u>\$ 15,916,000</u>
<u>PLAN FIDUCIARY NET POSITION</u>		
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>\$ -</u>	<u>\$ -</u>
PLAN FIDUCIARY NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
DISTRICT'S NET OPEB LIABILITY	<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%
Covered payroll	\$ 30,557,282	\$ 29,587,921
District's net OPEB liability as a percentage of covered payroll	30.04%	53.79%
Expected average remaining service years of all participants	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, 2019*

<b>REVENUES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Local Revenue</b>				
Current Real Estate Taxes	\$ 57,934,718	\$ 57,934,718	\$ 58,419,762	\$ 485,044
Interim Real Estate Taxes	300,000	300,000	468,407	168,407
Utility Taxes	70,000	70,000	64,485	(5,515)
Earned Income	4,400,000	4,400,000	4,534,772	134,772
Realty Transfer Tax	900,000	900,000	1,166,938	266,938
Delinquent Real Estate Taxes	1,775,000	1,775,000	2,032,321	257,321
Investment Earnings	325,000	325,000	814,344	489,344
Facility Rental Fees	70,863	70,863	101,193	30,330
Other Revenue	237,500	529,739	376,482	(153,257)
<b>Total Revenue from Local Sources</b>	<b>66,013,081</b>	<b>66,305,320</b>	<b>67,978,704</b>	<b>1,673,384</b>
<b>State Revenue</b>				
State Basic Subsidy	5,804,224	5,804,224	5,798,084	(6,140)
Migratory Children	-	-	2,116	2,116
Tuition Orphans & Children	-	-	20,558	20,558
Special Education	1,880,469	1,880,469	1,840,497	(39,972)
Transportation	1,400,000	1,400,000	1,399,877	(123)
Authority Rental Reimbursement	462,239	462,239	511,954	49,715
Health Services	86,000	86,000	84,121	(1,879)
Property Tax Reduction Allocation	1,439,156	1,439,156	1,439,156	-
School Safety Grant	-	-	25,000	25,000
Ready to Learn Grant	400,617	400,617	400,617	-
FICA Reimbursement	1,182,693	1,182,693	1,141,674	(41,019)
Retirement Reimbursement	5,217,009	5,217,009	5,181,277	(35,732)
<b>Total Revenue from State Sources</b>	<b>17,872,407</b>	<b>17,872,407</b>	<b>17,844,931</b>	<b>(27,476)</b>
<b>Federal Revenue</b>				
Title I	706,544	765,815	609,880	(155,935)
Title II	110,725	120,601	117,370	(3,231)
Title III	142,570	160,700	151,526	(9,174)
Title IV	13,000	43,780	40,802	(2,978)
IDEA	535,002	535,002	550,807	15,805
SBAP Reimbursements (Access)	80,000	80,000	185,661	105,661
Medical Assistance Reimbursement	15,000	15,000	18,187	3,187
<b>Total Revenue From Federal Sources</b>	<b>1,602,841</b>	<b>1,720,898</b>	<b>1,674,233</b>	<b>(46,665)</b>
<b>Other Sources</b>				
Issuance of Refunding Bonds	-	-	19,785,000	19,785,000
Bond Premiums	-	-	842,574	842,574
Sale of Capital Assets	-	-	7,560	7,560
<b>Total Revenue From Other Sources</b>	<b>-</b>	<b>-</b>	<b>20,635,134</b>	<b>20,635,134</b>
<b>Total Revenues</b>	<b>\$ 85,488,329</b>	<b>\$ 85,898,625</b>	<b>\$ 108,133,002</b>	<b>\$ 22,234,377</b>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Expenditures – Budget to Actual**  
*For the Year Ended June 30, 2019*

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Regular Instruction</b>				
Salaries	\$ 18,732,089	\$ 18,621,249	\$ 18,569,359	\$ 51,890
Employee Benefits	12,809,662	12,502,499	12,376,589	125,910
Purchased Professional & Technical Services	220,582	151,608	25,846	125,762
Purchased Property Services	4,500	2,675	2,088	587
Other Purchased Services	3,739,756	3,738,829	3,624,938	113,891
Supplies	531,300	578,134	578,160	(26)
Property	21,056	45,562	38,488	7,074
Other Objects		5,000	3,318	1,682
<b>Total</b>	<b>36,058,945</b>	<b>35,645,556</b>	<b>35,218,786</b>	<b>426,770</b>
<b>Special Instruction</b>				
Salaries	2,705,186	2,660,186	2,616,917	43,269
Employee Benefits	1,837,869	1,829,425	1,762,796	66,629
Purchased Professional & Technical Services	5,417,751	5,384,003	4,320,071	1,063,932
Purchased Property Services	2,000	2,000	548	1,452
Other Purchased Services	3,084,934	3,084,934	3,017,372	67,562
Supplies	46,999	76,822	59,122	17,700
Property	20,000	20,000	-	20,000
Other Objects	4,500	4,500	-	4,500
<b>Total</b>	<b>13,119,239</b>	<b>13,061,870</b>	<b>11,776,826</b>	<b>1,285,044</b>
<b>Vocational Programs</b>				
Other Purchased Services	1,827,709	1,827,709	1,811,208	16,501
<b>Total</b>	<b>1,827,709</b>	<b>1,827,709</b>	<b>1,811,208</b>	<b>16,501</b>
<b>Other Instructional Programs</b>				
Salaries	-	52,670	52,641	29
Employee Benefits	-	21,906	21,825	81
Purchased Professional & Technical Services	57,753	87,165	18,023	69,142
Other Purchased Services	218,943	120,112	66,940	53,172
Supplies	-	14,889	7,484	7,405
Other Objects	-	19,445	8,232	11,213
<b>Total</b>	<b>276,696</b>	<b>316,187</b>	<b>175,145</b>	<b>141,042</b>
<b>Support Services-Students</b>				
Salaries	1,404,535	1,437,001	1,435,986	1,015
Employee Benefits	993,100	989,861	962,637	27,224
Purchased Professional & Technical Services	255,000	239,794	215,983	23,811
Other Purchased Services	5,100	5,100	3,066	2,034
Supplies	12,800	15,945	12,487	3,458
Property	1,000	1,000	-	1,000
Other Objects	750	750	140	610
<b>Total</b>	<b>2,672,285</b>	<b>2,689,451</b>	<b>2,630,299</b>	<b>59,152</b>



**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Expenditures – Budget to Actual - continued**  
*For the Year Ended June 30, 2019*

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Support Services-Instructional Staff</b>				
Salaries	1,169,088	1,210,881	1,205,442	5,439
Employee Benefits	744,021	912,935	912,080	855
Purchased Professional & Technical Services	56,000	72,674	59,936	12,738
Purchased Property Services	3,100	2,942	2,382	560
Other Purchased Services	12,756	13,909	13,003	906
Supplies	315,315	326,782	300,582	26,200
Property	8,500	6,400	3,111	3,289
Other Objects	5,822	5,822	1,348	4,474
<b>Total</b>	<b>2,314,602</b>	<b>2,552,345</b>	<b>2,497,884</b>	<b>54,461</b>
<b>Support Services-Administration</b>				
Salaries	2,454,890	2,569,862	2,562,895	6,967
Employee Benefits	1,446,436	1,488,436	1,482,164	6,272
Purchased Professional & Technical Services	316,625	266,475	243,986	22,489
Other Purchased Services	174,625	172,527	168,210	4,317
Supplies	35,065	34,332	23,312	11,020
Property	9,000	7,000	-	7,000
Other Objects	66,894	75,716	312,395	(236,679)
<b>Total</b>	<b>4,503,535</b>	<b>4,614,348</b>	<b>4,792,962</b>	<b>(178,614)</b>
<b>Support Services-Pupil Health</b>				
Salaries	499,415	509,415	507,383	2,032
Employee Benefits	344,702	334,702	306,638	28,064
Purchased Professional & Technical Services	8,090	14,017	13,952	65
Purchased Property Services	100	100	-	100
Other Purchased Services	27,500	27,400	14,820	12,580
Supplies	29,586	32,609	22,722	9,887
<b>Total</b>	<b>909,393</b>	<b>918,243</b>	<b>865,515</b>	<b>52,728</b>
<b>Support Services-Business</b>				
Salaries	649,465	652,599	633,774	18,825
Employee Benefits	373,263	366,946	329,045	37,901
Purchased Professional & Technical Services	75,522	40,522	33,904	6,618
Other Purchased Services	9,250	10,650	9,531	1,119
Supplies	15,000	15,000	5,086	9,914
Property	10,000	8,600	-	8,600
Other Objects	16,650	113,650	109,238	4,412
<b>Total</b>	<b>1,149,150</b>	<b>1,207,967</b>	<b>1,120,578</b>	<b>87,389</b>
<b>Operation &amp; Maintenance of Plant Services</b>				
Salaries	2,016,242	2,182,324	2,179,891	2,433
Employee Benefits	1,536,271	1,551,721	1,537,583	14,138
Purchased Professional & Technical Services	232,120	185,401	183,241	2,160
Purchased Property Services	1,264,462	1,334,462	1,333,563	899
Other Purchased Services	271,972	263,372	253,065	10,307
Supplies	1,401,181	1,409,569	1,409,093	476
Property	125,909	133,521	125,184	8,337
Other Objects	45,039	25,758	21,892	3,866
<b>Total</b>	<b>6,893,196</b>	<b>7,086,128</b>	<b>7,043,512</b>	<b>42,616</b>

**KENNETT CONSOLIDATED SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Expenditures – Budget to Actual – continued**  
*For the Year Ended June 30, 2019*

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Student Transportation</b>				
Salaries	128,138	131,448	131,444	4
Employee Benefits	96,043	96,189	94,911	1,278
Purchased Professional & Technical Services	2,000	27,800	27,705	95
Purchased Property Services	2,500	5,650	5,614	36
Other Purchased Services	4,950,217	4,930,461	4,832,768	97,693
Supplies	30,000	30,000	29,976	24
Property	25,000	24,800	1,239	23,561
Other Objects	1,500	3,025	2,953	72
<b>Total</b>	<b>5,235,398</b>	<b>5,249,373</b>	<b>5,126,610</b>	<b>122,763</b>
<b>Support Services-Central</b>				
Salaries	751,433	788,119	786,833	1,286
Employee Benefits	501,929	583,624	582,954	670
Purchased Professional & Technical Services	131,250	71,307	55,441	15,866
Other Purchased Services	177,974	204,635	182,825	21,810
Supplies	332,150	367,150	338,924	28,226
Property	386,376	380,376	377,003	3,373
Other Objects	3,500	5,500	1,389	4,111
<b>Total</b>	<b>2,284,612</b>	<b>2,400,711</b>	<b>2,325,369</b>	<b>75,342</b>
<b>Other Support Services</b>				
Other Purchased Services	37,551	37,551	34,623	2,928
<b>Total</b>	<b>37,551</b>	<b>37,551</b>	<b>34,623</b>	<b>2,928</b>
<b>Student Activities</b>				
Salaries	701,087	764,677	756,665	8,012
Employee Benefits	329,880	329,880	320,531	9,349
Purchased Professional & Technical Services	101,209	94,209	93,531	678
Purchased Property Services	3,000	3,000	1,620	1,380
Other Purchased Services	120,164	121,314	120,211	1,103
Supplies	116,221	146,128	119,365	26,763
Property	19,311	28,511	28,503	8
Other Objects	40,260	95,608	65,318	30,290
<b>Total</b>	<b>1,431,132</b>	<b>1,583,327</b>	<b>1,505,744</b>	<b>77,583</b>
<b>Community Services</b>				
Salaries	-	4,240	3,040	1,200
Employee Benefits	-	1,706	1,256	450
Purchased Professional & Technical Services	-	15,027	14,285	742
<b>Total</b>	<b>-</b>	<b>20,973</b>	<b>18,581</b>	<b>2,392</b>
<b>Facilities Acquisition, Construction &amp; Improvement Services</b>				
Purchased Property Services	125,000	120,484	117,090	3,394
Property	-	4,516	4,516	-
<b>Total</b>	<b>125,000</b>	<b>125,000</b>	<b>121,606</b>	<b>3,394</b>
<b>Other Expenditures &amp; Financing Uses</b>				
Debt Service Interest	1,344,216	1,299,216	1,584,518	(285,302)
Debt Service Principal	5,930,000	5,975,000	25,930,000	(19,955,000)
Fund Transfers	-	-	3,393,081	(3,393,081)
Budgetary Reserve	90,000	2,000	-	2,000
<b>Total</b>	<b>7,364,216</b>	<b>7,276,216</b>	<b>30,907,599</b>	<b>(23,631,383)</b>
<b>Total Expenditures</b>	<b>\$ 86,202,659</b>	<b>\$ 86,612,955</b>	<b>\$ 107,972,847</b>	<b>\$ (21,359,892)</b>

## **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, 2019*

	<b>Balance</b>			<b>Balance</b>
	<b>6/30/2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>6/30/2019</b>
<hr/> <b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	<u>\$ 49,861</u>	<u>\$ 174,791</u>	<u>\$ 183,735</u>	<u>\$ 40,917</u>
Total Current Assets	<u>\$ 49,861</u>	<u>\$ 174,791</u>	<u>\$ 183,735</u>	<u>\$ 40,917</u>
 <b>CURRENT LIABILITIES</b>				
Other Current Liabilities	<u>\$ 49,831</u>	<u>\$ 184,125</u>	<u>\$ 193,039</u>	<u>\$ 40,917</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.

<b>Contents</b>	<b>Pages</b>
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				
	2019	2018	2017	2016	2015
<b>Governmental Activities</b>					
Net Investment in capital assets	\$ 47,352,086	\$ 44,364,140	\$ 41,619,899	\$ 36,394,244	\$ 33,432,135
Restricted	11,014,624	9,233,980	6,426,725	8,474,047	8,912,438
Unrestricted (deficit)	(103,022,901)	(104,512,774)	(90,220,849)	(90,014,965)	(90,647,267)
Total Net Position (Deficit)	(44,656,191)	(50,914,654)	(42,174,225)	(45,146,674)	(48,302,694)
<b>Business-type Activities</b>					
Net Investment in capital assets	640,948	681,923	723,127	756,764	807,942
Unrestricted (deficit)	(334,261)	(362,615)	(172,533)	(141,247)	(163,191)
Total Net Position	306,687	319,308	550,594	615,517	644,751
<b>Total Primary Government</b>					
Net Investment in capital assets	47,993,034	45,046,063	42,343,026	37,151,008	34,240,077
Restricted	11,014,624	9,233,980	6,426,725	8,474,047	8,912,438
Unrestricted (deficit)	(103,357,162)	(104,875,389)	(90,393,382)	(90,156,212)	(90,810,458)
Total Net Position (Deficit)	\$ (44,349,504)	\$ (50,595,346)	\$ (41,623,631)	\$ (44,531,157)	\$ (47,657,943)

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				
	2014	2013	2012	2011	2010
<b>Governmental Activities</b>					
Net Investment in capital assets	\$ 29,177,881	\$ 26,321,970	\$ 25,733,483	\$ 21,438,008	\$ 18,810,820
Restricted	9,471,432	9,160,280	9,546,005	10,451,173	9,344,348
Unrestricted	(89,481,724)	944,365	(803,045)	2,163,205	3,073,592
Total Net Position	(50,832,411)	36,426,615	34,476,443	34,052,386	31,228,760
<b>Business-type Activities</b>					
Net Investment in capital assets	830,369	867,408	911,864	556,624	901,384
Unrestricted	(174,188)	742,531	648,727	505,552	279,224
Total Net Position	656,181	1,609,939	1,560,591	1,062,176	1,180,608
<b>Total Primary Government</b>					
Net Investment in capital assets	30,008,250	27,189,378	26,645,347	21,994,632	19,712,204
Restricted	9,471,432	9,160,280	9,546,005	10,451,173	9,344,348
Unrestricted	(89,655,912)	1,686,896	(154,318)	2,668,757	3,352,816
Total Net Position	\$ (50,176,230)	\$ 38,036,554	\$ 36,037,034	\$ 35,114,562	\$ 32,409,368

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,				
	2019	2018	2017	2016	2015
<b>Expenses</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 50,186,950	\$ 49,295,717	\$ 50,130,855	\$ 47,394,610	\$ 45,847,083
Instructional Student Support	5,925,093	5,809,112	4,765,349	5,357,520	4,953,537
Administrative & Financial Support Services	8,470,982	8,116,912	7,958,298	7,709,518	6,833,294
Operation & Maintenance of Plant Services	7,774,911	7,173,418	7,280,812	6,942,484	6,776,493
Pupil Transportation	5,127,163	5,017,352	4,965,476	5,054,747	5,018,670
Student Activities	1,630,125	1,516,007	1,471,939	1,254,487	1,226,738
Community Services	-	-	-	-	-
Interest on Long-term Debt	695,184	1,371,272	1,445,831	1,781,169	1,939,805
Unallocated Depreciation Expense	1,195,367	1,192,020	1,137,857	1,112,243	1,066,578
<b>Total Governmental Activities Expense</b>	<b>81,005,775</b>	<b>79,491,810</b>	<b>79,156,417</b>	<b>76,606,778</b>	<b>73,662,198</b>
<b>Business-type Activities:</b>					
Food Services	1,771,765	1,817,583	1,877,620	1,825,470	1,781,548
<b>Total Primary Government Expenses</b>	<b>82,777,540</b>	<b>81,309,393</b>	<b>81,034,037</b>	<b>78,432,248</b>	<b>75,443,746</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Service	267,495	219,992	261,483	200,969	205,253
Operating Grants and Contributions	12,281,923	11,943,111	11,290,760	10,462,025	9,675,484
Capital Grants and Contributions	-	-	-	-	-
<b>Total Governmental Program Revenue</b>	<b>12,549,418</b>	<b>12,163,103</b>	<b>11,552,243</b>	<b>10,662,994</b>	<b>9,880,737</b>
<b>Business-type Activities</b>					
Charges for Service	663,913	702,816	692,442	714,040	752,780
Operating Grants and Contributions	1,076,612	1,078,068	1,115,248	1,075,411	1,016,523
<b>Total Business-type Program Revenues</b>	<b>1,740,525</b>	<b>1,780,884</b>	<b>1,807,690</b>	<b>1,789,451</b>	<b>1,769,303</b>
<b>Total Primary Government Program Revenues</b>	<b>14,289,943</b>	<b>13,943,987</b>	<b>13,359,933</b>	<b>12,452,445</b>	<b>11,650,040</b>
<b>Net Revenues (Expenses)</b>					
Governmental Activities	(68,456,357)	(67,328,707)	(67,604,174)	(65,943,784)	(63,781,461)
Business-type Activities	(31,240)	(36,699)	(69,930)	(36,019)	(12,245)
<b>Total Primary Government</b>	<b>\$ (68,487,597)</b>	<b>\$ (67,365,406)</b>	<b>\$ (67,674,104)</b>	<b>\$ (65,979,803)</b>	<b>\$ (63,793,706)</b>

Source: District Audited Financial Statements

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2014	2013	2012	2011	2010
<b>Expenses</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 42,797,572	\$ 41,822,110	\$ 40,805,780	\$ 39,516,197	\$ 38,004,683
Instructional Student Support	4,943,339	10,299,201	9,974,543	9,865,076	10,246,420
Administrative & Financial Support Services	6,422,488	977,727	944,789	936,078	877,227
Operation & Maintenance of Plant Services	6,749,110	6,177,565	6,502,464	6,090,677	6,345,772
Pupil Transportation	4,753,709	5,234,257	5,219,016	5,050,335	4,661,033
Student Activities	1,189,028	1,103,142	1,079,627	985,023	950,415
Community Services	108,225	210	22,289	13,141	12,401
Interest on Long-term Debt	2,144,350	3,031,457	2,912,171	3,027,264	2,581,790
Unallocated Depreciation Expense	1,037,914	1,072,256	1,013,403	889,411	849,136
<b>Total Governmental Activities Expense</b>	<b>70,145,735</b>	<b>69,717,925</b>	<b>68,474,082</b>	<b>66,373,202</b>	<b>64,528,877</b>
<b>Business-type Activities:</b>					
Food Services	1,797,999	1,632,842	1,665,483	1,485,208	1,553,156
<b>Total Primary Government Expenses</b>	<b>71,943,734</b>	<b>71,350,767</b>	<b>70,139,565</b>	<b>67,858,410</b>	<b>66,082,033</b>
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
Charges for Service	176,484	-	-	-	-
Operating Grants and Contributions	8,637,648	3,008,134	3,116,728	3,325,116	3,065,957
Capital Grants and Contributions	-	366,705	417,636	435,681	430,126
<b>Total Governmental Program Revenue</b>	<b>8,814,132</b>	<b>3,374,839</b>	<b>3,534,364</b>	<b>3,760,797</b>	<b>3,496,083</b>
<b>Business-type Activities</b>					
Charges for Service	723,032	768,217	818,847	775,625	776,914
Operating Grants and Contributions	1,032,266	913,337	944,545	890,905	834,862
<b>Total Business-type Program Revenues</b>	<b>1,755,298</b>	<b>1,681,554</b>	<b>1,763,392</b>	<b>1,666,530</b>	<b>1,611,776</b>
<b>Total Primary Government Program Revenues</b>	<b>10,569,430</b>	<b>5,056,393</b>	<b>5,297,756</b>	<b>5,427,327</b>	<b>5,107,859</b>
<b>Net Revenues (Expenses)</b>					
Governmental Activities	(61,331,603)	(66,343,086)	(64,939,718)	(62,612,405)	(61,032,794)
Business-type Activities	(42,701)	48,712	97,909	181,322	58,620
<b>Total Primary Government</b>	<b>\$ (61,374,304)</b>	<b>\$ (66,294,374)</b>	<b>\$ (64,841,809)</b>	<b>\$ (62,431,083)</b>	<b>\$ (60,974,174)</b>

Source: District Audited Financial Statements

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
<b>Net Revenues (Expenses)</b>					
Governmental Activities	\$ (68,456,357)	\$ (67,328,707)	\$ (67,604,174)	\$ (65,943,784)	\$ (63,781,461)
Business-Type Activities	(31,240)	(36,699)	(69,930)	(36,019)	(12,245)
<b>Total Primary Government</b>	<b>(68,487,597)</b>	<b>(67,365,406)</b>	<b>(67,674,104)</b>	<b>(65,979,803)</b>	<b>(63,793,706)</b>
<b>GENERAL REVENUES</b>					
<b>Governmental Activities</b>					
Taxes:					
Property Taxes Levied for General Purposes, net	60,487,878	58,782,626	57,336,108	56,516,864	54,590,123
Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net	5,766,195	5,548,666	5,789,265	5,475,062	4,902,057
Grants, Subsidies, & Contributions Not Restricted	7,237,240	7,088,002	7,010,842	6,714,900	6,494,554
Investment Earnings	1,013,328	549,069	177,099	100,433	52,014
Miscellaneous Income	210,179	158,670	263,309	297,469	272,430
<b>Total Government Activities</b>	<b>74,714,820</b>	<b>72,127,033</b>	<b>70,576,623</b>	<b>69,104,728</b>	<b>66,311,178</b>
<b>Business-type Activities</b>					
Investment Earnings	18,619	11,063	5,007	1,861	815
<b>Total Business-type Activities</b>	<b>18,619</b>	<b>11,063</b>	<b>5,007</b>	<b>1,861</b>	<b>815</b>
<b>Total Primary Government</b>	<b>74,733,439</b>	<b>72,138,096</b>	<b>70,581,630</b>	<b>69,106,589</b>	<b>66,311,993</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
Governmental Activities	6,258,463	4,798,326	2,972,449	3,160,944	2,529,717
Business-type Activities	(12,621)	(25,636)	(64,923)	(34,158)	(11,430)
<b>Other Financing Sources (Uses)</b>					
Governmental Activities-Transfers Out	-	-	-	(4,924)	-
Business-type Activities-Transfers In	-	-	-	4,924	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>					
Governmental Activities	6,258,463	4,798,326	2,972,449	3,156,020	2,529,717
Business-type Activities	(12,621)	(25,636)	(64,923)	(29,234)	(11,430)
<b>Total Primary Government</b>	<b>\$ 6,245,842</b>	<b>\$ 4,772,690</b>	<b>\$ 2,907,526</b>	<b>\$ 3,126,786</b>	<b>\$ 2,518,287</b>

Source: District Audited Financial Statements

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2014	2013	2012	2011	2010
<b>Net Revenues (Expenses)</b>					
Governmental Activities	\$ (61,331,603)	\$ (66,343,086)	\$ (64,939,718)	\$ (62,612,405)	\$ (61,032,794)
Business-Type Activities	(42,701)	48,712	97,909	181,322	58,620
<b>Total Primary Government</b>	<b>(61,374,304)</b>	<b>(66,294,374)</b>	<b>(64,841,809)</b>	<b>(62,431,083)</b>	<b>(60,974,174)</b>
<b>GENERAL REVENUES</b>					
<b>Governmental Activities</b>					
Taxes:					
Property Taxes Levied for General Purposes, net	53,427,263	52,137,413	50,789,517	49,954,005	49,443,984
Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net	4,935,324	4,614,053	3,841,949	3,524,101	3,464,303
Grants, Subsidies, & Contributions Not Restricted	6,509,788	11,061,864	10,671,410	11,183,489	10,863,997
Investment Earnings	103,203	71,589	96,483	238,073	210,956
Miscellaneous Income	250,180	408,339	364,416	536,363	272,768
<b>Total Government Activities</b>	<b>65,225,758</b>	<b>68,293,258</b>	<b>65,763,775</b>	<b>65,436,031</b>	<b>64,256,008</b>
<b>Business-type Activities</b>					
Investment Earnings	750	636	506	246	270
<b>Total Business-type Activities</b>	<b>750</b>	<b>636</b>	<b>506</b>	<b>246</b>	<b>270</b>
<b>Total Primary Government</b>	<b>65,226,508</b>	<b>68,293,894</b>	<b>65,764,281</b>	<b>65,436,277</b>	<b>64,256,278</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
Governmental Activities	3,894,155	1,950,172	824,057	2,823,626	3,223,214
Business-type Activities	(41,951)	49,348	98,415	181,568	58,890
<b>Other Financing Sources (Uses)</b>					
Governmental Activities-Transfers Out	(8,843)	-	(400,000)	-	-
Business-type Activities-Transfers In	8,843	-	400,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>					
Governmental Activities	3,885,312	1,950,172	424,057	2,823,626	3,223,214
Business-type Activities	(33,108)	49,348	498,415	181,568	58,890
<b>Total Primary Government</b>	<b>\$ 3,852,204</b>	<b>\$ 1,999,520</b>	<b>\$ 922,472</b>	<b>\$ 3,005,194</b>	<b>\$ 3,282,104</b>

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,				
	2019	2018	2017	2016	2015
<b>General Fund</b>					
Nonspendable	\$ 11,564	\$ 7,586	\$ 52,578	\$ 22,038	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	7,044,804	6,888,627	6,710,812	6,496,902	6,311,786
<b>Total General Fund</b>	<b>\$ 7,056,368</b>	<b>\$ 6,896,213</b>	<b>\$ 6,763,390</b>	<b>\$ 6,518,940</b>	<b>\$ 6,311,786</b>
<b>All Other Governmental Funds</b>					
Capital Projects					
Restricted	\$ 11,014,624	\$ 9,233,980	\$ 6,426,725	\$ 8,474,047	\$ 8,912,438
<b>Total All Other Governmental Funds</b>	<b>\$ 11,014,624</b>	<b>\$ 9,233,980</b>	<b>\$ 6,426,725</b>	<b>\$ 8,474,047</b>	<b>\$ 8,912,438</b>

Source: District Audited Financial Statements

\*GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions - was implemented in the fiscal year ending June 30, 2011. Previous years' fund balances were restated to conform to the definitions of the statement.

# KENNETT CONSOLIDATED SCHOOL DISTRICT

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

	Fiscal Year Ending June 30,				
	2014	2013	2012	2011	2010
<b>General Fund</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	764,933	764,933	764,933	-
Committed	-	778,000	778,000	778,000	-
Unassigned	6,071,743	4,368,626	3,702,545	4,137,638	5,732,721
<b>Total General Fund</b>	<b>\$ 6,071,743</b>	<b>\$ 5,911,559</b>	<b>\$ 5,245,478</b>	<b>\$ 5,680,571</b>	<b>\$ 5,732,721</b>
<b>All Other Governmental Funds</b>					
Capital Projects					
Restricted	\$ 9,471,432	\$ 8,395,347	\$ 8,781,072	\$ 18,951,173	\$ 24,294,226
<b>Total All Other Governmental Funds</b>	<b>\$ 9,471,432</b>	<b>\$ 8,395,347</b>	<b>\$ 8,781,072</b>	<b>\$ 18,951,173</b>	<b>\$ 24,294,226</b>

Source: District Audited Financial Statements

\*GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions - was implemented in the fiscal year ending June 30, 2011. Previous years' fund balances were restated to conform to the definitions of the statement.

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Governmental Funds – Changes in Fund Balance Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
<b>REVENUES:</b>					
Local Sources	\$ 68,086,375	\$ 65,350,648	\$ 63,857,789	\$ 62,338,405	\$ 60,070,213
State Sources	17,844,931	17,382,556	16,734,075	15,655,262	14,759,517
Federal Sources	1,674,233	1,648,557	1,558,249	1,521,663	1,405,253
<b>TOTAL REVENUES</b>	<b>87,605,539</b>	<b>84,381,761</b>	<b>82,150,113</b>	<b>79,515,330</b>	<b>76,234,983</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Instruction	48,981,965	47,215,650	48,798,636	46,141,491	43,645,410
Support Services	26,437,352	24,822,962	23,990,869	23,698,137	22,017,365
Operation of Non-Instructional Services	1,524,325	1,403,425	1,439,536	1,265,038	1,224,276
<b>Total Current Expenditures</b>	<b>76,943,642</b>	<b>73,442,037</b>	<b>74,229,041</b>	<b>71,104,666</b>	<b>66,887,051</b>
<b>Capital Outlay</b>					
Facilities Acq, Construction & Imprvmnt Servs	1,841,714	863,115	2,370,355	1,438,564	1,829,352
<b>Total Capital Outlay</b>	<b>1,841,714</b>	<b>863,115</b>	<b>2,370,355</b>	<b>1,438,564</b>	<b>1,829,352</b>
<b>Debt Services</b>					
Principal	5,975,000	5,790,000	5,675,000	5,600,000	5,695,000
Interest and Fiscal Charges	1,163,003	1,546,199	1,678,589	2,251,193	2,142,531
<b>Total Debt Service</b>	<b>7,138,003</b>	<b>7,336,199</b>	<b>7,353,589</b>	<b>7,851,193</b>	<b>7,837,531</b>
<b>TOTAL EXPENDITURES</b>	<b>85,923,359</b>	<b>81,641,351</b>	<b>83,952,985</b>	<b>80,394,423</b>	<b>76,553,934</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,682,180</b>	<b>2,740,410</b>	<b>(1,802,872)</b>	<b>(879,093)</b>	<b>(318,951)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Refunding Bonds	19,785,000	11,425,000	-	17,795,000	-
Issuance of Bonds	-	-	-	-	-
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	-	-	-	-	-
Sale of Capital Assets	7,560	6,900	-	-	-
Transfers In	3,393,081	3,485,877	299,498	1,082,595	1,201,675
Transfers Out	(3,393,081)	(3,485,877)	(299,498)	(1,087,519)	(1,201,675)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>258,619</b>	<b>199,668</b>	<b>-</b>	<b>647,856</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 1,940,799</b>	<b>\$ 2,940,078</b>	<b>\$ (1,802,872)</b>	<b>\$ (231,237)</b>	<b>\$ (318,951)</b>
Debt Service as a percentage of noncapital expenditures	8.43%	9.09%	9.10%	9.92%	10.51%

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,				
	2014	2013	2012	2011	2010
<b>REVENUES:</b>					
Local Sources	\$58,950,195	\$ 57,000,078	\$ 55,009,082	\$ 54,524,584	\$ 53,853,843
State Sources	13,471,522	13,126,037	12,856,031	12,427,729	11,634,121
Federal Sources	1,675,914	1,310,666	1,349,743	2,516,557	2,530,197
<b>TOTAL REVENUES</b>	<b>74,097,631</b>	<b>71,436,781</b>	<b>69,214,856</b>	<b>69,468,870</b>	<b>68,018,161</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Instruction	41,173,135	40,604,143	39,388,054	37,899,272	36,447,416
Support Services	21,322,424	21,269,313	21,226,831	20,607,903	20,783,645
Operation of Non Instructional Services	1,297,851	1,103,352	1,101,917	998,164	962,816
<b>Total Current Expenditures</b>	<b>63,793,410</b>	<b>62,976,808</b>	<b>61,716,802</b>	<b>59,505,339</b>	<b>58,193,877</b>
<b>Capital Outlay</b>					
Facilities Acq, Construction & Imprvmnt Servs	1,361,293	1,727,394	10,268,877	15,904,970	5,527,714
<b>Total Capital Outlay</b>	<b>1,361,293</b>	<b>1,727,394</b>	<b>10,268,877</b>	<b>15,904,970</b>	<b>5,527,714</b>
<b>Debt Services</b>					
Principal	5,395,000	4,055,000	4,870,000	4,705,000	4,490,000
Interest and Fiscal Charges	2,302,816	2,397,223	2,964,370	2,978,764	2,429,890
<b>Total Debt Service</b>	<b>7,697,816</b>	<b>6,452,223</b>	<b>7,834,370</b>	<b>7,683,764</b>	<b>6,919,890</b>
<b>TOTAL EXPENDITURES</b>	<b>72,852,519</b>	<b>71,156,425</b>	<b>79,820,049</b>	<b>83,094,073</b>	<b>70,641,481</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,245,112</b>	<b>280,356</b>	<b>(10,605,193)</b>	<b>(13,895,203)</b>	<b>(2,623,320)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Refunding Bonds	-	18,025,000	-	-	-
Issuance of Bonds	-	-	-	-	19,995,000
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	2,387,477	1,312,377	-	1,855,417	2,582,009
Transfers Out	(2,396,320)	(1,312,377)	-	(1,855,417)	(2,582,009)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(8,843)</b>	<b>-</b>	<b>-</b>	<b>8,500,000</b>	<b>19,995,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$1,236,269</b>	<b>\$ 280,356</b>	<b>\$ (10,605,193)</b>	<b>\$ (5,395,203)</b>	<b>\$ 17,371,680</b>
Debt Service as a percentage of noncapital expenditures	10.73%	9.26%	11.23%	11.42%	10.62%

Source: District Audited Financial Statements

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## General Fund Revenues by Source Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
<b>LOCAL SOURCES:</b>					
Real Estate Taxes (Current)	\$ 58,419,762	\$ 56,609,086	\$ 55,409,613	\$ 53,935,825	\$ 52,224,846
Interim Real Estate Taxes	468,408	234,855	219,503	364,777	293,621
Earned Income Taxes (Current)	4,534,772	4,568,266	4,619,000	4,428,024	4,059,485
Transfer Taxes	1,166,938	916,919	1,103,477	979,140	771,018
Delinquent Taxes	2,032,321	2,071,464	1,727,732	1,929,914	2,114,722
Earnings from Investments	814,344	415,193	153,564	81,791	41,794
Utility Taxes	64,485	63,481	66,788	67,897	71,554
Other Sources	477,674	378,662	534,577	532,395	482,954
Total Local Sources	67,978,704	65,257,926	63,834,254	62,319,763	60,059,994
<b>STATE SOURCES:</b>					
Basic Education	5,798,084	5,651,648	5,553,453	5,304,197	5,115,498
Charter Schools	-	-	-	-	-
Special Education	1,840,497	1,850,375	1,812,011	1,796,196	1,734,045
Transportation	1,399,877	1,480,781	1,503,572	1,477,298	1,388,565
Rental & Sinking Fund Payments	511,954	486,728	438,141	478,304	771,363
State Property Tax Allocation	1,439,156	1,436,354	1,457,389	1,410,703	1,379,058
Social Security Subsidy	1,141,674	1,102,443	1,082,919	1,061,348	1,045,973
Retirement Subsidy	5,181,277	4,857,630	4,374,018	3,617,746	2,919,016
Other Sources	532,412	516,597	512,572	509,470	405,999
Total State Sources	17,844,931	17,382,556	16,734,075	15,655,262	14,759,517
<b>FEDERAL SOURCES:</b>					
Total Federal Sources	1,674,233	1,648,557	1,558,249	1,521,663	1,405,253
<b>TOTAL REVENUES</b>	<b>\$ 87,497,868</b>	<b>\$ 84,289,039</b>	<b>\$ 82,126,578</b>	<b>\$ 79,496,688</b>	<b>\$ 76,224,764</b>

Source: District Audited Financial Statements

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## General Fund Revenues by Source - continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2014	2013	2012	2011	2010
<b>LOCAL SOURCES:</b>					
Real Estate Taxes (Current)	\$51,522,506	\$ 50,045,173	\$ 49,127,910	\$ 47,679,124	\$ 46,573,409
Interim Real Estate Taxes	176,233	405,286	198,738	245,391	417,250
Earned Income Taxes (Current)	4,077,297	3,860,952	3,144,285	3,451,401	3,393,938
Transfer Taxes	788,695	710,079	623,290	653,733	683,944
Delinquent Taxes	1,786,340	1,498,661	1,453,960	1,346,243	2,053,482
Earnings from Investments	54,727	42,296	47,642	104,256	154,298
Utility Taxes	69,332	73,021	74,375	73,207	70,365
Other Sources	425,164	335,318	290,041	567,412	450,499
Total Local Sources	58,900,294	56,970,786	54,960,241	54,120,767	53,797,185
<b>STATE SOURCES:</b>					
Basic Education	5,130,732	4,944,313	4,943,478	4,420,183	3,847,548
Charter Schools	-	-	-	582,704	616,496
Special Education	1,642,179	1,603,930	1,587,547	1,581,594	1,615,603
Transportation	1,386,207	1,404,204	1,529,181	1,621,315	1,450,354
Rental & Sinking Fund Payments	458,439	366,705	417,636	435,681	430,126
State Property Tax Allocation	1,379,054	1,390,637	1,426,523	1,447,465	1,401,061
Social Security Subsidy	994,567	1,087,238	1,127,468	986,165	1,025,969
Retirement Subsidy	2,254,194	1,778,637	1,267,580	803,951	685,545
Other Sources	226,150	550,374	556,619	548,671	561,419
Total State Sources	13,471,522	13,126,037	12,856,031	12,427,729	11,634,121
<b>FEDERAL SOURCES:</b>					
Total Federal Sources	1,675,914	1,310,665	1,349,743	2,516,557	2,530,197
<b>TOTAL REVENUES</b>	<b>\$74,047,730</b>	<b>\$ 71,407,488</b>	<b>\$ 69,166,015</b>	<b>\$ 69,065,053</b>	<b>\$ 67,961,503</b>

Source: District Audited Financial Statements

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Assessed Value Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2019	2018	2017	2016	2015
Residential Property	\$1,549,756,500	\$1,547,412,240	\$1,542,272,560	\$1,530,444,750	\$1,532,123,690
Industrial Property	32,979,190	33,019,010	32,579,470	33,933,490	34,425,310
Commercial Property	402,078,022	397,228,732	398,841,950	396,376,580	391,897,340
Agricultural Property	39,833,636	41,330,496	41,094,585	44,867,975	42,257,345
Mobile Homes	2,474,310	2,425,870	2,506,190	2,428,990	2,390,100
Direct Tax Rate	30.4479	29.8789	29.2408	28.6017	27.9406
Total Taxable Assessed Property	\$2,027,121,658	\$2,021,416,348	\$2,017,294,755	\$2,008,051,785	\$2,003,093,785
Common Level Ratio*	49.30	51.30	53.00	53.80	55.40
Total Fair Market Value*	\$4,111,808,637	\$3,940,382,745	\$3,806,216,519	\$3,732,438,262	\$3,615,692,753

\*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,				
	2014	2013	2012	2011	2010
Residential Property	\$1,536,068,450	\$1,549,025,370	\$1,573,914,954	\$1,591,982,014	\$1,620,525,838
Industrial Property	34,484,150	32,350,820	32,253,820	34,992,130	34,992,130
Commercial Property	385,430,490	383,308,460	382,069,990	382,486,490	378,971,560
Agricultural Property	41,547,780	42,323,150	44,506,250	47,508,390	50,833,970
Mobile Homes	2,347,390	2,368,440	2,366,750	2,318,150	2,224,380
Direct Tax Rate	27.452	26.7303	25.7293	24.7781	23.9537
Total Taxable Assessed Property	\$1,999,878,260	\$2,009,376,240	\$2,035,111,764	\$2,059,287,174	\$2,087,547,878
Common Level Ratio*	57.70	60.20	58.52	55.87	55.25
Total Fair Market Value*	\$3,465,993,518	\$3,337,834,286	\$3,477,634,593	\$3,685,854,974	\$3,778,367,200

\*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						
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
2010	3.2415	20.7122	23.9537	3.9650	0.7500	0.4000	1.4330	3.8500	34.3517

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

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, 2018					July 1, 2009		
Name	Type of Property	Taxable Assessed Value	Rank	Percent of District's Total Taxable Value (1)	Taxable Assessed Value	Rank	Percent of District's Total Taxable Value (2)
Kendal Crosslands Community	Retirement Community	\$27,900,290	1	1.38%	\$17,450,710	2	0.84%
Kennett Exc Limited	Commerical Offices	19,059,480	2	0.94%	19,483,670	1	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%	15,496,660	3	0.74%
Marlborough Associates	Retail Shopping Center	10,155,200	5	0.50%	7,177,280	7	0.34%
Modern Mushroom Farms, Inc.	Agriculture	8,246,170	6	0.41%	8,057,340	6	0.39%
Kennett Center LP	Professional Offices	7,597,700	7	0.37%	-	-	-
350 Scarlet Group	Retail Shopping Center	6,534,970	8	0.32%	8,315,650	5	0.40%
Turks Head Health Services	Professional Offices	5,643,640	9	0.28%	-	-	-
Chathan Financial Corp.	Commerical Offices	5,520,220	10	0.27%	-	-	-
New Plan Realty Trust	Retail Shopping Center	-	-	-	6,110,630	8	0.29%
Hartefeld Ltd.	Golf Course/Restaurant	-	-	-	5,445,780	9	0.26%
Phillips Mushroom	Agriculture	-	-	-	5,088,890	10	0.24%
		<u>\$113,370,110</u>		<u>5.59%</u>	<u>\$104,009,590</u>		<u>4.98%</u>

Source of data: Chester County Assessment Office

(1) District's Total Taxable Value - 2018-2019                      \$2,027,121,658  
(2) District's Total Taxable Value - 2009-2010                      \$2,087,547,878

# 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
2019	\$60,282,442	\$58,419,762	96.91%	(3)	58,419,762	96.91%
2018	58,961,343	56,609,086	96.01%	1,705,667	56,609,086	96.01%
2017	57,529,923	55,409,613	96.31%	1,917,888	57,327,501	99.65%
2016	56,022,992	53,935,825	96.27%	2,067,753	56,003,578	99.97%
2015	54,588,884	52,224,846	95.67%	2,361,630	54,586,476	100.00%
2014	53,521,604	51,522,506	96.26%	1,996,746	53,519,252	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%
2010	48,603,435	46,573,409	95.82%	2,028,778	48,602,187	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 2018-2019 was \$1,439,156.

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

(3) Collections in subsequent years not yet available for fiscal year ended June 30, 2019.

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
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
2010	23.9537	46,573,409	6,548,614	675,162	53,797,185

(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 2012	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
2020	1,030,000	625,000	1,330,000	395,000	5,000	2,630,000	6,015,000
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	-	-	-	-	-	3,405,000	3,405,000
2025-2026	-	5,645,000	-	2,445,000	6,835,000	-	14,925,000
	\$ 1,030,000	\$ 6,890,000	\$ 4,980,000	\$ 4,120,000	\$ 6,855,000	\$ 19,740,000	\$ 43,615,000

## **SCHEDULED YEARLY PAYMENTS**

Fiscal Year Ending June 30	General Obligation Bonds Series of 2012	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
2020	1,050,600	784,223	1,475,500	524,925	306,805	3,368,650	7,510,703
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	-	-	-	-	-	3,534,100	3,534,100
2025-2026	-	5,982,773	-	2,637,175	7,189,861	-	15,809,809
	\$ 1,050,600	\$ 7,789,040	\$ 5,288,100	\$ 4,768,088	\$ 8,416,447	\$ 22,059,675	\$ 49,371,950

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
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	N/A	N/A	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
2009-10	2,087,547,878	83,905,000	-	83,905,000	4.02%	27,089	3,097	764,099,949	10.98%	4,210	19,930

### Sources:

- (1) Chester County Board of Assessment Appeals, West Chester, PA.
- (2) 2009-2010 to 2018-2019 fiscal years based on results of 2010 U. S. Census
- (3) Pennsylvania Department of Education; Years 2017-2018 and 2018-2019 not yet available.
- (4) October enrollment for the fiscal year noted.

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Schedule of Direct and Overlapping Debt

June 30, 2019

(Unaudited)

Name of Governmental Unit	Gross Debt Outstanding	Percentage Applicable to Governmental Unit	Net Share of Debt
<b>Direct Debt:</b>			
Kennett Consolidated School District (3)	\$ 45,387,932	100%	\$ 45,387,932
<b>Overlapping Debt:</b>			
East Marlborough Township (2)(4)	6,685,000	26%	1,752,272
New Garden Township (2)(4)	-	100%	-
Borough of Kennett Square (2)(4)	9,956,218	100%	9,956,218
Chester County (1)(2)(4)	593,428,379	5.34%	31,689,075
Total Overlapping Debt	610,069,597	7.11%	43,397,566
<b>Total Direct and Overlapping Debt</b>	<b>\$ 655,457,529</b>	<b>13.55%</b>	<b>\$ 88,785,498</b>

### 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 (5.34%) is based on Kennett Consolidated School District's assessed value of \$2,027,121,658 as a percentage of Chester County's assessed value of \$37,984,781,557.
  - As of December 31, 2018
  - As of June 30, 2019
  - Data Source: Chester County Comprehensive Annual Financial Report, 2018
- 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)

	2019	2018	2017	2016	2015
<b>Total Nonelectoral Debt Limit</b>	\$ 189,525,060	\$ 183,457,176	\$ 177,094,319	\$ 171,020,339	\$ 165,062,606
<b>Less: Amount of Debt Applicable to Debt Limit</b>	<u>51,070,956</u>	<u>51,070,956</u>	<u>56,817,781</u>	<u>62,664,921</u>	<u>68,134,790</u>
<b>Total Debt Margin</b>	\$ 138,454,104	\$ 132,386,220	\$ 120,276,538	\$ 108,355,418	\$ 96,927,816
<b>Total Debt Margin Percentage</b>	76.05%	72.16%	67.92%	63.36%	58.72%

Formula for Debt Limit	For the Period Ended June 30,		
	2017 Audited	2018 Audited	2019 Audited
Total Revenues	\$ 82,149,605	\$ 84,381,761	\$ 87,605,536
Less: Required Deductions if Included in Total Revenues			
a. Rental & Sinking Fund Reimbursement	438,140	486,728	511,954
b. Sale of Property & Nonrecurring Items	-	-	-
Net Revenue	<u>\$ 81,711,465</u>	<u>\$ 83,895,033</u>	<u>\$ 87,093,582</u>
Total Net Revenues for Three Years			252,700,080
Borrowing Base - Average Net Revenues for Three			84,233,360
<b>Calculation of Remaining Borrowing Capacity</b>			
1. Net Non-Electoral Debt and Lease Rental Debt			-
Borrowing Capacity			
(a) Debt Limitation - 225% of Borrowing Base			189,525,060
(b) Less: Net Non-electoral and Lease Rental Debt			<u>45,387,932</u>
(c) Current Debt Margin			<u>\$ 144,137,128</u>
Total Debt Margin Percentage			<u>76.05%</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)

	2014	2013	2012	2011	2010
Total Nonelectoral Debt Limit	\$ 160,033,841	\$ 156,313,901	\$ 153,681,847	\$ 151,133,519	\$ 146,543,025
Less: Amount of Debt Applicable to Debt Limit	73,957,662	78,625,000	82,830,000	87,700,000	83,905,000
Total Debt Margin	\$ 86,076,179	\$ 77,688,901	\$ 70,851,847	\$ 63,433,519	\$ 62,638,025
Total Debt Margin Percentage	53.79%	49.70%	46.10%	41.97%	42.74%

### 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)
2019	32,647	909,148,281	27,848	4,145	N/A	N/A	N/A	N/A	N/A	N/A
2018	32,647	909,148,281	27,848	4,176	522,046	12,807,060	N/A	32,711	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%
2010	32,647	764,099,949	23,405	4,210	498,886	12,702,379	57,555	28,639	6.9%	9.6%

#### Data Sources:

- (1) Bureau of the Census/Chester County Planning Commission
- (2) Pennsylvania Department of Education, Data for years 2018 and 2019 not yet available - 2017 data used as estimate.
- (3) Based on the school district census at the start of the school year.
- (4) U. S. Census Bureau, 2019 information currently not available.
- (5) Chester County Annual Financial Report 2018, Data for years 2018 and 2019 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	2018		Rank	2009	
		Employees	Percentage of Labor Force		Employees	Percentage of Labor Force
GHC Payroll LLC (Genesis Health Care)	1	725	0.26%	1	692	0.26%
Kaolin Mushroom Farms Inc.	2	573	0.20%	4	500	0.19%
Exelon Generation Co LLC	3	489	0.17%	3	603	0.22%
Kennett Consolidated School District	4	489	0.17%	2	644	0.24%
YMCA of the Brandywine Valley	5	370	0.13%	6	354	0.13%
Chatham Financial	6	369	0.13%			
Kendal-Crosslands Communities	7	344	0.12%	7	353	0.13%
Appalachian Pipeline Contractors	8	341	0.12%			
Giant Food Stores	9	328	0.12%	10	199	0.07%
To-Jo Mushrooms Inc	10	325	0.12%			
W. L. Gore & Associates				5	451	0.17%
Modern Mushroom Farms				8	319	
Cardile Mushrooms, Inc.				9	301	0.11%
Total		4,353	1.55%		4,416	1.64%
Chester County Labor Force 2018 (average)	280,650					
Chester County Labor Force 2009 (average)	268,592					

(1) Estimated Employment Source - 2018: Keystone Collections Group

(2) Estimated Employment Source - 2009: Berkheimer Associates' records have been purged; School District's estimate.

(3) Percentage of Labor Force is based on Chester County average labor force per Chester County Comprehensive Annual Financial Report, 2018.

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

<b>Calendar Year</b>	<b>Number of Permits</b>	<b>Commercial</b>	<b>Residential</b>	<b>Total</b>
2019	83	\$3,216,310	\$11,298,890	\$14,515,200
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
2010	81	7,740,330	10,580,670	18,321,000

\*Source: Chester County Board of Assessments. Calendar year 2019 is as of December, 2019.

# 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
2019	\$ 76,943,642	4,145	\$ 18,563	\$ 84,203,251	\$ 20,314
2018	73,442,037	4,176	17,587	80,870,007	19,365
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
2010	58,193,877	4,210	13,823	70,641,481	16,779

### 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 and construction in progress for capital projects.
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, 2019 (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
<b>Administrator</b>													
-Educational				2.00	13.00								15.00
-Support				2.00			2.00	1.00	1.00	2.00		1.00	9.00
<b>Teachers</b>													
-Elementary	125.50	10.00											135.50
-Secondary	136.50	21.00											157.50
<b>Specialists</b>													
-Library				5.00									5.00
-Psychologist			4.00										4.00
-Guidance			11.00										11.00
-Coordinator		1.00	1.00										2.00
-Coach		1.00											1.00
-Speech		2.00											2.00
-Nurses						5.00							5.00
<b>Support Staff</b>													
-Supervisor								1.00		1.00	5.00		7.00
-Secretarial			3.00	2.00	9.00		1.00	1.00	1.00		0.50		17.50
-Clerical			1.00	5.00	4.00		2.00			1.00		1.00	14.00
-Accountants							1.00						1.00
-Custodial								30.00					30.00
-Maintenance							1.00	6.00					7.00
-Nurse Assistant						3.00							3.00
-Social Workers			2.00										2.00
-Technology										6.00			6.00
-Therapist		1.00											1.00
<b>Function Total</b>	<b>262.00</b>	<b>36.00</b>	<b>22.00</b>	<b>16.00</b>	<b>26.00</b>	<b>8.00</b>	<b>7.00</b>	<b>39.00</b>	<b>2.00</b>	<b>10.00</b>	<b>5.50</b>	<b>2.00</b>	<b>435.50</b>

# KENNETT CONSOLIDATED SCHOOL DISTRICT

## Salary Data for Classroom Teachers & Specialists As of June 30, 2019 (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
\$90,000 and Over	0.00	56.00	2.00	58.00
\$87,000 - \$89,999	3.00	13.00	1.00	17.00
\$84,000 - \$86,999	0.00	13.00	0.00	13.00
\$81,000 - \$83,999	0.00	9.00	0.00	9.00
\$78,000 - \$80,999	0.00	12.00	0.00	12.00
\$75,000 - \$77,999	0.00	5.00	0.00	5.00
\$72,000 - \$74,999	0.00	16.00	0.00	16.00
\$69,000 - \$71,999	0.00	10.00	0.00	10.00
\$66,000 - \$68,999	1.00	19.00	1.00	21.00
\$63,000 - \$65,999	0.00	14.00	0.00	14.00
\$60,000 - \$62,999	0.00	42.00	0.00	42.00
\$57,000 - \$59,999	1.00	37.00	0.00	38.00
\$54,000 - \$56,999	0.00	20.00	0.00	20.00
\$51,000 - \$53,999	12.00	1.00	0.00	13.00
\$48,000 - \$50,999	27.00	0.00	0.00	27.00
\$45,000 - \$47,999	8.00	0.00	0.00	8.00
<b>Total No. of Teachers</b>	<b>52.00</b>	<b>267.00</b>	<b>4.00</b>	<b>323.00</b>

	<b>B.S.</b>	<b>M.Ed.</b>	<b>D.Ed.</b>
Highest Salary	\$87,116	\$103,568	\$104,518
Lowest Salary	\$47,500	\$52,500	\$67,463
Total Salaries	\$ 22,643,177		
Classroom Teachers	323.00		
2018-2019 Average	\$ 70,103		

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, 2019**  
*(Unaudited)*

Building	Full Time Equivalent Teachers	Number of Students	Student/ Teacher Ratio
High School	90.0	1,345	14.94
Middle School	81.0	1,012	12.50
Bancroft Elementary	40.0	450	11.25
Greenwood Elementary	48.0	581	12.10
Mary D. Lang Kindergarten Center	25.0	275	11.00
New Garden Elementary	39.0	482	12.36
<b>Totals</b>	<b>323.0</b>	<b>4,145</b>	<b>12.83</b>

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	559	166
Kennett High School 100 East South Street Kennett Square, PA 19348	1930	1997 2007	219,763	1,545	1,407	138
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	504	146
Kennett Middle School 195 Sunny Dell Road Landenberg, PA 19350	2002		192,000	1,150	938	140
Bancroft Elementary 181 Bancroft Road Kennett Square, PA 19348	2011		105,172	625	438	187

Source of Data: District's Records  
Projected Enrollment is for 2020-2021

## KENNETT CONSOLIDATED SCHOOL DISTRICT

### Enrollment History and Projections

(Unaudited)

Year	Elementary Schools	Middle School	High School	Total
2002-03	1,913	919	1,047	3,879
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	1,791	1,006	1,367	4,164
2020-21*	1,781	938	1,407	4,126

#### **Notes:**

1. 2020-21 numbers are derived using historical retention ratios.
2. Enrollment for all other years represents September 30<sup>th</sup> 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
2002-03	0	635	414	864	1,913
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	437	569	280	505	1,791
2020-21*	438	559	280	504	1,781

#### **Notes:**

1. Bancroft Elementary School opened in September, 2011.
2. Mary D. Lang was converted to a Kindergarten Center in September, 2011.
3. 2020-21 numbers are derived using historical retention ratios.
4. Enrollment for all other years represents September 30<sup>th</sup> 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)

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Kindergarten*</b>										
ADA	266.632	269.176	288.497	282.277	293.397	299.122	272.627	322.285	319.777	307.602
ADM	276.812	280.802	301.859	294.153	305.484	309.05	283.668	335.978	334.316	322.237
% Attendance	96.32%	95.86%	95.57%	95.96%	96.04%	96.79%	96.11%	95.92%	95.65%	95.46%
<b>Elementary</b>										
ADA	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	1,853.767
ADM	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	1,919.948
% Attendance	97.10%	96.55%	96.90%	98.13%	96.75%	97.09%	96.67%	96.69%	96.63%	96.55%
<b>Secondary</b>										
ADA	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	1,844.752
ADM	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	1,933.929
% Attendance	94.29%	94.64%	93.16%	93.65%	95.18%	95.27%	95.06%	95.39%	95.25%	95.39%
<b>District Total</b>										
ADA	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	4,006.121
ADM	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	4,176.114
% Attendance	95.69%	95.59%	95.06%	95.92%	95.99%	96.25%	95.91%	96.06%	95.94%	95.93%

### Notes:

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

\* Includes half-day and full-day kindergarten students.

# KENNETT CONSOLIDATED SCHOOL DISTRICT

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

Building	Percentage of Participation									
	Fiscal Year									
	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Bancroft Elementary School</b>										
Free	45.03%	49.44%	43.09%	45.26%	43.76%	46.27%	42.12%	38.04%		
Reduced	7.51%	7.57%	7.01%	7.31%	7.78%	8.21%	8.79%	11.68%		
<b>Greenwood Elementary School</b>										
Free	40.31%	45.52%	40.67%	41.67%	33.22%	32.33%	30.61%	30.44%	17.32%	13.35%
Reduced	6.40%	4.82%	5.17%	3.00%	4.60%	4.35%	4.33%	5.56%	3.77%	3.34%
<b>Kennett High School</b>										
Free	34.52%	35.77%	30.19%	30.96%	27.40%	24.76%	24.90%	22.88%	21.66%	22.79%
Reduced	4.24%	3.96%	3.95%	3.13%	5.62%	6.23%	5.85%	7.08%	6.22%	6.06%
<b>Kennett Middle School</b>										
Free	34.59%	36.97%	35.51%	35.39%	32.58%	30.86%	30.98%	27.41%	26.11%	22.79%
Reduced	4.55%	4.64%	4.06%	4.49%	6.23%	6.73%	5.74%	8.12%	6.21%	6.06%
<b>Mary D. Lang Kindergarten Center</b>										
Free	39.07%	47.33%	44.67%	41.22%	42.76%	43.04%	41.32%	33.23%	54.08%	56.78%
Reduced	6.45%	2.85%	5.33%	5.74%	7.89%	7.77%	7.99%	10.89%	9.18%	10.65%
<b>New Garden Elementary School</b>										
Free	33.06%	34.30%	38.26%	37.53%	33.21%	33.52%	31.98%	30.78%	31.35%	31.47%
Reduced	3.12%	3.12%	3.48%	6.50%	4.99%	4.57%	6.65%	7.29%	7.51%	8.18%

### 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

November 1, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2019.

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



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

November 1, 2019

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, 2019. 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 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, 2019.


#### 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

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.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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 7/01/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2019	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. Department of Education</b>											
<u>Passed through Pennsylvania Department of Education</u>											
Title I - Grants to Local Education Agencies	I	84.010	013-18-0210	08/28/17-09/30/18	\$ 609,769	\$ 261,330	\$ 92,842	\$ 168,488	\$ 168,488	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-19-0210	08/23/18-09/30/19	597,328	340,444	-	441,392	441,392	100,948	-
Total CFDA #84.010						601,774	92,842	609,880	609,880	100,948	-
Title II - Improving Teacher Quality	I	84.367	020-18-0210	08/28/17-09/30/18	114,673	7,707	7,707	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-19-0210	08/23/18-09/30/19	120,601	103,130	-	117,370	117,370	14,240	-
Total CFDA #84.367						110,837	7,707	117,370	117,370	14,240	-
Title III - Language Inst LEP	I	84.365	010-18-0210	08/28/17-09/30/18	142,570	40,734	5,649	35,085	35,085	-	-
Title III - Language Inst LEP	I	84.365	010-19-0210	08/23/18-09/30/19	125,615	98,698	-	116,441	116,441	17,743	-
Total CFDA #84.365						139,432	5,649	151,526	151,526	17,743	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-18-0210	08/28/17-09/30/18	13,670	976	976	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-19-0210	08/23/18-09/30/19	43,780	43,780	-	40,802	40,802	(2,978)	-
Total CFDA# 84.424						44,756	976	40,802	40,802	(2,978)	-
<u>Subgrant from U.S. Department of Education</u>											
<u>Passed through Chester County Intermediate Unit</u>											
I.D.E.A. Part B	I	84.027	062-17-0024	07/01/17-06/30/18	537,674	179,225	179,225	-	-	-	-
I.D.E.A. Part B	I	84.027	062-18-0024	07/01/18-06/30/19	483,564	290,138	-	483,564	483,564	193,426	-
Total CFDA #84.027						469,363	179,225	483,564	483,564	193,426	-
I.D.E.A. Part B 619	I	84.173	141-18-0024B	07/01/18-06/30/19	1,700	1,700	-	1,700	1,700	-	-
Total Special Education Cluster						471,063	179,225	485,264	485,264	193,426	-
<b>Total U.S. Department of Education</b>						<b>1,367,862</b>	<b>286,399</b>	<b>1,404,842</b>	<b>1,404,842</b>	<b>323,379</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>											
<u>Passed through Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	09/01/18-06/30/19	N/A	113,691	-	113,691	113,691	-	-
<u>Passed through Pennsylvania Department of Education</u>											
National School Lunch Program	I	10.555	N/A	09/01/17-06/30/18	N/A	130,030	130,030	-	-	-	-
National School Lunch Program	I	10.555	N/A	09/01/18-06/30/19	N/A	732,247	-	761,683	761,683	29,436	-
Total CFDA #10.555						975,968	130,030	875,374	875,374	29,436	-

Continued on next page.

**KENNETT CONSOLIDATED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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 7/1/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2019	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
(cont'd)											
<b>U.S. Department of Agriculture</b>											
Passed through Pennsylvania Department of Education											
Breakfast Program	I	10.553	N/A	09/01/17-06/30/18	N/A	19,813	19,813	-	-	-	-
Breakfast Program	I	10.553	N/A	09/01/18-06/30/19	N/A	109,141	-	113,467	113,467	4,326	-
Total CFDA #10.553						128,954	19,813	113,467	113,467	4,326	-
Total Child Nutrition Cluster						1,104,922	149,843	988,841	988,841	33,762	-
<b>Total U.S. Department of Agriculture</b>						1,104,922	149,843	988,841	988,841	33,762	-
<b>U.S. Department of Health and Human Services</b>											
Passed through Pennsylvania Department of Health and Human Services											
Medical Assistance Program	I	93.778	N/A	07/01/17-06/30/18	N/A	11,029	11,029	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/18-06/30/19	N/A	9,687	-	18,187	18,187	8,500	-
Total CFDA# 93.778						20,716	11,029	18,187	18,187	8,500	-
<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 2,493,500</u>	<u>\$ 447,271</u>	<u>\$ 2,411,870</u>	<u>\$ 2,411,870</u>	<u>\$ 365,641</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, Value of USDA Donated Commodities, represent surplus food consumed by the District during the 2018 - 2019 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, 2019 was \$251,204.

NOTE E INDIRECT COST RATE

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

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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.