

KENNETT CONSOLIDATED SCHOOL DISTRICT



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

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

Kennett Consolidated School District

Kennett Square, Pennsylvania 19348

www.kcsd.org

Comprehensive Annual Financial Report

For the

Fiscal Year Ended June 30, 2018

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 14, 2018

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 (KCSD) for the fiscal year ended June 30, 2018. 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 2017-18 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, 2018. 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, 2018. It should be read in conjunction with this transmittal letter and the District's basic financial statements.

Reporting Entity

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

300 EAST SOUTH STREET KENNETT SQUARE, PENNSYLVANIA 19348

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District Profile

Kennett Consolidated School District is comprised of the Townships of Kennett, a portion of East Marlborough, New Garden, 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 2017 total employment rates in Chester County to be 273,700 employed and 3.5% unemployed. The state of Pennsylvania shows 4.9% unemployed and 4.1% for the U.S.

During the 2017-18 fiscal year, the district employed 433 employees comprised of 24 administrators, 320 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 Central Chester County Vo-Tech School and the Chester County Child Development Center with neighboring school districts. Total enrollment at all schools for the 2017-18 school year was 4,176.

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-four (194) 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, 2018, \$3,300,726 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 four years, a .2% increase from 2017 to the 2018. Earned income tax collections have increased by 45% 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 modest increase in enrollment from 4,150 in 2016-17 to 4,176 for fiscal 2017-18. The District is carefully monitoring proposed developments. The majority of the 800 residential dwellings are projected to be higher-end luxury apartments or townhouses. The District's administration is currently 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 3.5%. 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 2017-18 remained strong. Total revenues, primarily from property taxes, increased by \$2,140,520 or 2.6% over the prior year.

The District's expenses increased by \$275,356 or 0.3%. The District's expenses are predominately related to instructing, caring for and transporting students, which represents 96.8% 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 \$16,130,193. This is an increase of \$2,940,078 in comparison with the prior year and approximately 42.7% of the total amount, \$6,888,627, is available for spending at the District's discretion. The remaining is restricted 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 receives a direct subsidy from the Treasury equal to 35% of the interest on the bonds. The District 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 308 students, 86% of which continued their education at two- and four-year colleges, technical schools, and universities. The mean SAT scores for 2018 graduates were 572 for Evidence Based Reading and Writing and 575 for Math. The Class of 2018 had two National Merit finalists, two semi-finalists and seven commended students in the National Merit Scholarship Program. The National Hispanic Recognition program recognized two students from the Class of 2018.

In 2018 The *U.S. News & World Report* named Kennett High School one of America's Best High Schools. To produce the 2018 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 40 out of 677 in the Commonwealth and 1,412 out of 20,548 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 2017 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 1,420 out of 2,368 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 West Chester University's Writing Zones that provides writing tutors at the high school level, and additional pre-service teacher placements in District classrooms at all educational levels. Kennett has an ongoing partnership with the University of Delaware to provide professional development in the area of mathematical practices to District teachers at the elementary and middle school levels. At the secondary level, a partnership with Penn State University has provided district teachers with ongoing professional development, including workshops on effective math strategies for struggling learners. 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 2017-2018 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, 2017. This is the sixth 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**

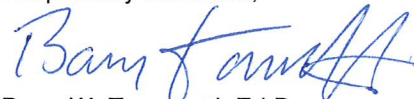
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kennett Consolidated School District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the seventh 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.

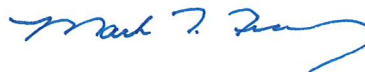
Acknowledgments

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, 2017.**

**The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.**



**Charles E. Peterson, Jr., SFO, RSBA, MBA
President**

**John D. Musso, CAE
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, 2017

Christopher P. Morrell

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 CommitteeMichael H. Finnegan, Chairperson

Government Liaison & CommunicationsPaola 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. 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

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Certified Public Accountants
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(General & Special Counsel)

Kegel Kelin Almy & Lord LLP
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(Bond Counsel)

Jeffrey T. Sultanik, Esquire
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(Labor Counsel)

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Public Financial Management
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Official Depositories

Fulton Bank
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Kennett Square, PA 19348

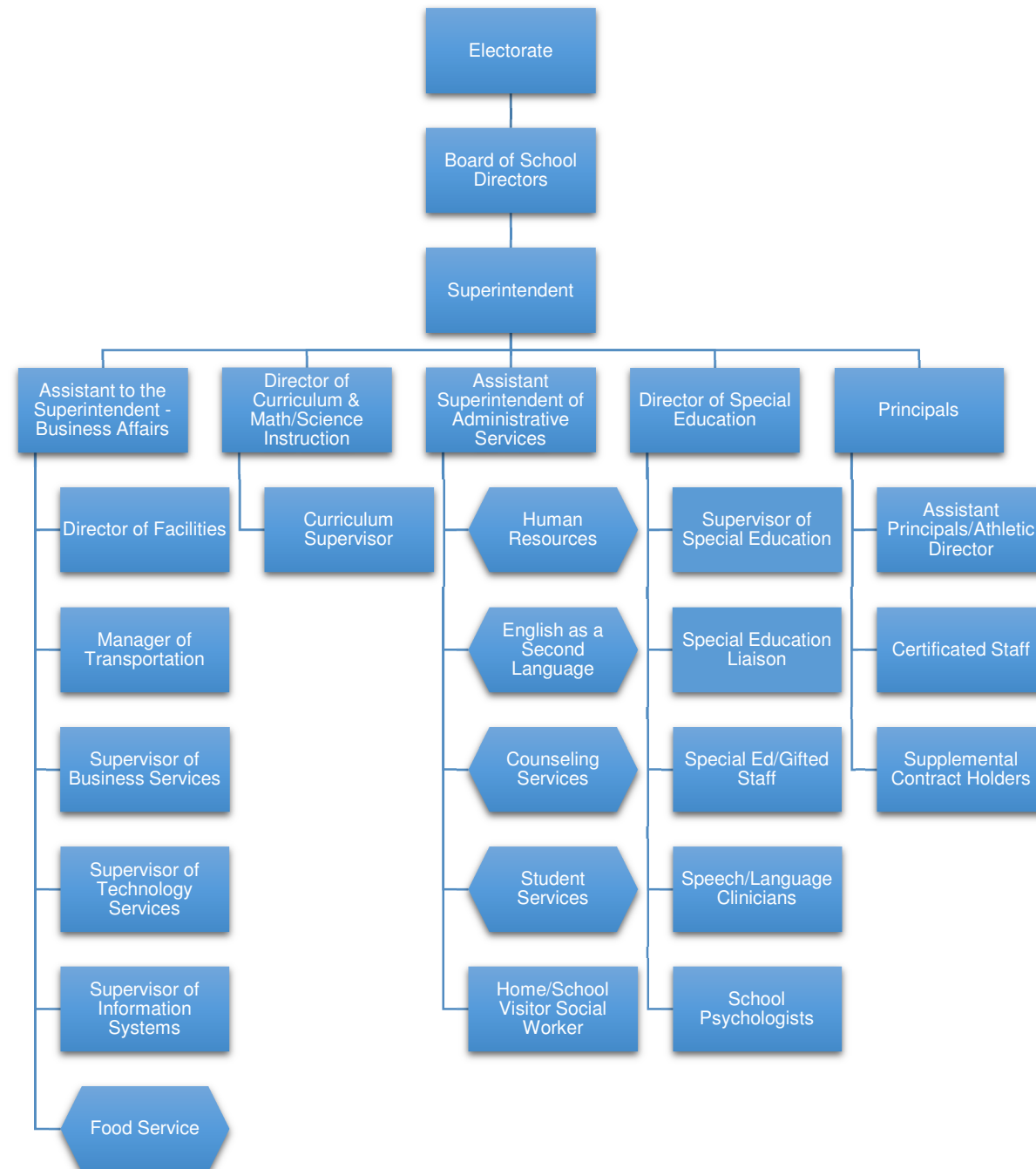
Pennsylvania Local Government
Investment Trust (PLGIT)
P. O. Box 1027
Harrisburg, PA 17108

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

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, 2018

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, 2018, 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 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.

Members of the Board
Kennett Consolidated School District

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, 2018, 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.

Emphasis of a Matter

As discussed in Notes 2 and 17 to the financial statements, the Kennett Consolidated School District has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the District's other postemployment benefits. As a result, the beginning governmental activities, business-type activities, and food service fund net position has been restated. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Kennett Consolidated School District's 2017 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 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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, 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, schedule of changes in the district's total OPEB liability - single employer plan, and schedule of district contributions - single employer plan 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

Members of the Board
Kennett Consolidated School District

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2018, 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

BARBACANE, THORNTON & COMPANY LLP

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**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$50,595,346. 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." Adoption of GASB Statement No. 75 resulted in the restatement of the opening net position of the District by \$(13,744,405). The District's allocation of PSERS net pension liability is \$110,383,000 and the District's net OPEB liability is \$20,470,000. As a result, the District's unrestricted net position is \$(104,875,389).
- The District's net position increased by \$4,772,690 during the current fiscal year. The increase in net position is partially attributable to the reduction in the District's general obligation bonds payable of \$5,746,825 and due to revenues exceeding expenses.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$16,130,193, an increase of \$2,940,078 in comparison with the prior year. Approximately 42.7 percent of this total amount, \$6,888,627, 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 \$6,888,627, or 8.5 percent of total general fund expenditures.
- The District's total long-term liabilities decreased by \$5,898,808, or 3.1 percent, during the fiscal year. The decrease is primarily due to a decrease in the District's general obligation bonds payable of \$5,746,825.
- The net position of business-type activities, the food service operation, decreased by \$25,636, or 7.4 percent this year. The food service operation was allocated one percent of the PSERS net pension liability, which is \$1,103,830 for the current year. Revenues for the food service operation decreased by 1.1 percent to \$1,791,947 while expenses decreased by 3.2 percent to \$1,817,583.

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, 2018**

the District which report the District's operations in more detail than the government-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about the activities the District operates like a business, such as food services. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and the scholarship fund. The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data.

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

Major Features of the Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Financial Statements | | |
|--|---|--|--|--|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects | Activities the District operates similar to private businesses, such as food services and self-insurance | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> Statement of Net Position Statement of Activities | <ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows | <ul style="list-style-type: none"> Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/deferred outflow of resources/liability/deferred inflow of resources information | All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term | Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term | All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018**

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, 2018**

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 32.57 percent in 2017 - 2018. 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

This year, the District implemented 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 will 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 PSERS and the District's net OPEB liability. For the current year, the District's share of the PSERS net pension liability is \$110,383,000, and the District's net OPEB liability

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

is \$20,470,000. The total net position is \$(50,595,346), resulting in a negative *unrestricted net position* of \$(104,875,389). The following table presents condensed financial information for the net position of the District as of June 30, 2018 and 2017.

Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|------------------------|--------------------------|-------------------|------------------------|------------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 30,292,028 | \$ 26,420,455 | \$ 937,497 | \$ 910,602 | \$ 31,229,525 | \$ 27,331,057 |
| Capital Assets | 95,249,479 | 98,244,070 | 681,923 | 723,127 | 95,931,402 | 98,967,197 |
| Total Assets | 125,541,507 | 124,664,525 | 1,619,420 | 1,633,729 | 127,160,927 | 126,298,254 |
| Deferred Outflows of Resources | 18,434,373 | 20,896,396 | 186,207 | 211,075 | 18,620,580 | 21,107,471 |
| Total Assets and Deferred Outflows of Resources | 143,975,880 | 145,560,921 | 1,805,627 | 1,844,804 | 145,781,507 | 147,405,725 |
| Long-term liabilities | 181,746,610 | 187,644,511 | 1,324,219 | 1,325,126 | 183,070,829 | 188,969,637 |
| Other liabilities | 9,886,162 | 9,216,130 | 130,400 | 131,684 | 10,016,562 | 9,347,814 |
| Total Liabilities | 191,632,772 | 196,860,641 | 1,454,619 | 1,456,810 | 193,087,391 | 198,317,451 |
| Deferred Inflows of Resources | 3,257,762 | 4,413,260 | 31,700 | 43,050 | 3,289,462 | 4,456,310 |
| Total Liabilities and Deferred Inflows of Resources | 194,890,534 | 201,273,901 | 1,486,319 | 1,499,860 | 196,376,853 | 202,773,761 |
| Net position: | | | | | | |
| Net investment in capital assets | 44,364,140 | 41,619,899 | 681,923 | 723,127 | 45,046,063 | 42,343,026 |
| Restricted | 9,233,980 | 6,426,725 | - | - | 9,233,980 | 6,426,725 |
| Unrestricted (Deficit) | (104,512,774) | (103,759,604) | (362,615) | (378,183) | (104,875,389) | (104,137,787) |
| Total Net Position (Deficit) | \$ (50,914,654) | \$ (55,712,980) | \$ 319,308 | \$ 344,944 | \$ (50,595,346) | \$ (55,368,036) |

A significant portion of the District's net position, \$45,046,063, 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, \$9,233,980, 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 \$4,772,690 during the current fiscal year. The increase in net position is partially attributable to the reduction in the District's general obligation bonds payable of \$5,746,825, as well as revenues exceeding expenses. Governmental activities increased the District's net position by \$4,798,326, thereby accounting for 100 percent 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, 2018**

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

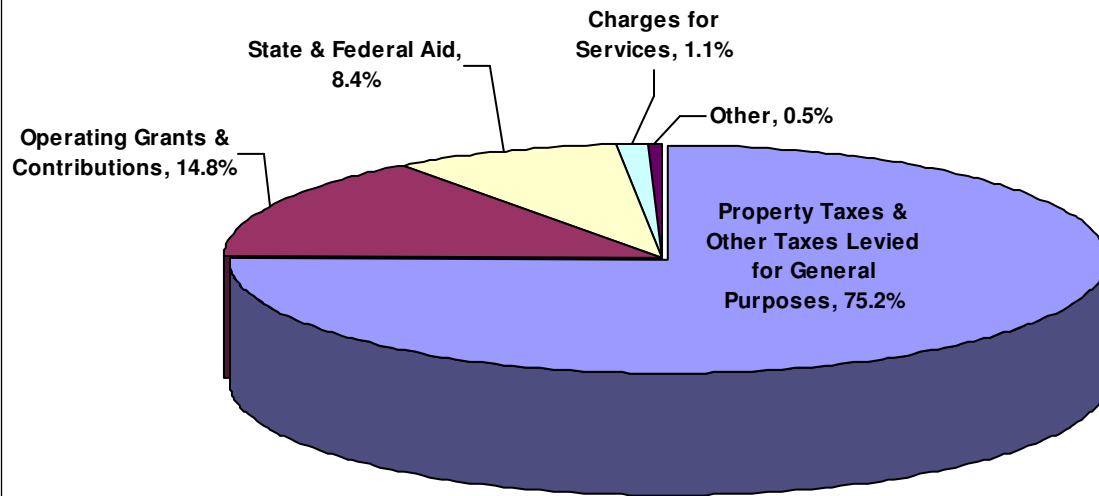
| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|------------------------|--------------------------|-------------------|------------------------|------------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 219,992 | \$ 261,483 | \$ 702,816 | \$ 692,442 | \$ 922,808 | \$ 953,925 |
| Operating grants and contributions | 11,943,111 | 11,290,760 | 1,078,068 | 1,115,248 | 13,021,179 | 12,406,008 |
| General Revenues: | | | | | | |
| Property taxes and other taxes levied for general purposes | 64,331,292 | 63,125,373 | - | - | 64,331,292 | 63,125,373 |
| State and federal aid | 7,088,002 | 7,010,842 | - | - | 7,088,002 | 7,010,842 |
| Other | 707,739 | 440,408 | 11,063 | 5,007 | 718,802 | 445,415 |
| Total Revenues | 84,290,136 | 82,128,866 | 1,791,947 | 1,812,697 | 86,082,083 | 83,941,563 |
| Expenses: | | | | | | |
| Instruction | 49,295,717 | 50,130,855 | - | - | 49,295,717 | 50,130,855 |
| Instructional support | 5,809,112 | 4,765,349 | - | - | 5,809,112 | 4,765,349 |
| Non-instructional services | 21,823,689 | 21,676,525 | - | - | 21,823,689 | 21,676,525 |
| Other | 2,563,292 | 2,583,688 | 1,817,583 | 1,877,620 | 4,380,875 | 4,461,308 |
| Total Expenses | 79,491,810 | 79,156,417 | 1,817,583 | 1,877,620 | 81,309,393 | 81,034,037 |
| Increase (Decrease) in Net Position | 4,798,326 | 2,972,449 | (25,636) | (64,923) | 4,772,690 | 2,907,526 |
| Beginning Net Position (Deficit), Restated | (55,712,980) | (58,685,429) | 344,944 | 409,867 | (55,368,036) | (58,275,562) |
| Ending 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> |

Governmental Activities. Total revenues increased by \$2,161,270, or 2.6 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$64,331,292, or 76.3 percent. The increase of \$1,205,919 (1.9 percent) is due to an increase in the millage rate of 2.19 percent and a slight recovery in the tax base, along with an increase in realty transfer and earned income taxes. Another \$7,088,002, or 8.4 percent, came from state formula aid, such as the basic education subsidy. The remainder, \$12,870,842 or 15.3 percent, came from various sources. Revenue of \$11,943,111 came from operating grants, including funds for special education, student transportation, retirement, and social security. Revenue of \$549,069 came from earnings on investments, revenue of \$219,992 came from fees charged for services, and other revenue amounted to \$158,670.

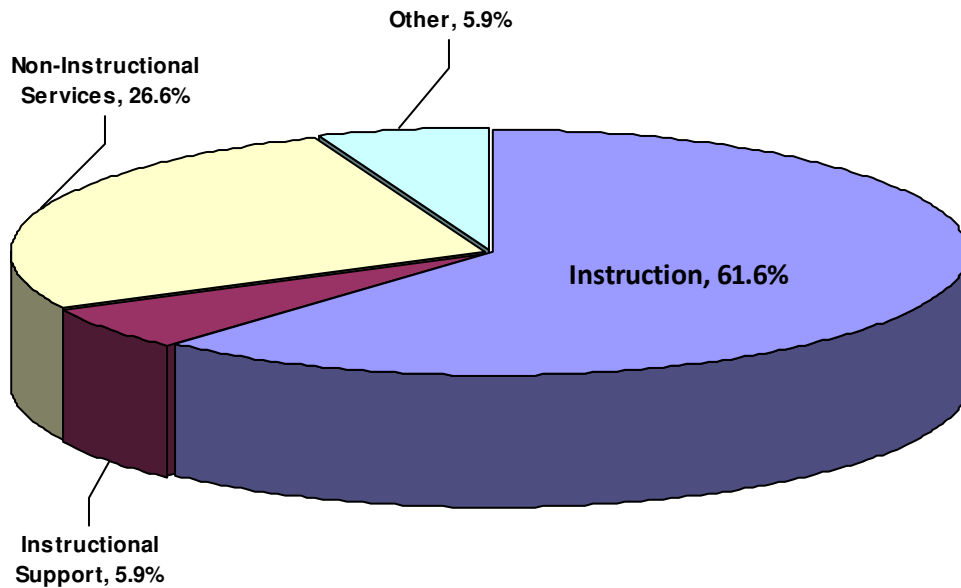
The total cost of all governmental programs and services rose to \$79,491,810, an increase of \$335,393, or 0.4 percent. The District's expenses are predominately related to instructing, caring for (instructional support services and operation/maintenance of school facilities), and transporting students, which

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

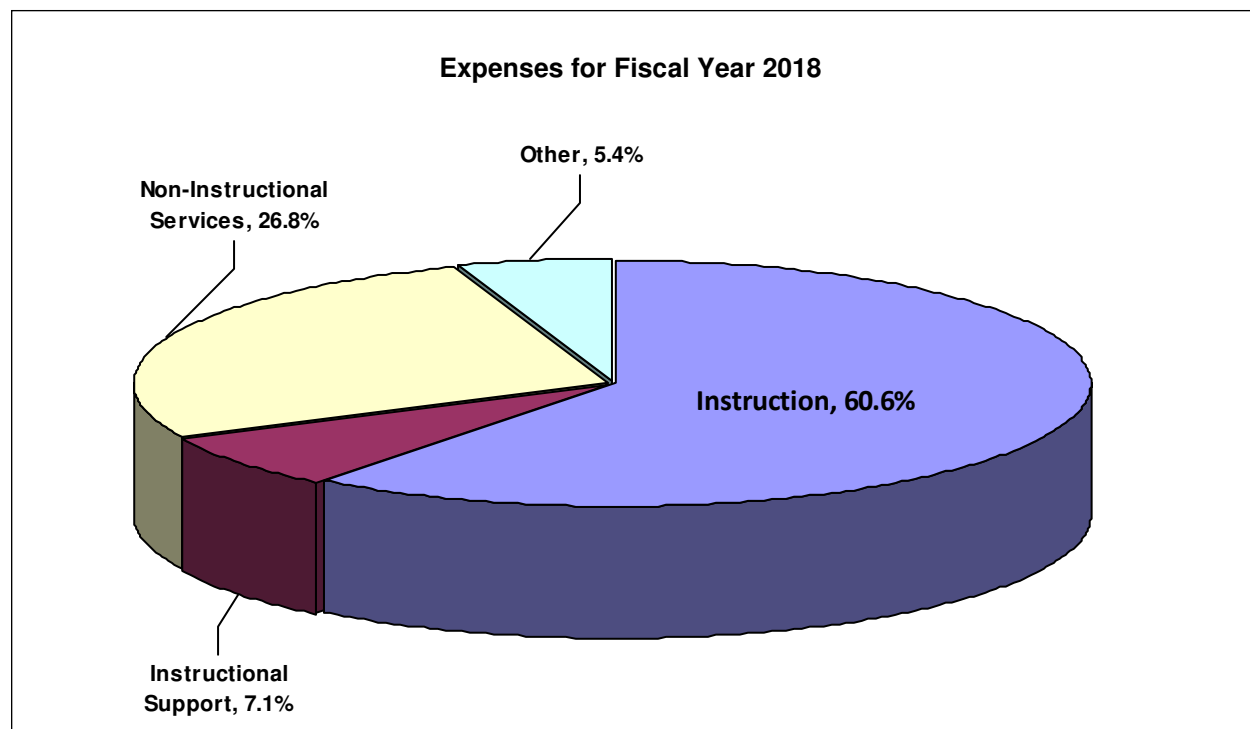
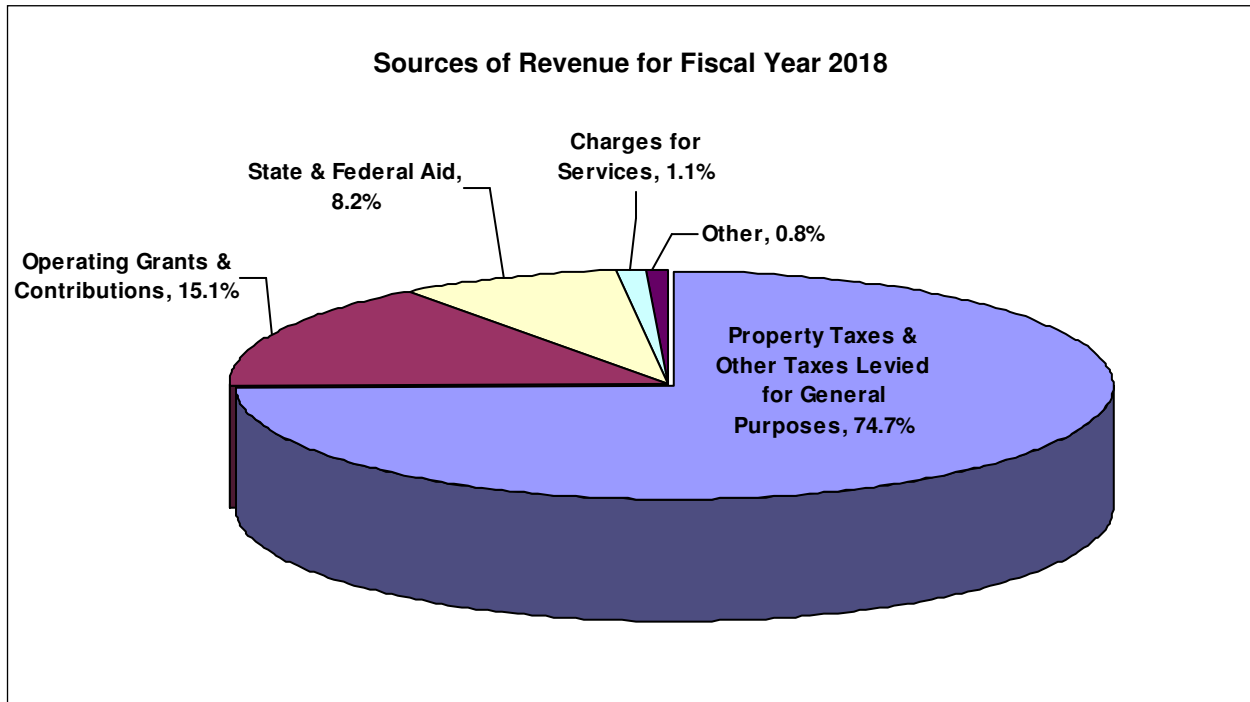
Sources of Revenue for Fiscal Year 2017



Expenses for Fiscal Year 2017



**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**



**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

represents \$76,928,518, or 96.8 percent, of total expenses. The growth in expenses includes recognition of the prior year's increase of \$1,491,612 in the employer contributions recognized for the PSERS due to an increase in the contribution rate. Total revenues exceeded total expenses, which produced an increase in net position of \$4,798,326 over the past year.

Business-type Activities. Business-type activities decreased the District's net position by \$25,636. Total revenues decreased by \$20,750, or 1.1 percent, over the prior year due to a decrease in the number of meals served. Total expenses also decreased by \$60,037, or 3.2 percent, due mainly to a decrease in food purchases and maintenance costs. In addition to the District-wide financial statements, the Food Service program is reported in greater detail in the proprietary fund statements.

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 decreased by \$275,467 to \$67,328,707. The state and federal government subsidized certain programs with capital and operating grants and contributions which totaled \$11,943,111.

Net Cost of Governmental Activities

| Functions/Programs | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
|----------------------------|---------------------------|----------------------|----------------------|-------------------------|----------------------|----------------------|
| | 2018 | 2017 | | 2018 | 2017 | |
| Instruction | \$ 49,295,717 | \$ 50,130,855 | -1.7% | \$ 41,261,334 | \$ 42,525,956 | -3.0% |
| Instructional support | 5,809,112 | 4,765,349 | 21.9% | 5,239,175 | 4,247,906 | 23.3% |
| Non-instructional services | 21,823,689 | 21,676,525 | 0.7% | 18,751,634 | 18,684,765 | 0.4% |
| Other | 2,563,292 | 2,583,688 | -0.8% | 2,076,564 | 2,145,547 | -3.2% |
| Total | <u>\$ 79,491,810</u> | <u>\$ 79,156,417</u> | <u>0.4%</u> | <u>\$ 67,328,707</u> | <u>\$ 67,604,174</u> | <u>-0.4%</u> |

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 |
|---------------|---------------------------|---------------------|----------------------|-------------------------|------------------|----------------------|
| | 2018 | 2017 | | 2018 | 2017 | |
| Food services | <u>\$ 1,817,583</u> | <u>\$ 1,877,620</u> | <u>-3.2%</u> | <u>\$ 36,699</u> | <u>\$ 69,930</u> | <u>-47.5%</u> |

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Analysis of the Government's Funds

Governmental Funds

At the end of June 30, 2018, governmental funds had total fund balances of \$16,130,193, an increase of \$2,940,078 in comparison with the previous year. Approximately 42.7 percent of this total amount, \$6,888,627, constitutes *unassigned fund balance*, which is available for spending at the District's discretion. 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.

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 \$6,888,627, which also represents 8.5 percent of total general fund expenditures. The fund balance of the District's general fund increased by \$132,823.

The Capital Projects Fund has a total fund balance of \$185,617, which represents the remaining proceeds of a capital settlement fund for repairs to the District's Middle School. The net decrease in fund balance during the year of \$7,993 is due to expenditures related to the repair of defective concrete at the school.

The Capital Reserve Fund has a total fund balance of \$9,048,363, 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 \$2,815,248. The Capital Reserve Fund received transfers from the general fund of \$3,485,877. The Capital Reserve Fund had expenditures of \$761,244 for a variety of facility improvements including new exterior siding, interior hall renovations and a new cooling tower at New Garden Elementary; new acoustical panels and stage lighting for the High School auditorium, and the completed construction of the Middle School baseball field. Also through the Capital Reserve Fund, the District continued to make an investment in technology (\$119,360 of the \$761,244) with the purchase 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 \$(362,615). 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 \$1,103,830 and the District's net OPEB liability of \$204,700. The net position for this fund decreased by \$25,636. 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 \$3,444,756 and represents resources accumulated for anticipated future losses. The net position for this fund increased slightly by \$383,800 due to a planned decrease in funding resulting from decreased insurance claims. This residual balance is reported in the governmental activities since the services provided primarily benefit the governmental activities.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

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 2017 - 2018 revenues and expenditures compared to the budget resulted in an overall favorable variance of \$4,133,362. 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 \$3,419,032. An amount of \$3,485,877 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 unassigned fund balance by \$132,823 to \$6,888,627.

Significant variances between the final budget and actual revenue occurred in local sources of revenues due to greater than expected collections for earned income taxes and favorable interest rates on investments. The variance between the final budgeted and actual expenditures was due to successful management of health insurance through self-insured programs and a change in delivery of Special Education programs.

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

- Increases in earned income tax collections resulted in additional revenue of \$368,266.
- Increase in the interest rates on investments resulted in additional revenue of \$335,193.
- Decreases in self-insured health insurance claims resulted in a savings of \$1,697,071.
- Decreases in contracted services for Special Education programs resulted in a savings of \$1,256,520.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the District had investments of \$95,931,402 (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 \$3,035,795, or 3.1 percent, for the year. Total depreciation expense for the year amounted to \$4,014,609. More detailed information about capital assets can be found in notes to the financial statements (note 7-changes in capital assets).

| | Governmental Activities | | Business-type Activities | | Totals | | Percentage Change |
|------------------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | |
| Land | \$ 3,060,599 | \$ 3,060,599 | \$ - | \$ - | \$ 3,060,599 | \$ 3,060,599 | 0.0% |
| Construction-in-progress | 34,394 | 899,609 | - | - | 34,394 | 899,609 | -96.2% |
| Building and building improvements | 89,956,932 | 91,678,496 | - | - | 89,956,932 | 91,678,496 | -1.9% |
| Fixtures and equipment | 2,197,554 | 2,605,366 | 681,923 | 723,127 | 2,879,477 | 3,328,493 | -13.5% |
| Total | <u>\$ 95,249,479</u> | <u>\$ 98,244,070</u> | <u>\$ 681,923</u> | <u>\$ 723,127</u> | <u>\$ 95,931,402</u> | <u>\$ 98,967,197</u> | <u>-3.1%</u> |

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

Long-term Debt

As of June 30, 2018, the District had \$183,070,829 in general obligation bonds and other long-term debt outstanding, a decrease of \$5,898,808, or 3.1 percent, over last year primarily due the District's general obligation bonds. Along with its annual debt service payments totaling \$5,790,000, the District issued \$11,425,000 of new debt in 2018 to refund obligations totaling \$12,135,000. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements (note 8-long-term liabilities).

Outstanding Long-term Debt

| | Totals | | |
|-------------------------------|----------------------|----------------------|--------------|
| | 2018 | 2017 | % Change |
| General Obligation Bonds, Net | \$ 51,070,956 | \$ 56,817,781 | -10.1% |
| Compensated Absences | 1,146,873 | 1,074,856 | 6.7% |
| Net OPEB Liability | 20,470,000 | 20,813,000 | -1.6% |
| Net Pension Liability | 110,383,000 | 110,264,000 | 0.1% |
| Total | <u>\$183,070,829</u> | <u>\$188,969,637</u> | <u>-3.1%</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 three years provides for an annual increase of 2.5 percent, 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 three 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 2018 - 2019 was two percent.
- The District is in the infancy of the national and global uptick in the economic conditions. 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 proposed developments in the Borough of Kennett Square, East Marlborough Township, Kennett Township, and New Garden Township. There are an estimated 800 residential units which are currently under either conditional use or land development. The majority of the dwellings are projected to be higher-end luxury apartments or townhouses.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2018**

- The District's administration is currently 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 79 percent of the costs for educational programs and services in the District. The federal government only provided one 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 2019 - 2020 is 2.3 percent, compared to 2.4 percent in 2018 - 2019. The District does not anticipate needing a referendum for the 2019 - 2020 budget.
- The PSERS retirement rate will increase from 30.03 percent in 2016 - 2017 to 32.57 percent in 2017 - 2018. The PSERS projections indicate that employer contribution rates will increase to 34.18 percent in 2018 - 2019. Rates are projected into the future to increase to over 36 percent by 2021 - 2022.

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, 2018
(With Summarized Comparative Data - June 30, 2017)

| | Governmental Activities | Business-Type Activities | Totals | |
|--|----------------------------|-----------------------------|-----------------------|-----------------------|
| | | | 2018 | 2017* |
| Assets and Deferred Outflows of Resources | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,177,373 | \$ 740,030 | \$ 1,917,403 | \$ 4,771,236 |
| Investments | 25,423,211 | - | 25,423,211 | 18,279,907 |
| Taxes receivable, net | 1,654,325 | - | 1,654,325 | 1,813,267 |
| Due from other governments | 1,915,457 | 157,296 | 2,072,753 | 2,274,487 |
| Other receivables | 114,076 | 3,114 | 117,190 | 100,187 |
| Prepaid expenses | 7,586 | - | 7,586 | 52,578 |
| Inventories | - | 37,057 | 37,057 | 39,395 |
| Land | 3,060,599 | - | 3,060,599 | 3,060,599 |
| Construction in progress | 34,394 | - | 34,394 | 899,609 |
| Building and building improvements, net of depreciation | 89,956,932 | - | 89,956,932 | 91,678,497 |
| Fixtures and equipment, net of depreciation | 2,197,554 | 681,923 | 2,879,477 | 3,328,492 |
| Total Assets | <u>125,541,507</u> | <u>1,619,420</u> | <u>127,160,927</u> | <u>126,298,254</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows relating to OPEB | 273,287 | 2,760 | 276,047 | 248,014 |
| Deferred outflows relating to pension | 18,161,086 | 183,447 | 18,344,533 | 20,859,457 |
| Total Deferred Outflows of Resources | <u>18,434,373</u> | <u>186,207</u> | <u>18,620,580</u> | <u>21,107,471</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 143,975,880</u> | <u>\$ 1,805,627</u> | <u>\$ 145,781,507</u> | <u>\$ 147,405,725</u> |
| Liabilities, Deferred Inflows of Resources and Net Position (Deficit) | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 1,726,059 | \$ 130,400 | \$ 1,856,459 | \$ 1,722,533 |
| Accrued salaries and benefits | 7,498,075 | - | 7,498,075 | 6,937,347 |
| Retainage payable | 21,265 | - | 21,265 | 53,685 |
| Accrued interest | 640,763 | - | 640,763 | 634,249 |
| Long-term liabilities | | | | |
| Portion due or payable within one year: | | | | |
| Bonds and notes payable in future years, net | 6,201,260 | - | 6,201,260 | 5,929,026 |
| Accumulated compensated absences | 140,768 | 596 | 141,364 | 123,812 |
| Portion due or payable after one year: | | | | |
| Bonds and notes payable in future years, net | 44,869,696 | - | 44,869,696 | 50,888,755 |
| Accumulated compensated absences | 990,416 | 15,093 | 1,005,509 | 951,044 |
| Net OPEB liability | 20,265,300 | 204,700 | 20,470,000 | 20,813,000 |
| Net pension liability | 109,279,170 | 1,103,830 | 110,383,000 | 110,264,000 |
| Total Liabilities | <u>191,632,772</u> | <u>1,454,619</u> | <u>193,087,391</u> | <u>198,317,451</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows relating to OPEB | 588,060 | 5,940 | 594,000 | - |
| Deferred inflows relating to pension | 2,550,240 | 25,760 | 2,576,000 | 4,305,000 |
| Deferred amount on bond refunding | 119,462 | - | 119,462 | 151,310 |
| Total Deferred Inflows of Resources | <u>3,257,762</u> | <u>31,700</u> | <u>3,289,462</u> | <u>4,456,310</u> |
| Net Position (Deficit): | | | | |
| Net investment in capital assets | 44,364,140 | 681,923 | 45,046,063 | 42,343,026 |
| Restricted net position for capital projects | 9,233,980 | - | 9,233,980 | 6,426,725 |
| Unrestricted net position | (104,512,774) | (362,615) | (104,875,389) | (104,137,787) |
| Total Net Position (Deficit) | <u>(50,914,654)</u> | <u>319,308</u> | <u>(50,595,346)</u> | <u>(55,368,036)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit) | <u>\$ 143,975,880</u> | <u>\$ 1,805,627</u> | <u>\$ 145,781,507</u> | <u>\$ 147,405,725</u> |

* - Restated

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Activities - For Fiscal Year Ended June 30, 2018
(With Summarized Comparative Data for Fiscal Year Ended June 30, 2017)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense)Revenue and Changes in Net Position | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Totals | |
| | | | | | | | 2018 | 2017* |
| Governmental Activities | | | | | | | | |
| Instruction | \$ 49,295,717 | \$ 22,735 | \$ 8,011,648 | \$ - | \$ (41,261,334) | - | \$ (41,261,334) | \$ (42,525,956) |
| Instructional support | 5,809,112 | - | 569,937 | - | (5,239,175) | - | (5,239,175) | (4,247,906) |
| Administrative and financial support services | 8,116,912 | - | 672,375 | - | (7,444,537) | - | (7,444,537) | (7,360,011) |
| Operation and maintenance of plant services | 7,173,418 | - | 596,036 | - | (6,577,382) | - | (6,577,382) | (6,733,586) |
| Pupil transportation | 5,017,352 | 80,973 | 1,480,781 | - | (3,455,598) | - | (3,455,598) | (3,342,242) |
| Student activities | 1,516,007 | 116,284 | 125,606 | - | (1,274,117) | - | (1,274,117) | (1,248,926) |
| Interest on long-term debt | 1,371,272 | - | 486,728 | - | (884,544) | - | (884,544) | (1,007,690) |
| Unallocated depreciation** | 1,192,020 | - | - | - | (1,192,020) | - | (1,192,020) | (1,137,857) |
| Total Government Activities | 79,491,810 | 219,992 | 11,943,111 | - | (67,328,707) | - | (67,328,707) | (67,604,174) |
| Business-Type Activities | | | | | | | | |
| Food Services | 1,817,583 | 702,816 | 1,078,068 | - | - | - | - | (69,930) |
| Total Business-Type Activities | 1,817,583 | 702,816 | 1,078,068 | - | - | (36,699) | (36,699) | (69,930) |
| Total Primary Government | \$ 81,309,393 | \$ 922,808 | \$ 13,021,179 | \$ - | \$ (67,328,707) | \$ (36,699) | \$ (67,365,406) | \$ (67,674,104) |
| General Revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes, levied for general purposes | | | | | \$ 58,782,626 | \$ - | \$ 58,782,626 | \$ 57,336,108 |
| Taxes levied for specific purposes | | | | | 5,548,666 | - | 5,548,666 | 5,789,265 |
| Grants and entitlements not restricted to specific programs | | | | | 7,088,002 | - | 7,088,002 | 7,010,842 |
| Investment earnings | | | | | 549,069 | 11,063 | 560,132 | 182,106 |
| Miscellaneous | | | | | 158,670 | - | 158,670 | 263,309 |
| Total General Revenues | | | | | 72,127,033 | 11,063 | 72,138,096 | 70,581,630 |
| Change in Net Position | | | | | 4,798,326 | (25,636) | 4,772,690 | 2,907,526 |
| Net Position (Deficit), Beginning of Year | | | | | (55,712,980) | 344,944 | (55,368,036) | (58,275,562) |
| Net Position (Deficit), End of Year | | | | | \$ (50,914,654) | \$ 319,308 | \$ (50,595,346) | \$ (55,368,036) |

* - Restated

**This amount excludes direct depreciation expenses of the various programs.

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018
(With Summarized Comparative Data - June 30, 2017)

| | General | Capital Projects | Capital Reserve | Totals | |
|--|----------------------|---------------------|---------------------|----------------------|----------------------|
| | | | | 2018 | 2017 |
| Assets | | | | | |
| Cash and equivalents | \$ 10,500 | 185,617 | \$ - | \$ 196,117 | \$ 229,415 |
| Investments | 16,839,460 | - | 5,583,751 | 22,423,211 | 18,279,907 |
| Receivables: | | | | | |
| Delinquent real estate taxes | 1,673,805 | - | - | 1,673,805 | 1,850,272 |
| Interfund receivables | - | - | 3,485,877 | 3,485,877 | 388,449 |
| Intergovernmental | 1,915,457 | - | - | 1,915,457 | 2,128,555 |
| Other | 114,076 | - | - | 114,076 | 92,403 |
| Prepaid expenditures | 7,586 | - | - | 7,586 | 52,578 |
| Total Assets | \$ 20,560,884 | \$ 185,617 | \$ 9,069,628 | \$ 29,816,129 | \$ 23,021,579 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 1,189,559 | \$ - | \$ 21,265 | \$ 1,210,824 | \$ 970,111 |
| Interfund payables | 3,485,877 | - | - | 3,485,877 | 299,498 |
| Accrued salaries and benefits | 7,498,075 | - | - | 7,498,075 | 6,937,347 |
| Accrued compensated absences | 140,768 | - | - | 140,768 | 123,812 |
| Total Liabilities | 12,314,279 | - | 21,265 | 12,335,544 | 8,330,768 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenues-delinquent taxes | 1,350,392 | - | - | 1,350,392 | 1,500,696 |
| Total Deferred Inflows of Resources | 1,350,392 | - | - | 1,350,392 | 1,500,696 |
| Fund Balances | | | | | |
| Nonspendable | 7,586 | - | - | 7,586 | 52,578 |
| Restricted for: | | | | | |
| Capital Projects | - | 185,617 | 9,048,363 | 9,233,980 | 6,426,725 |
| Unassigned | 6,888,627 | - | - | 6,888,627 | 1,500,696 |
| Total Fund Balances | 6,896,213 | 185,617 | 9,048,363 | 16,130,193 | 7,979,999 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 20,560,884 | \$ 185,617 | \$ 9,069,628 | \$ 29,816,129 | \$ 23,021,579 |

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Reconciliation of Balance Sheet to Statement of Net Position
Governmental Funds
June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES **\$ 16,130,193**

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 | 34,394 | |
| Buildings and improvements | 139,261,458 | |
| Furniture and equipment | 6,777,580 | |
| Accumulated depreciation | <u>(53,884,552)</u> | 95,249,479 |

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 | (51,070,956) | |
| Accumulated compensated absences | (990,416) | |
| Accrued interest | (640,763) | |
| Net OPEB liability | (20,265,300) | |
| Net pension liability | <u>(109,279,170)</u> | (182,246,605) |

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.

3,444,756

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

1,350,392

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

(119,462)

Deferred inflows and outflows related to the District's net OPEB and pension liabilities 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 liability, and contributions made after the measurement date of the net liability. These amounts will be amortized over the estimated remaining average service life of the employees.

| | | |
|---------------------------------|--------------------|-------------------|
| Deferred outflows of resources: | | |
| Deferred OPEB | 273,287 | |
| Deferred pension | 18,161,086 | |
| Deferred inflows of resources: | | |
| Deferred OPEB | (588,060) | |
| Deferred pension | <u>(2,550,240)</u> | <u>15,296,073</u> |

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (50,914,654)**

The notes to the basic financial statements are an integral part of this statement

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For Fiscal Year Ended June 30, 2018
(With Summarized Comparative Data for Fiscal Year Ended June 30, 2017)

| | General | Capital Projects | Capital Reserve | Totals | |
|--|---------------------|---------------------|---------------------|----------------------|----------------------|
| | | | | 2018 | 2017 |
| Revenues | | | | | |
| Revenue from local sources: | | | | | |
| Real Estate Taxes | \$ 56,609,085 | \$ - | \$ - | \$ 56,609,085 | \$ 55,409,613 |
| Interim Taxes | 234,855 | - | - | 234,855 | 219,503 |
| Earned Income Tax | 4,568,266 | - | - | 4,568,266 | 4,619,000 |
| Transfer Taxes | 916,919 | - | - | 916,919 | 1,103,477 |
| Delinquent Taxes | 2,071,464 | - | - | 2,071,464 | 1,727,732 |
| Earnings from Investments | 415,193 | 2,107 | 90,615 | 507,915 | 177,099 |
| Utility Taxes | 63,481 | - | - | 63,481 | 66,788 |
| Refund of Prior Year Expenditures | 11,265 | - | - | 11,265 | 509 |
| Other Revenue | 367,398 | - | - | 367,398 | 534,068 |
| Subtotal | 65,257,926 | 2,107 | 90,615 | 65,350,648 | 63,857,789 |
| State Sources | 17,382,556 | - | - | 17,382,556 | 16,734,075 |
| Federal Sources | 1,648,557 | - | - | 1,648,557 | 1,558,249 |
| Total Revenues | 84,289,039 | 2,107 | 90,615 | 84,381,761 | 82,150,113 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 47,215,650 | - | - | 47,215,650 | 48,798,636 |
| Support Services | 24,822,962 | - | - | 24,822,962 | 23,990,869 |
| Operation of noninstructional services | 1,403,425 | - | - | 1,403,425 | 1,376,383 |
| Capital Outlays | 91,771 | 10,100 | 761,244 | 863,115 | 2,433,508 |
| Debt Service: | | | | | |
| Principal | 5,790,000 | - | - | 5,790,000 | 5,675,000 |
| Interest | 1,546,199 | - | - | 1,546,199 | 1,678,589 |
| Total Expenditures | 80,870,007 | 10,100 | 761,244 | 81,641,351 | 83,952,985 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 3,419,032 | (7,993) | (670,629) | 2,740,410 | (1,802,872) |
| Other Financing Sources (Uses) | | | | | |
| Issuance of Refunding Debt | 11,425,000 | - | - | 11,425,000 | - |
| Payment of Refunded Debt Escrow | (12,166,894) | - | - | (12,166,894) | - |
| Bond Premium | 934,662 | - | - | 934,662 | - |
| Sale of Fixed Assets | 6,900 | - | - | 6,900 | - |
| Interfund transfers | (3,485,877) | - | 3,485,877 | - | - |
| Total Other Financing Sources (Uses) | (3,286,209) | - | 3,485,877 | 199,668 | - |
| Net Change In Fund Balances | 132,823 | (7,993) | 2,815,248 | 2,940,078 | (1,802,872) |
| Fund Balances, Beginning of Year | 6,763,390 | 193,610 | 6,233,115 | 13,190,115 | 14,992,987 |
| Fund Balances, End of Year | \$ 6,896,213 | \$ 185,617 | \$ 9,048,363 | \$ 16,130,193 | \$ 13,190,115 |

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to
Statement of Activities
Governmental Funds
For Fiscal Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS **\$ 2,940,078**

Amounts reported for government activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the effect of these activities:

| | | |
|--|--------------------|-------------|
| Capital outlays | \$ 759,096 | |
| Operation of noninstructional services | 223,376 | |
| Gain on disposal | (3,658) | |
| Depreciation expense | <u>(3,973,405)</u> | (2,994,591) |

Because some revenue will not be collected for several months after the District's fiscal year end, 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. (150,304)

Issuance of long-term debt (e.g., bonds) 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. However, neither transaction has any effect on net position. This is the net effect of these differences. 6,500,000

Change in allowance for uncollectible taxes 17,525

An internal service fund was created at the end of the year to account for future self-insured healthcare costs. The net revenue is reported with governmental activities. 383,800

In the statement of activities, certain operating expenses-compensated absences (vacations and sick days) and special termination benefits (early retirement)- 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). (53,728)

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 net amortization exceeded current premiums. (753,175)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because 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, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over (under) the amount due is shown here. 25,334

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 organization's estimated future benefit payments and related deferred inflows and deferred outflows, whereas OPEB expenses are recognized in the governmental funds when a requirement to pay the benefits or make contributions to the plan exists. (220,737)

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 organization'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. (895,876)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 4,798,326**

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For Fiscal Year Ended June 30, 2018

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | (GAAP Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Local Sources | \$ 64,475,854 | \$ 64,475,854 | \$ 65,257,926 | \$ 782,072 |
| State Sources | 17,428,019 | 17,428,019 | 17,382,556 | (45,463) |
| Federal Sources | 1,593,156 | 1,593,156 | 1,648,557 | 55,401 |
| TOTAL REVENUES | 83,497,029 | 83,497,029 | 84,289,039 | 792,010 |
| EXPENDITURES | | | | |
| Instruction: | | | | |
| Regular programs | 34,986,007 | 34,521,087 | 33,521,118 | 999,969 |
| Special programs | 13,339,142 | 13,242,615 | 11,761,452 | 1,481,163 |
| Vocational programs | 1,751,095 | 1,751,095 | 1,748,113 | 2,982 |
| Other instructional programs | 169,711 | 240,198 | 184,296 | 55,902 |
| Nonpublic school programs | - | 671 | 671 | - |
| Total Instruction | 50,245,955 | 49,755,666 | 47,215,650 | 2,540,016 |
| Support Services: | | | | |
| Pupil services | 2,502,157 | 2,539,657 | 2,413,311 | 126,346 |
| Instructional support | 2,170,839 | 2,557,929 | 2,459,414 | 98,515 |
| Administrative support | 4,414,837 | 4,400,148 | 4,534,059 | (133,911) |
| Pupil health | 906,182 | 911,057 | 819,696 | 91,361 |
| Business support | 1,134,594 | 1,178,034 | 1,125,278 | 52,756 |
| Operation & maintenance of plant services | 6,703,769 | 6,618,027 | 6,368,828 | 249,199 |
| Student transportation | 5,108,619 | 5,119,460 | 4,988,368 | 131,092 |
| Central support | 2,193,826 | 2,162,861 | 2,079,382 | 83,479 |
| Other support services | 37,551 | 37,551 | 34,626 | 2,925 |
| Total Support Services | 25,172,374 | 25,524,724 | 24,822,962 | 701,762 |
| Operation of Non-instructional Services | 1,323,362 | 1,472,926 | 1,381,581 | 91,345 |
| Community Services | - | 21,844 | 21,844 | - |
| Facilities Acq. Construct. & Imprmnt Servs. | 100,000 | 100,000 | 91,771 | 8,229 |
| Debt Service | 7,279,668 | 7,336,199 | 7,336,199 | - |
| TOTAL EXPENDITURES | 84,121,359 | 84,211,359 | 80,870,007 | 3,341,352 |
| EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES | (624,330) | (714,330) | 3,419,032 | 4,133,362 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Budgetary reserve | (90,000) | - | - | - |
| Proceeds from bond refunding | - | - | 11,425,000 | 11,425,000 |
| Premium on bond refunding agent | - | - | 934,662 | 934,662 |
| Payment to bond refunding agent | - | - | (12,166,894) | (12,166,894) |
| Sale of capital assets | - | - | 6,900 | 6,900 |
| Transfers out | - | - | (3,485,877) | (3,485,877) |
| TOTAL OTHER FINANCING USES | (90,000) | - | (3,286,209) | (3,286,209) |
| NET CHANGE IN FUND BALANCE | (714,330) | (714,330) | 132,823 | 847,153 |
| FUND BALANCE, BEGINNING OF YEAR | 6,763,390 | 6,763,390 | 6,763,390 | - |
| FUND BALANCE, END OF YEAR | \$ 6,049,060 | \$ 6,049,060 | \$ 6,896,213 | \$ 847,153 |

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2018 (With Comparative Data - June 30, 2017)

| | Major Fund | | | |
|--|---------------------|---------------------|-----------------------|---------------------|
| | Food Service Fund | | Internal Service Fund | |
| | 2018 | 2017* | 2018 | 2017 |
| Assets and Deferred Outflows of Resources | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 740,030 | \$ 806,442 | \$ 981,256 | \$ 1,735,379 |
| Investments | - | - | 3,000,000 | 2,000,000 |
| Due from other governments | 157,296 | 145,932 | - | - |
| Other receivables | 3,114 | 7,784 | - | - |
| Inventories | 37,057 | 39,395 | - | - |
| Total Current Assets | <u>937,497</u> | <u>999,553</u> | <u>3,981,256</u> | <u>3,735,379</u> |
| Furniture and Equipment | | | | |
| Net furniture and equipment | <u>681,923</u> | <u>723,127</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>1,619,420</u> | <u>1,722,680</u> | <u>3,981,256</u> | <u>3,735,379</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflow relating to OPEB | 2,760 | 2,480 | - | - |
| Deferred outflow relating to pension | 183,447 | 208,595 | - | - |
| Total Deferred Outflows of Resources | <u>186,207</u> | <u>211,075</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,805,627</u> | <u>\$ 1,933,755</u> | <u>\$ 3,981,256</u> | <u>\$ 3,735,379</u> |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | |
| Current Liabilities: | | | | |
| Accounts payable | \$ 130,400 | \$ 131,684 | \$ 536,500 | \$ 674,423 |
| Compensated absences | 596 | - | - | - |
| Due to other funds | - | 88,951 | - | - |
| Total Current Liabilities | <u>130,996</u> | <u>220,635</u> | <u>536,500</u> | <u>674,423</u> |
| Long term Liabilities | | | | |
| Portion due or payable after one year: | | | | |
| Compensated absences | 15,093 | 14,356 | - | - |
| Net OPEB liability | 204,700 | 208,130 | - | - |
| Net pension liability | 1,103,830 | 1,102,640 | - | - |
| Total Liabilities | <u>1,323,623</u> | <u>1,325,126</u> | <u>-</u> | <u>-</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflow relating to OBEB | 5,940 | - | - | - |
| Deferred inflow relating to pension | 25,760 | 43,050 | - | - |
| Total Deferred Inflows of Resources | <u>31,700</u> | <u>43,050</u> | <u>-</u> | <u>-</u> |
| Net Position (Deficit): | | | | |
| Net investment in capital assets | 681,923 | 723,127 | - | - |
| Unrestricted (deficit) | (362,615) | (378,183) | 3,444,756 | 3,060,956 |
| Total Net Position | <u>319,308</u> | <u>344,944</u> | <u>3,444,756</u> | <u>3,060,956</u> |
| Total Liabilities, Deferred Inflows of Resources And Net Position | <u>\$ 1,805,627</u> | <u>\$ 1,933,755</u> | <u>\$ 3,981,256</u> | <u>\$ 3,735,379</u> |

*Restated

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For Fiscal Year Ended June 30, 2018 (With Comparative Data for Fiscal Year Ended June 30, 2017)

| | Major Fund | | | |
|--|--------------------|--------------------|-----------------------|---------------------|
| | Food Service Fund | | Internal Service Fund | |
| | 2018 | 2017* | 2018 | 2017 |
| Operating Revenues | | | | |
| Food service revenues | \$ 702,816 | \$ 692,442 | \$ - | \$ - |
| Charges for health insurance | - | - | 6,802,906 | 8,738,132 |
| Total Operating Revenues | <u>702,816</u> | <u>692,442</u> | <u>6,802,906</u> | <u>8,738,132</u> |
| Operating Expenses | | | | |
| Salaries | 213,343 | 207,591 | - | - |
| Employee benefits | 145,417 | 143,238 | - | - |
| Other purchased services | 1,290,462 | 1,354,616 | - | - |
| Self-insurance claims | - | - | 6,460,260 | 7,108,373 |
| Supplies | 127,157 | 125,213 | - | - |
| Depreciation | 41,204 | 46,962 | - | - |
| Total Operating Expenses | <u>1,817,583</u> | <u>1,877,620</u> | <u>6,460,260</u> | <u>7,108,373</u> |
| Operating Income (Loss) | <u>(1,114,767)</u> | <u>(1,185,178)</u> | <u>342,646</u> | <u>1,629,759</u> |
| Non-Operating Revenues | | | | |
| Earnings on investments | 11,063 | 5,007 | 41,154 | 10,781 |
| State sources | 86,243 | 84,667 | - | - |
| Federal sources | 991,825 | 1,030,581 | - | - |
| Total Non-Operating Revenues | <u>1,089,131</u> | <u>1,120,255</u> | <u>41,154</u> | <u>10,781</u> |
| Change In Net Position | (25,636) | (64,923) | 383,800 | 1,640,540 |
| Net Position, Beginning of Year | <u>344,944</u> | <u>409,867</u> | <u>3,060,956</u> | <u>1,420,416</u> |
| Net Position, End of Year | <u>\$ 319,308</u> | <u>\$ 344,944</u> | <u>\$ 3,444,756</u> | <u>\$ 3,060,956</u> |

*Restated

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For Fiscal Year Ended June 30, 2018 (With Comparative Data for Fiscal Year Ended June 30, 2017)

| | Major Fund | | Internal Service Fund | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Food Service Fund | | | |
| | 2018 | 2017* | 2018 | 2017 |
| Cash Flows from Operating Activities | | | | |
| Cash received from users | \$ 707,486 | \$ 698,676 | \$ 6,802,906 | \$ 8,904,960 |
| Payments to suppliers | (1,387,318) | (1,335,181) | - | - |
| Payments to employees | (345,553) | (323,805) | - | - |
| Cash payments for health insurance costs | - | - | (6,598,183) | (7,068,838) |
| Net Cash (Used) Provided by Operating Activities | <u>(1,025,385)</u> | <u>(960,310)</u> | <u>204,723</u> | <u>1,836,122</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| State Sources | 85,783 | 80,186 | - | - |
| Federal Sources | 862,127 | 806,403 | - | - |
| Net Cash Provided by Noncapital Financing Activities | <u>947,910</u> | <u>886,589</u> | <u>-</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Equipment acquisition | - | (13,325) | - | - |
| Net Cash Used by Capital and Related Financing Activities | <u>-</u> | <u>(13,325)</u> | <u>-</u> | <u>-</u> |
| Cash Flows from Investing Activities: | | | | |
| Purchase of investments | - | - | (1,000,000) | (2,000,000) |
| Earnings on investments | 11,063 | 5,007 | 41,154 | 10,781 |
| Net Cash Provided by Investing Activities | <u>11,063</u> | <u>5,007</u> | <u>(958,846)</u> | <u>(1,989,219)</u> |
| Net Increase in Cash and Cash Equivalents | <u>(66,412)</u> | <u>(82,039)</u> | <u>(754,123)</u> | <u>(153,097)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>806,442</u> | <u>888,481</u> | <u>1,735,379</u> | <u>1,888,476</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 740,030</u> | <u>\$ 806,442</u> | <u>\$ 981,256</u> | <u>\$ 1,735,379</u> |
| Reconciliation of Operating (Loss) Income to Net Cash (Used) Provided by Operating Cash Flows from Operating Activities: | | | | |
| Operating (loss) income | \$ (1,114,767) | \$ (1,185,178) | \$ 342,646 | \$ 1,629,759 |
| Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities: | | | | |
| Depreciation | 41,204 | 46,962 | - | - |
| Donated commodities | 118,794 | 134,267 | - | - |
| (Increase) Decrease in: | | | | |
| Other receivables | 4,670 | 6,234 | - | - |
| Inventories | 2,338 | (22,003) | - | - |
| Due from other funds | - | 12,185 | - | 166,828 |
| Deferred outflow s of resources-OPEB | (280) | - | - | - |
| Deferred outflow s of resources-pension | 25,148 | (134,311) | - | - |
| Increase (Decrease) in: | | | | |
| Accounts payable | (1,284) | 4,416 | (137,923) | 44,878 |
| Due to other funds | (88,951) | 26,145 | - | (5,343) |
| Compensated absences | 1,333 | 1,823 | - | - |
| Net OPEB liability | (3,430) | 1 | - | - |
| Net pension liability | 1,190 | 160,540 | - | - |
| Deferred inflow s of resources-OPEB | 5,940 | 1 | - | - |
| Deferred inflow s of resources-pension | (17,290) | (11,390) | - | - |
| Net Cash Used by Operating Activities | <u>\$ (1,025,385)</u> | <u>\$ (960,308)</u> | <u>\$ 204,723</u> | <u>\$ 1,836,122</u> |
| SUPPLEMENTAL DISCLOSURE | | | | |
| Noncash Noncapital Financing Activity: | | | | |
| U.S.D.A. donated commodities | <u>\$ 118,794</u> | <u>\$ 134,267</u> | <u>\$ -</u> | <u>\$ -</u> |

*Restated

The notes to the basic financial statements are an integral part of this statement

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Net Position – Fiduciary Funds
June 30, 2018
(With Comparative Data - June 30, 2017)

| | Private-Purpose Trust | | Agency Fund | |
|---|-----------------------|------------------|-----------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| ASSETS | | | | |
| Cash | <u>\$261,488</u> | <u>\$246,595</u> | <u>\$49,861</u> | <u>\$39,113</u> |
| TOTAL ASSETS | <u>\$261,488</u> | <u>\$246,595</u> | <u>\$49,861</u> | <u>\$39,113</u> |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES: | | | | |
| Other current liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$49,861</u> | <u>\$39,113</u> |
| NET POSITION: | | | | |
| Reserved for trust | <u>261,488</u> | <u>246,595</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$261,488</u> | <u>\$246,595</u> | <u>\$49,861</u> | <u>\$39,113</u> |

The notes to the basic financial statements are an integral part of this statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
Statement of Changes in Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2018
(With Comparative Data for the Fiscal Year Ended June 30, 2017)

| | Private Purpose Trust | |
|--|-----------------------|-------------------|
| | 2018 | 2017 |
| ADDITIONS: | | |
| Local contributions | \$ 50,070 | \$ 53,713 |
| Earnings on investments | <u>2,523</u> | <u>951</u> |
| TOTAL ADDITIONS | <u>52,593</u> | <u>54,664</u> |
| DEDUCTIONS: | | |
| Fees paid and scholarships awarded | <u>37,700</u> | <u>62,600</u> |
| TOTAL DEDUCTIONS | <u>37,700</u> | <u>62,600</u> |
| CHANGE IN NET POSITION | 14,893 | (7,936) |
| NET POSITION, BEGINNING OF YEAR | <u>246,595</u> | <u>254,531</u> |
| NET POSITION, END OF YEAR | <u>\$ 261,488</u> | <u>\$ 246,595</u> |

The notes to the basic financial statements are an integral part of this financial statement.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with 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 assets, deferred outflows of resources, liabilities and deferred inflows of resources 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, 2018

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, 2018

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, 2018

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 of the District. Notice that public hearings will be held on the proposed operating budget must be

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2018

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 fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2018 consist of the purchased food/supplies for use in the food program in the amount of \$37,057.

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 estimated fair market 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, 2018

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, 2018

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:

- **Non-spendable 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, 2018

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, 2017, 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.

Implementation of GASB Statement

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other post-employment benefit liability, or, for multi-employer cost sharing plans, the entity's share of the net other post-employment benefit liability, in the entity's financial statements.

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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

The breakdown of total cash and investments at June 30, 2018 is as follows:

| | |
|----------------------------|----------------------|
| Cash | \$ 2,228,752 |
| Investments | <u>25,423,211</u> |
| Total Cash and Investments | <u>\$ 27,651,963</u> |

Deposits

At year end, the carrying amount of the District's deposits was \$2,228,752, and the bank balance was \$2,374,033. Of the bank balance, \$230,581 was covered by federal depository insurance, and the remaining \$2,143,452 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, 2018, the District had the following investments:

| | <u>Fair Value</u> |
|--|----------------------|
| Pennsylvania Local Government Investment Trust (PLGIT) | \$ 382,470 |
| Pennsylvania School District Liquid Asset Trust (PSDLAF) | <u>25,040,741</u> |
| Total Investments | <u>\$ 25,423,211</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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

Of the investments, \$19,545,000 is invested in FDIC insured non-negotiable certificates of deposit with maturities of less than one year. The remaining \$5,878,211 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.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, the District's investments were rated as:

| <u>Investment</u> | <u>Standard & Poor's</u> |
|---|----------------------------------|
| PA School District Liquid Asset Fund (PSDLAF) | AAAm |
| PA 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, 2018, 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, 2018 was 29.88 mills (\$29.88

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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

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, 2018 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.

The deferred inflow of resources balance in the general fund of \$1,350,392 consists of unavailable real estate taxes.

NOTE 5 – INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

| Due To | Amount | Due From | Amount |
|----------------------|---------------------|---------------|---------------------|
| Capital Reserve Fund | <u>\$ 3,485,877</u> | General Fund | <u>\$ 3,485,877</u> |
| | <u>\$ 3,485,877</u> | | <u>\$ 3,485,877</u> |
| Transfer To | Amount | Transfer From | Amount |
| Capital Reserve Fund | <u>\$ 3,485,877</u> | General Fund | <u>\$ 3,485,877</u> |
| | <u>\$ 3,485,877</u> | | <u>\$ 3,485,877</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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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, 2018 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 | 899,609 | 223,376 | 1,088,591 | 34,394 |
| Total Capital Assets Not Being Depreciated | 3,960,208 | 223,376 | 1,088,591 | 3,094,993 |
| Capital assets being depreciated: | | | | |
| Buildings and building improvements | 137,574,482 | 1,686,976 | - | 139,261,458 |
| Furniture and equipment | 6,668,158 | 160,711 | 51,289 | 6,777,580 |
| Total Capital Assets Being Depreciated | 144,242,640 | 1,847,687 | 51,289 | 146,039,038 |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | 45,895,985 | 3,408,541 | - | 49,304,526 |
| Furniture and equipment | 4,062,793 | 564,864 | 47,631 | 4,580,026 |
| Total Accumulated Depreciation | 49,958,778 | 3,973,405 | 47,631 | 53,884,552 |
| Total Capital Assets Being Depreciated , Net | 94,283,862 | (2,125,718) | 3,658 | 92,154,486 |
| Governmental Capital Assets, Net | <u>\$ 98,244,070</u> | <u>\$(1,902,342)</u> | <u>\$ 1,092,249</u> | <u>\$ 95,249,479</u> |

Business-type Activities

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|--------------------|-------------|-------------------|
| Capital assets being depreciated: | | | | |
| Equipment | \$ 1,411,220 | \$ - | \$ - | \$ 1,411,220 |
| Less accumulated depreciation for: | | | | |
| Equipment | 688,093 | 41,204 | - | 729,297 |
| Business-type Activities Capital Assets, Net | <u>\$ 723,127</u> | <u>\$ (41,204)</u> | <u>\$ -</u> | <u>\$ 681,923</u> |

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 7 – CHANGES IN CAPITAL ASSETS - continued

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

| | |
|--|---------------------|
| <u>Governmental Activities:</u> | |
| Instruction | \$ 1,589,363 |
| Administrative and financial support | 415,966 |
| Operation and maintenance of plant services | 776,056 |
| Unallocated depreciation | <u>1,192,020</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 3,973,405</u> |

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

| | |
|---|------------------|
| <u>Food Service:</u> | |
| Equipment | <u>\$ 41,204</u> |
| Total Depreciation Expense - Business-type Activities | <u>\$ 41,204</u> |

NOTE 8 – LONG-TERM LIABILITIES

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

General Obligation Bonds - Series of 2010

On October 11, 2010 the District issued \$19,995,000 of General Obligation Bonds, Series of 2010, maturing through February 15, 2024, and bearing interest ranging from 4.83% to 5.43%. Interest is payable semi-annually on February 15 and August 15. The school district receives a Federal Subsidy payment equal to 35% of the total coupon interest payable to investors in these taxable bonds. Proceeds of the issue were used for the construction of Bancroft Elementary School which was completed in August, 2011.

\$ 19,955,000

General Obligation Bonds - Series of 2012

On December 20, 2015 the District issued \$9,975,000 of General Obligation Bonds, Series of 2012, maturing through February 15, 2019, 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.

2,525,000

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES – continued

General Obligation Bonds - Series of 2013

On January 15, 2013 the District issued \$8,050,000 of General Obligation Bonds, Series of 2013, maturing through February 15, 2019, and bearing interest ranging from 0.50% to 3.00%. Interest is payable semi-annually on February 15 and August 15. The Series of 2013 provided funds to refund the Series of 2008 and Series of 2007 bonds. Proceeds of the issue were used to (1) currently refund the outstanding General Obligation Bonds, Series of 2008, of the school district; (2) currently refund the outstanding General Obligation Bonds, Series of 2007, of the school district; and (3) pay the costs of issuing the bonds. This refunding resulted in a net cash flow savings of \$669,825 with a corresponding net present value savings of \$625,971.

2,125,000

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.

7,465,000

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.

6,265,000

General Obligation Bonds - Series of 2018 and 2018A

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

11,425,000

Total Bonds/Notes Payable

\$ 49,760,000

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 8 – LONG-TERM LIABILITIES - continued

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

| <u>Year Ending June 30,</u> | <u>Principal Maturities</u> | <u>Interest Maturities</u> | <u>Total Maturities</u> |
|-----------------------------|---------------------------------|--------------------------------|-----------------------------|
| 2019 | \$ 5,940,000 | \$ 1,513,473 | \$ 7,453,473 |
| 2020 | 6,080,000 | 1,421,870 | 7,501,870 |
| 2021 | 6,265,000 | 1,242,809 | 7,507,809 |
| 2022 | 6,470,000 | 1,039,775 | 7,509,775 |
| 2023 | 6,665,000 | 844,452 | 7,509,452 |
| 2024 - 2027 | 18,340,000 | 1,005,340 | 19,345,340 |
| | <u>\$ 49,760,000</u> | <u>\$ 7,067,719</u> | <u>\$ 56,827,719</u> |

Changes in Long-term Liabilities

Long-term liability balance and activity for the year ended June 30, 2018 was as follows:

| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2018</u> | <u>Due Within One Year</u> |
|---|---------------------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Bonds and notes payable | \$ 56,260,000 | \$11,425,000 | \$17,925,000 | \$ 49,760,000 | \$ 5,940,000 |
| Bond premiums | 557,781 | 934,662 | 181,487 | 1,310,956 | 261,260 |
| Net bonds and notes payable | <u>56,817,781</u> | <u>12,359,662</u> | <u>18,106,487</u> | <u>51,070,956</u> | <u>6,201,260</u> |
| Other Liabilities: | | | | | |
| Compensated absences | 1,060,100 | 224,959 | 153,875 | 1,131,184 | 140,768 |
| Net pension liability | 109,161,360 | 117,810 | - | 109,279,170 | - |
| Net OPEB liability | <u>20,604,870</u> | <u>-</u> | <u>339,570</u> | <u>20,265,300</u> | <u>-</u> |
| Total Governmental Long-term Liabilities | <u>\$ 187,644,111</u> | <u>\$12,548,556</u> | <u>\$18,446,057</u> | <u>\$ 181,746,610</u> | <u>\$ 6,342,028</u> |
| | | | | | |
| | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2018</u> | <u>Due Within One Year</u> |
| Business-type Activities | | | | | |
| Compensated absences | \$ 14,356 | \$ 1,333 | \$ - | \$ 15,689 | \$ 596 |
| Net pension liability | 1,102,640 | 1,190 | - | 1,103,830 | - |
| Net OPEB liability | <u>208,130</u> | <u>-</u> | <u>3,430</u> | <u>204,700</u> | <u>-</u> |
| Total Business-type Long-term Liabilities | <u>\$ 1,325,126</u> | <u>\$ 2,523</u> | <u>\$ 3,430</u> | <u>\$ 1,324,219</u> | <u>\$ 596</u> |

Governmental activities long-term liabilities are liquidated by the general fund and business-type activities long-term liabilities are liquidated by the food service fund. Total interest expense during the year ended June 30, 2018 was \$1,371,272.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

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

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

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

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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 9 – EMPLOYEE RETIREMENT PLAN – continued

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

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

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

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the rate of the employer contribution was 32.57 percent of covered payroll, which was comprised of 31.74 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, 2018 was \$9,643,564.

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

At June 30, 2018, the District reported a liability of \$110,383,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2017, the District's proportion was 0.2235 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2016.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 9 – EMPLOYEE RETIREMENT PLAN – continued

For the year ended June 30, 2018, the District recognized pension expense of \$10,547,224. At June 30, 2018, 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 | \$ 2,558,000 | \$ - |
| Difference between expected and actual experience | 1,152,000 | 667,000 |
| Change in proportionate share of net pension liability | 1,671,000 | 1,909,000 |
| Change in assumptions | 2,999,000 | - |
| Difference between employer contributions and proportionate share of total contributions | 320,969 | - |
| Contributions subsequent to the date of measurement | 9,643,564 | - |
| | <u>\$18,344,533</u> | <u>\$ 2,576,000</u> |

An amount of \$9,643,564 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, 2019. 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> | |
|-----------------------------|---------------------|
| 2019 | \$ 592,489 |
| 2020 | 3,202,002 |
| 2021 | 2,561,209 |
| 2022 | <u>(230,731)</u> |
| | <u>\$ 6,124,969</u> |

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the system's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 9 – EMPLOYEE RETIREMENT PLAN – continued

- 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% | 5.1% |
| Fixed income | 36.0% | 2.6% |
| Commodities | 8.0% | 3.0% |
| Absolute return | 10.0% | 3.4% |
| Risk parity | 10.0% | 3.8% |
| Infrastructure/MLPs | 8.0% | 4.8% |
| Real estate | 10.0% | 3.6% |
| Alternative investments | 15.0% | 6.2% |
| Cash | 3.0% | 0.6% |
| Financing (LIBOR) | (20.0%) | 1.1% |
| | <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, 2017.

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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

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.

| | 1% Decrease 6.25% | Current Rate Discount Rate 7.25% | 1% Increase 8.25% |
|--|-------------------------|--|-------------------------|
| District's proportionate share of the net pension liability | \$135,872,000 | \$110,383,000 | \$ 88,863,000 |

Pension Plan Fiduciary Net Position

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

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under the GASB Codification, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. 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 2018, the District paid \$775,000 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2018. The total OPEB liability as of June 30, 2018 was determined by rolling forward the plan's total OPEB liability as of the June 30, 2016 actuarial valuation to the June 30, 2018 measurement date using the actuarial assumptions noted below.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

Discount Rate

The discount used to measure the total OPEB liability was 3.87 percent for the measurement date of June 30, 2018.

Health Cost Trend

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

| Fiscal Year Ending June 30 | Increase in Health Cost Over Prior Year |
|-------------------------------|---|
| 2018 | 7.30% |
| 2019 | 6.90% |
| 2020 | 6.50% |
| 2021 | 5.90% |
| 2022 | 5.60% |
| 2027 | 6.00% |
| 2032 | 5.90% |
| 2037 | 5.80% |
| 2042 | 5.60% |
| 2047 | 5.30% |
| 2057 | 5.10% |
| 2086 and later | 4.00% |

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.

Mortality Rates

RP-2014 Mortality Tables are adjusted to reflect Mortality Improvement Scale MP-2015 from 2006 base year and projected forward on a generational basis with Scale MP-2015 (based on recommendation of Society of Actuaries’ Retirement Plans Experience Committee). As a generational table, it reflects mortality improvements both before and after the measurement date.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

Salary Increases

For purposes of cost method allocation and projection of support staff retirement bonuses, assumed salary increases are based on the rates utilized in the June 30, 2016 actuarial valuation for the Pennsylvania PSERS and vary by age. Illustrative rates are shown below.

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

Medicare Participation

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

Inflation Rate

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

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.87% as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

| | <u>1% Decrease 2.87%</u> | <u>Current Rate Discount Rate 3.87%</u> | <u>1% Increase 4.87%</u> |
|------------------------|----------------------------------|---|----------------------------------|
| Total OPEB liability | \$ 17,273,000 | \$ 15,916,000 | \$ 14,410,000 |
| Fiduciary net position | <u>-</u> | <u>-</u> | <u>-</u> |
| Net OPEB liability | <u>\$ 17,273,000</u> | <u>\$ 15,916,000</u> | <u>\$ 14,410,000</u> |

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

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

| | <u>1% Decrease</u> | <u>Current Rate Discount Rate</u> | <u>1% Increase</u> |
|------------------------|------------------------|---------------------------------------|------------------------|
| Total OPEB liability | \$ 14,172,000 | \$ 15,916,000 | \$ 18,017,000 |
| Fiduciary net position | <u>-</u> | <u>-</u> | <u>-</u> |
| Net OPEB liability | <u>\$ 14,172,000</u> | <u>\$ 15,916,000</u> | <u>\$ 18,017,000</u> |

Changes in Total OPEB Liability

| | |
|--|----------------------|
| Total OPEB liability as of June 30, 2017 | \$ 16,020,000 |
| Service cost | 503,000 |
| Interest on OPEB obligation | 605,000 |
| Effect of assumption changes or inputs | (437,000) |
| Benefit payments | <u>(775,000)</u> |
| Total OPEB liability as of June 30, 2018 | <u>\$ 15,916,000</u> |

The amount of OPEB expense for the single employer plan recognized by the District was \$1,053,000 for the year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------|---|--|
| Change in assumptions | \$ - | \$ 382,000 |

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 10 – POSTEMPLOYMENT HEALTHCARE PLAN - continued

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

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2019 | \$ (55,000) |
| 2020 | (55,000) |
| 2021 | (55,000) |
| 2022 | (55,000) |
| 2023 | (55,000) |
| Thereafter | <u>(107,000)</u> |
| | <u>\$ (382,000)</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, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the Premium Assistance program if they satisfy the following criteria:

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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

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.

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. As of June 30, 2017 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, 2017 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 \$252,177 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$4,554,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2017, the District's proportion was 0.2235 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2016.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$54,976. At June 30, 2018, 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 | \$ 5,000 | \$ - |
| Change in proportionate share of net pension liability | 18,000 | - |
| Change in assumptions | - | 212,000 |
| Difference between employer contributions and proportionate share of total contributions | 870 | - |
| Contributions subsequent to the date of measurement | 252,177 | - |
| | <u>\$ 276,047</u> | <u>\$ 212,000</u> |

An amount of \$252,177 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, 2019. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources relating to pensions and will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2019 | \$ (30,277) |
| 2020 | (30,366) |
| 2021 | (30,366) |
| 2022 | (30,370) |
| 2023 | (31,573) |
| Thereafter | (35,178) |
| | <u>\$ (188,130)</u> |

Actuarial Assumptions

The total OPEB liability as of June 30, 2017, was determined by rolling forward the system’s total OPEB liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 3.13 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, 2015 determined the employer contribution rate for fiscal year 2017.
- 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 and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

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, 2018

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 | 76.4% | 0.6% |
| Fixed Income | 23.6% | 1.5% |
| | <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, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 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 3.13 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, 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, 2017, 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, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 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, 2017, 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 | \$ 4,552,000 | \$ 4,554,000 | \$ 4,555,000 |

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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 3.13 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 (2.13 percent) or one percentage point higher (4.13 percent) than the current rate:

| | 1% Decrease 2.13% | Current Discount Rate 3.13% | 1% Increase 4.13% |
|---|-------------------------|-----------------------------------|-------------------------|
| District's proportionate share of the net OPEB liability | \$ 5,176,000 | \$ 4,554,000 | \$ 4,036,000 |

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.

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) | \$ 15,916,000 | \$ - | \$ 382,000 |
| PSERS Plan (See Note 11) | 4,554,000 | 276,047 | 212,000 |
| Total | <u>\$ 20,470,000</u> | <u>\$ 276,047</u> | <u>\$ 594,000</u> |

NOTE 13 – FUND BALANCES

As of June 30, 2018, fund balances are composed of the following:

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Total Governmental Funds |
|---------------------|---------------------|--------------------------|-------------------------|--------------------------------|
| Nonspendable | \$ 7,586 | \$ - | \$ - | \$ 7,586 |
| Restricted: | | | | |
| Capital projects | - | 185,617 | 9,048,363 | 9,233,980 |
| Unassigned | 6,888,627 | - | - | 6,888,627 |
| Total Fund Balances | <u>\$ 6,896,213</u> | <u>\$ 185,617</u> | <u>\$ 9,048,363</u> | <u>\$ 16,130,193</u> |

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

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.

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 2017 - 2018 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, 2018, 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 2017-18 year, the maximum claims liability was \$35,714. 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 | |
|--|-------------------|-----------|
| | 6/30/2018 | 6/30/2017 |
| Unpaid Claims Premiums, beginning of fiscal year | \$ 0 | \$ 0 |
| Claims and premiums | 178,570 | 177,982 |
| Payments | (178,570) | (177,982) |
| Unpaid Claims Premiums, end of fiscal year | \$ 0 | \$ 0 |

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 15 – RISK MANAGEMENT - continued

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, 2018:

| | |
|---|--------------------------|
| Claims Payable | \$ 426,392 |
| Changes in benefit obligations as follows for the year ended June 30, 2018: | |
| Claims Payable, beginning of year | 550,410 |
| Benefits earned | 5,587,743 |
| Claims paid | <u>(5,711,761)</u> |
| Claims payable, end of year | <u><u>\$ 426,392</u></u> |

NOTE 16 – DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$104,512,774 (governmental activities) and \$362,615 (business-type activities and food service fund) 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 – PRIOR PERIOD ADJUSTMENTS

The District has decreased its July 1, 2016 net position in the governmental activities by \$13,538,755 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The District recorded a beginning deferred outflow for OPEB contributions of \$245,534 and a beginning net OPEB liability of \$20,604,870. The previously reported \$6,820,581 OPEB liability as of June 30, 2017 is no longer recognized due to the change in accounting principle.

The District has decreased its July 1, 2016 net position by \$205,650 in the business-type activities and food service fund due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The District recorded a beginning deferred outflow for OPEB contributions of \$2,480 and a beginning net OPEB liability of \$208,130.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 18 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

| | | |
|------------------------|----|---------|
| Administrative support | \$ | 133,911 |
|------------------------|----|---------|

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

NOTE 19 – SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 1, 2018, the date the financial statements were available to be issued.

NOTE 20 – NEW ACCOUNTING PRONOUNCEMENTS

- Statement No. 83, Certain Asset Retirement Obligations - This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.
- 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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2018

NOTE 20 – NEW ACCOUNTING PRONOUNCEMENTS- continued

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.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

| | Measurement Date | | | |
|---|------------------|----------------|---------------|---------------|
| | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| District's proportion of the net pension liability | 0.2235% | 0.2225% | 0.2175% | 0.2204% |
| District's proportion of the net pension liability - dollar value | \$ 110,383,000 | \$ 110,264,000 | \$ 94,210,000 | \$ 87,236,000 |
| District's covered employee payroll | \$ 29,881,260 | \$ 28,934,868 | \$ 28,164,151 | \$ 28,122,261 |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 369.41% | 381.08% | 334.50% | 310.20% |
| Plan fiduciary net position as a percentage of the total pension liability | 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, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 9,643,564 | \$ 8,725,328 | \$ 7,233,717 | \$ 5,773,651 |
| Contributions in relation to the contractually required contribution | <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> |
| District's covered-employee payroll | \$ 30,382,999 | \$ 29,881,260 | \$ 28,934,868 | \$ 28,164,151 |
| Contributions as a percentage of covered-employee payroll | 31.74% | 29.20% | 25.00% | 20.50% |

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

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

| | Measurement Date <u>June 30, 2017</u> |
|--|---|
| District's proportion of the net OPEB liability | 0.2235% |
| District's proportion of the net OPEB liability - dollar value | \$ 4,554,000 |
| District's covered employee payroll | \$ 29,881,260 |
| District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 15.24% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 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, 2018</u> |
|---|----------------------|
| Contractually required contribution | \$ 252,177 |
| Contributions in relation to the contractually required contribution | <u>252,177</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 30,382,999 |
| Contributions as a percentage of covered-employee payroll | 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 TOTAL OPEB LIABILITY -
SINGLE EMPLOYER PLAN**

| | Measurement Date <u>June 30, 2018</u> |
|---|---|
| TOTAL OPEB LIABILITY | |
| Service cost | 503,000 |
| Interest on total OPEB liability | 605,000 |
| Effect of assumption changes or inputs | (437,000) |
| Benefit payments | <u>(775,000)</u> |
| NET CHANGE IN TOTAL OPEB LIABILITY | (104,000) |
| TOTAL OPEB LIABILITY, BEGINNING OF YEAR | <u>16,020,000</u> |
| TOTAL OPEB LIABILITY, END OF YEAR | <u><u>\$ 15,916,000</u></u> |
| <u>PLAN FIDUCIARY NET POSITION</u> | |
| PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR | <u>\$ -</u> |
| PLAN FIDUCIARY NET POSITION, END OF YEAR | <u><u>\$ -</u></u> |
| DISTRICT'S NET OPEB LIABILITY | <u><u>\$ 15,916,000</u></u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.00% |
| Covered employee payroll | \$ 29,587,921 |
| District's net OPEB liability as a percentage of covered payroll | 53.79% |
| Expected average remaining service years of all participants | 8 |

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - SINGLE EMPLOYER PLAN**

| <u>Year</u> | <u>Actuarial Determined Contribution</u> | <u>Contributions from Employer</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as a Percentage of Payroll</u> |
|-------------|--|--|---|---|---|
| 2018 | \$ 775,000 | \$ 775,000 | \$ - | \$ 30,084,735 | 2.58% |

Notes to Schedule:

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.

Valuation Date: July 1, 2016

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|------------------------|--|
| Actuarial cost method | Entry age |
| Asset valuation method | Market value |
| Discount rate | 3.87% |
| Healthcare trend rates | 7.30% in 2018 reducing in steps to 4.00% in 2086 and later |

Schedule of changes in benefit terms

The discount rate was changed from 3.58% to 3.87%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERs assumptions.

Current director is only eligible for Act 110/43 benefits

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, 2018

| REVENUES | Original & Final | | Variance with |
|---|-----------------------------|----------------------|----------------------|
| | Budget | Actual | Final Budget |
| Local Revenue | | | |
| Current Real Estate Taxes | \$ 56,847,427 | \$ 56,609,086 | \$ (238,341) |
| Interim Real Estate Taxes | 400,000 | 234,855 | (165,145) |
| Utility Taxes | 73,000 | 63,481 | (9,519) |
| Earned Income | 4,200,000 | 4,568,266 | 368,266 |
| Realty Transfer Tax | 800,000 | 916,919 | 116,919 |
| Delinquent Real Estate Taxes | 1,775,000 | 2,071,464 | 296,464 |
| Investment Earnings | 80,000 | 415,193 | 335,193 |
| Facility Rental Fees | 66,350 | 90,682 | 24,332 |
| Other Revenue | 234,077 | 287,980 | 53,903 |
| Total Revenue from Local Sources | 64,475,854 | 65,257,926 | 782,072 |
| State Revenue | | | |
| State Basic Subsidy | 5,675,608 | 5,651,665 | (23,943) |
| Migratory Children | - | 1,771 | 1,771 |
| Tuition Orphans & Children | - | 28,768 | 28,768 |
| Special Education | 1,845,792 | 1,850,375 | 4,583 |
| Transportation | 1,380,075 | 1,480,781 | 100,706 |
| Authority Rental Reimbursement | 560,408 | 486,728 | (73,680) |
| Health Services | 86,000 | 85,424 | (576) |
| Property Tax Reduction Allocation | 1,436,354 | 1,436,354 | - |
| Ready to Learn Grant | 400,617 | 400,617 | - |
| FICA Reimbursement | 1,142,291 | 1,102,443 | (39,848) |
| Retirement Reimbursement | 4,900,874 | 4,857,630 | (43,244) |
| Total Revenue from State Sources | 17,428,019 | 17,382,556 | (45,463) |
| Federal Revenue | | | |
| Title I | 721,594 | 679,382 | (42,212) |
| Title II | 93,424 | 116,308 | 22,884 |
| Title III | 163,054 | 116,305 | (46,749) |
| Title IV | - | 13,670 | 13,670 |
| IDEA | 565,257 | 537,674 | (27,583) |
| Medical Assistance Reimbursement | 49,827 | 185,218 | 135,391 |
| Total Revenue From Federal Sources | 1,593,156 | 1,648,557 | 55,401 |
| Other Sources | | | |
| Proceeds From Refunding of Bonds | - | 11,425,000 | 11,425,000 |
| Bond Premiums | - | 934,662 | 934,662 |
| Sale of Capital Assets | - | 6,900 | 6,900 |
| Total Revenue From Other Sources | - | 12,366,562 | 12,366,562 |
| Total Revenues | \$ 83,497,029 | \$ 96,655,601 | \$ 13,158,572 |

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual
For the Year Ended June 30, 2018

| EXPENDITURES | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|----------------------------|-------------------------|-------------------|---|
| Regular Instruction | | | | |
| Salaries | \$ 18,285,435 | \$ 18,213,305 | \$ 18,152,565 | \$ 60,740 |
| Employee Benefits | 12,408,468 | 12,067,338 | 11,141,888 | 925,450 |
| Purchased Professional & Technical Services | 159,831 | 97,718 | 87,862 | 9,856 |
| Purchased Property Services | 5,500 | 1,759 | 1,056 | 702 |
| Other Purchased Services | 3,579,340 | 3,633,662 | 3,633,162 | 500 |
| Supplies | 528,933 | 480,621 | 480,529 | 92 |
| Property | 18,500 | 25,978 | 23,350 | 2,627 |
| Other Objects | - | 707 | 705 | 2 |
| Total | 34,986,007 | 34,521,087 | 33,521,118 | 999,969 |
| Special Instruction | | | | |
| Salaries | 2,681,302 | 2,671,303 | 2,663,350 | 7,953 |
| Employee Benefits | 1,806,005 | 1,816,005 | 1,599,315 | 216,690 |
| Purchased Professional & Technical Services | 6,088,402 | 5,841,093 | 4,610,330 | 1,230,763 |
| Purchased Property Services | 2,000 | 2,000 | - | 2,000 |
| Other Purchased Services | 2,689,934 | 2,840,606 | 2,830,131 | 10,476 |
| Supplies | 46,999 | 47,309 | 42,518 | 4,791 |
| Property | 20,000 | 19,800 | 15,809 | 3,991 |
| Other Objects | 4,500 | 4,500 | - | 4,500 |
| Total | 13,339,142 | 13,242,615 | 11,761,452 | 1,481,163 |
| Vocational Programs | | | | |
| Other Purchased Services | 1,751,095 | 1,751,095 | 1,748,113 | 2,982 |
| Total | 1,751,095 | 1,751,095 | 1,748,113 | 2,982 |
| Other Instructional Programs | | | | |
| Salaries | - | 45,000 | 41,790 | 3,210 |
| Employee Benefits | - | 16,944 | 16,912 | 32 |
| Purchased Professional & Technical Services | 50,768 | 27,875 | 16,065 | 11,811 |
| Other Purchased Services | 118,943 | 130,139 | 103,853 | 26,287 |
| Supplies | - | 8,319 | 4,801 | 3,518 |
| Other Objects | - | 12,591 | 1,547 | 11,044 |
| Total | 169,711 | 240,869 | 184,967 | 55,902 |
| Support Services-Students | | | | |
| Salaries | 1,337,170 | 1,355,170 | 1,354,764 | 405 |
| Employee Benefits | 891,337 | 910,237 | 807,107 | 103,130 |
| Purchased Professional & Technical Services | 255,000 | 255,000 | 241,378 | 13,622 |
| Other Purchased Services | 5,100 | 4,925 | 1,532 | 3,393 |
| Supplies | 11,800 | 12,575 | 8,124 | 4,451 |
| Property | 1,000 | 1,000 | - | 1,000 |
| Other Objects | 750 | 750 | 405 | 345 |
| Total | 2,502,157 | 2,539,657 | 2,413,311 | 126,346 |

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual - continued
For the Year Ended June 30, 2018

| EXPENDITURES | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|----------------------------|-------------------------|------------------|---|
| Support Services-Instructional Staff | | | | |
| Salaries | 1,133,282 | 1,129,941 | 1,130,109 | (168) |
| Employee Benefits | 692,925 | 897,188 | 810,494 | 86,693 |
| Purchased Professional & Technical Services | 71,000 | 113,888 | 113,294 | 594 |
| Purchased Property Services | 3,000 | 3,063 | 2,742 | 321 |
| Other Purchased Services | 24,648 | 15,449 | 14,767 | 682 |
| Supplies | 221,684 | 390,899 | 382,564 | 8,335 |
| Property | 18,000 | 3,603 | 2,658 | 944 |
| Other Objects | 6,300 | 3,900 | 2,786 | 1,114 |
| Total | 2,170,839 | 2,557,929 | 2,459,414 | 98,515 |
| Support Services-Administration | | | | |
| Salaries | 2,424,915 | 2,483,215 | 2,551,757 | (68,542) |
| Employee Benefits | 1,424,913 | 1,421,118 | 1,323,292 | 97,827 |
| Purchased Professional & Technical Services | 282,625 | 226,475 | 219,932 | 6,543 |
| Other Purchased Services | 174,575 | 149,373 | 147,879 | 1,494 |
| Supplies | 31,815 | 41,354 | 32,856 | 8,498 |
| Property | 9,000 | 10,800 | 10,231 | 569 |
| Other Objects | 66,994 | 67,812 | 248,112 | (180,300) |
| Total | 4,414,837 | 4,400,148 | 4,534,059 | (133,911) |
| Support Services-Pupil Health | | | | |
| Salaries | 501,232 | 501,232 | 494,456 | 6,776 |
| Employee Benefits | 341,514 | 341,514 | 275,859 | 65,655 |
| Purchased Professional & Technical Services | 8,200 | 13,037 | 11,712 | 1,325 |
| Purchased Property Services | 100 | 100 | - | 100 |
| Other Purchased Services | 27,500 | 25,500 | 15,286 | 10,214 |
| Supplies | 27,636 | 29,674 | 22,383 | 7,291 |
| Total | 906,182 | 911,057 | 819,696 | 91,361 |
| Support Services-Business | | | | |
| Salaries | 655,940 | 645,941 | 643,245 | 2,695 |
| Employee Benefits | 352,232 | 355,072 | 317,328 | 37,743 |
| Purchased Professional & Technical Services | 75,522 | 47,522 | 42,647 | 4,876 |
| Other Purchased Services | 9,250 | 9,250 | 5,192 | 4,058 |
| Supplies | 15,000 | 8,000 | 4,806 | 3,194 |
| Property | 10,000 | - | - | - |
| Other Objects | 16,650 | 112,250 | 112,059 | 191 |
| Total | 1,134,594 | 1,178,034 | 1,125,278 | 52,756 |
| Operation & Maintenance of Plant Services | | | | |
| Salaries | 2,121,353 | 2,093,253 | 1,999,579 | 93,673 |
| Employee Benefits | 1,622,869 | 1,562,869 | 1,330,220 | 232,649 |
| Purchased Professional & Technical Services | 163,120 | 195,844 | 195,843 | 2 |
| Purchased Property Services | 1,752,916 | 1,092,204 | 1,206,419 | (114,215) |
| Other Purchased Services | 271,972 | 211,682 | 210,137 | 1,545 |
| Supplies | 628,257 | 1,287,958 | 1,285,770 | 2,189 |
| Property | 125,909 | 158,379 | 125,870 | 32,509 |
| Other Objects | 17,373 | 15,838 | 14,991 | 847 |
| Total | 6,703,769 | 6,618,027 | 6,368,828 | 249,199 |

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual - continued
For the Year Ended June 30, 2018

| EXPENDITURES | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|----------------------------|-------------------------|----------------------|---------------------------------------|
| Student Transportation | | | | |
| Salaries | 124,406 | 125,706 | 127,615 | (1,909) |
| Employee Benefits | 93,677 | 94,102 | 81,949 | 12,153 |
| Purchased Professional & Technical Services | 2,000 | 1,850 | - | 1,850 |
| Purchased Property Services | 2,500 | 3,550 | 3,514 | 36 |
| Other Purchased Services | 4,829,536 | 4,837,752 | 4,731,320 | 106,432 |
| Supplies | 30,000 | 30,000 | 28,287 | 1,713 |
| Property | 25,000 | 25,000 | 15,037 | 9,963 |
| Other Objects | 1,500 | 1,500 | 646 | 854 |
| Total | 5,108,619 | 5,119,460 | 4,988,368 | 131,092 |
| Support Services-Central | | | | |
| Salaries | 732,711 | 758,211 | 761,124 | (2,913) |
| Employee Benefits | 504,865 | 538,400 | 470,320 | 68,080 |
| Purchased Professional & Technical Services | 131,250 | 123,150 | 110,667 | 12,483 |
| Other Purchased Services | 177,974 | 154,974 | 153,522 | 1,452 |
| Supplies | 307,150 | 287,150 | 289,418 | (2,268) |
| Property | 336,376 | 296,376 | 292,235 | 4,141 |
| Other Objects | 3,500 | 4,600 | 2,094 | 2,506 |
| Total | 2,193,826 | 2,162,861 | 2,079,382 | 83,479 |
| Other Support Services | | | | |
| Other Purchased Services | 37,551 | 37,551 | 34,626 | 2,925 |
| Total | 37,551 | 37,551 | 34,626 | 2,925 |
| Operation of Non-instructional Services | | | | |
| Salaries | 663,578 | 686,449 | 674,817 | 11,631 |
| Employee Benefits | 255,139 | 300,556 | 296,090 | 4,465 |
| Purchased Professional & Technical Services | 100,441 | 91,193 | 90,191 | 1,002 |
| Purchased Property Services | 3,000 | 3,000 | 1,418 | 1,582 |
| Other Purchased Services | 118,375 | 118,731 | 121,819 | (3,088) |
| Supplies | 125,508 | 188,843 | 109,888 | 78,955 |
| Property | 16,311 | 15,378 | 10,508 | 4,870 |
| Other Objects | 41,010 | 68,776 | 76,850 | (8,074) |
| Total | 1,323,362 | 1,472,925 | 1,381,581 | 91,345 |
| Community Services | | | | |
| Salaries | - | 4,300 | 4,300 | - |
| Employee Benefits | - | 1,739 | 1,739 | - |
| Purchased Professional & Technical Services | - | 15,806 | 15,806 | - |
| Total | - | 21,844 | 21,844 | - |
| Facilities Acquisition, Construction & Improvement Services | | | | |
| Purchased Property Services | 100,000 | 100,000 | 91,771 | 8,229 |
| Total | 100,000 | 100,000 | 91,771 | 8,229 |
| Other Expenditures & Financing Uses | | | | |
| Debt Service Interest | 1,489,668 | 1,546,199 | 1,578,093 | (31,894) |
| Debt Service Principal | 5,790,000 | 5,790,000 | 17,925,000 | (12,135,000) |
| Fund Transfers | - | - | 3,485,877 | (3,485,877) |
| Budgetary Reserve | 90,000 | - | - | - |
| Total | 7,369,668 | 7,336,199 | 22,988,970 | (15,652,770) |
| Total Expenditures | \$ 84,211,359 | \$ 84,211,359 | \$ 96,522,778 | \$ (12,311,419) |

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, 2018

| | Balance 6/30/2017 | Additions | Reductions | Balance 6/30/2018 |
|----------------------------|------------------------------------|-------------------|-------------------|------------------------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | <u>\$ 39,113</u> | <u>\$ 148,233</u> | <u>\$ 137,485</u> | <u>\$ 49,861</u> |
| Total Current Assets | <u>\$ 39,113</u> | <u>\$ 148,233</u> | <u>\$ 137,485</u> | <u>\$ 49,861</u> |
| CURRENT LIABILITIES | | | | |
| Other Current Liabilities | <u>\$ 39,113</u> | <u>\$ 155,327</u> | <u>\$ 144,609</u> | <u>\$ 49,831</u> |

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STATISTICAL SECTION

STATISTICAL SECTION

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

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

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

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KENNETT CONSOLIDATED SCHOOL DISTRICT

Net Position by Component Last Ten Fiscal Years

| | Fiscal Year Ending June 30 | | | | |
|----------------------------------|----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Governmental Activities | | | | | |
| Net Investment in capital assets | \$ 44,364,140 | \$ 41,619,899 | \$ 36,394,244 | \$ 33,432,135 | \$ 29,177,881 |
| Restricted | 9,233,980 | 6,426,725 | 8,474,047 | 8,912,438 | 9,471,432 |
| Unrestricted (deficit) | (104,512,774) | (90,220,849) | (90,014,965) | (90,647,267) | (89,481,724) |
| Total Net Position (Deficit) | (50,914,654) | (42,174,225) | (45,146,674) | (48,302,694) | (50,832,411) |
| Business-type Activities | | | | | |
| Net Investment in capital assets | 681,923 | 723,127 | 756,764 | 807,942 | 830,369 |
| Unrestricted (deficit) | (362,615) | (172,533) | (141,247) | (163,191) | (174,188) |
| Total Net Position | 319,308 | 550,594 | 615,517 | 644,751 | 656,181 |
| Total Primary Government | | | | | |
| Net Investment in capital assets | 45,046,063 | 42,343,026 | 37,151,008 | 34,240,077 | 30,008,250 |
| Restricted | 9,233,980 | 6,426,725 | 8,474,047 | 8,912,438 | 9,471,432 |
| Unrestricted (deficit) | (104,875,389) | (90,393,382) | (90,156,212) | (90,810,458) | (89,655,912) |
| Total Net Position (Deficit) | \$ (50,595,346) | \$ (41,623,631) | \$ (44,531,157) | \$ (47,657,943) | \$ (50,176,230) |

Source: District Audited Financial Statements

Notes: Starting in 2017-18 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 2014-15 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 | | | | |
|----------------------------------|----------------------------|---------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Governmental Activities | | | | | |
| Net Investment in capital assets | \$ 26,321,970 | \$ 25,733,483 | \$ 21,438,008 | \$ 18,810,820 | \$ 16,693,270 |
| Restricted | 9,160,280 | 9,546,005 | 10,451,173 | 9,344,348 | 527,927 |
| Unrestricted | 944,365 | (803,045) | 2,163,205 | 3,073,592 | 10,784,352 |
| Total Net Position | 36,426,615 | 34,476,443 | 34,052,386 | 31,228,760 | 28,005,549 |
| Business-type Activities | | | | | |
| Net Investment in capital assets | 867,408 | 911,864 | 556,624 | 901,384 | - |
| Unrestricted | 742,531 | 648,727 | 505,552 | 279,224 | 821,718 |
| Total Net Position | 1,609,939 | 1,560,591 | 1,062,176 | 1,180,608 | 821,718 |
| Total Primary Government | | | | | |
| Net Investment in capital assets | 27,189,378 | 26,645,347 | 21,994,632 | 19,712,204 | 16,693,270 |
| Restricted | 9,160,280 | 9,546,005 | 10,451,173 | 9,344,348 | 527,927 |
| Unrestricted | 1,686,896 | (154,318) | 2,668,757 | 3,352,816 | 11,606,070 |
| Total Net Position | \$ 38,036,554 | \$ 36,037,034 | \$ 35,114,562 | \$ 32,409,368 | \$ 28,827,267 |

Source: District Audited Financial Statements

Notes: Starting in 2017-18 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 2014-15 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, | | | | |
|--|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ 49,295,717 | \$ 50,130,855 | \$ 47,394,610 | \$ 45,847,083 | \$ 42,797,572 |
| Instructional Student Support | 5,809,112 | 4,765,349 | 5,357,520 | 4,953,537 | 4,943,339 |
| Administrative & Financial Support Services | 8,116,912 | 7,958,298 | 7,709,518 | 6,833,294 | 6,422,488 |
| Operation & Maintenance of Plant Services | 7,173,418 | 7,280,812 | 6,942,484 | 6,776,493 | 6,749,110 |
| Pupil Transportation | 5,017,352 | 4,965,476 | 5,054,747 | 5,018,670 | 4,753,709 |
| Student Activities | 1,516,007 | 1,471,939 | 1,254,487 | 1,226,738 | 1,189,028 |
| Community Services | - | - | - | - | 108,225 |
| Interest on Long-term Debt | 1,371,272 | 1,445,831 | 1,781,169 | 1,939,805 | 2,144,350 |
| Unallocated Depreciation Expense | 1,192,020 | 1,137,857 | 1,112,243 | 1,066,578 | 1,037,914 |
| Total Governmental Activities Expense | 79,491,810 | 79,156,417 | 76,606,778 | 73,662,198 | 70,145,735 |
| Business-type Activities: | | | | | |
| Food Services | 1,817,583 | 1,877,620 | 1,825,470 | 1,781,548 | 1,797,999 |
| Total Primary Government Expenses | 81,309,393 | 81,034,037 | 78,432,248 | 75,443,746 | 71,943,734 |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for Service | 219,992 | 261,483 | 200,969 | 205,253 | 176,484 |
| Operating Grants and Contributions | 11,943,111 | 11,290,760 | 10,462,025 | 9,675,484 | 8,637,648 |
| Capital Grants and Contributions | - | - | - | - | - |
| Total Governmental Program Revenue | 12,163,103 | 11,552,243 | 10,662,994 | 9,880,737 | 8,814,132 |
| Business-type Activities | | | | | |
| Charges for Service | 702,816 | 692,442 | 714,040 | 752,780 | 723,032 |
| Operating Grants and Contributions | 1,078,068 | 1,115,248 | 1,075,411 | 1,016,523 | 1,032,266 |
| Total Business-type Program Revenues | 1,780,884 | 1,807,690 | 1,789,451 | 1,769,303 | 1,755,298 |
| Total Primary Government Program Revenues | 13,943,987 | 13,359,933 | 12,452,445 | 11,650,040 | 10,569,430 |
| Net Revenues (Expenses) | | | | | |
| Governmental Activities | (67,328,707) | (67,604,174) | (65,943,784) | (63,781,461) | (61,331,603) |
| Business-type Activities | (36,699) | (69,930) | (36,019) | (12,245) | (42,701) |
| Total Primary Government | \$ (67,365,406) | \$ (67,674,104) | \$ (65,979,803) | \$ (63,793,706) | \$ (61,374,304) |

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ 41,822,110 | \$ 40,805,780 | \$ 39,516,197 | \$ 38,004,683 | \$ 36,333,409 |
| Instructional Student Support | 10,299,201 | 9,974,543 | 9,865,076 | 10,246,420 | 11,456,726 |
| Administrative & Financial Support Services | 977,727 | 944,789 | 936,078 | 877,227 | 996,829 |
| Operation & Maintenance of Plant Services | 6,177,565 | 6,502,464 | 6,090,677 | 6,345,772 | 6,300,562 |
| Pupil Transportation | 5,234,257 | 5,219,016 | 5,050,335 | 4,661,033 | 4,754,290 |
| Student Activities | 1,103,142 | 1,079,627 | 985,023 | 950,415 | 996,829 |
| Community Services | 210 | 22,289 | 13,141 | 12,401 | - |
| Interest on Long-term Debt | 3,031,457 | 2,912,171 | 3,027,264 | 2,581,790 | 2,811,008 |
| Unallocated Depreciation Expense | 1,072,256 | 1,013,403 | 889,411 | 849,136 | 772,127 |
| Total Governmental Activities Expense | 69,717,925 | 68,474,082 | 66,373,202 | 64,528,877 | 64,421,780 |
| Business-type Activities: | | | | | |
| Food Services | 1,632,842 | 1,665,483 | 1,485,208 | 1,553,156 | 1,411,390 |
| Total Primary Government Expenses | 71,350,767 | 70,139,565 | 67,858,410 | 66,082,033 | 65,833,170 |
| Program Revenues | | | | | |
| Governmental Activities: | | | | | |
| Charges for Service | - | - | - | - | - |
| Operating Grants and Contributions | 3,008,134 | 3,116,728 | 3,325,116 | 3,065,957 | 3,551,466 |
| Capital Grants and Contributions | 366,705 | 417,636 | 435,681 | 430,126 | 443,103 |
| Total Governmental Program Revenue | 3,374,839 | 3,534,364 | 3,760,797 | 3,496,083 | 3,994,569 |
| Business-type Activities | | | | | |
| Charges for Service | 768,217 | 818,847 | 775,625 | 776,914 | 743,568 |
| Operating Grants and Contributions | 913,337 | 944,545 | 890,905 | 834,862 | 731,913 |
| Total Business-type Program Revenues | 1,681,554 | 1,763,392 | 1,666,530 | 1,611,776 | 1,475,481 |
| Total Primary Government Program Revenues | 5,056,393 | 5,297,756 | 5,427,327 | 5,107,859 | 5,470,050 |
| Net Revenues (Expenses) | | | | | |
| Governmental Activities | (66,343,086) | (64,939,718) | (62,612,405) | (61,032,794) | (60,427,211) |
| Business-type Activities | 48,712 | 97,909 | 181,322 | 58,620 | 64,091 |
| Total Primary Government | \$ (66,294,374) | \$ (64,841,809) | \$ (62,431,083) | \$ (60,974,174) | \$ (60,363,120) |

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net Revenues (Expenses) | | | | | |
| Governmental Activities | \$ (67,328,707) | \$ (67,604,174) | \$ (65,943,784) | \$ (63,781,461) | \$ (61,331,603) |
| Business-Type Activities | (36,699) | (69,930) | (36,019) | (12,245) | (42,701) |
| Total Primary Government | (67,365,406) | (67,674,104) | (65,979,803) | (63,793,706) | (61,374,304) |
| GENERAL REVENUES | | | | | |
| Governmental Activities | | | | | |
| Taxes: | | | | | |
| Property Taxes Levied for General Purposes, net | 58,782,626 | 57,336,108 | 56,516,864 | 54,590,123 | 53,427,263 |
| Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net | 5,548,666 | 5,789,265 | 5,475,062 | 4,902,057 | 4,935,324 |
| Grants, Subsidies, & Contributions Not Restricted | 7,088,002 | 7,010,842 | 6,714,900 | 6,494,554 | 6,509,788 |
| Investment Earnings | 549,069 | 177,099 | 100,433 | 52,014 | 103,203 |
| Miscellaneous Income | 158,670 | 263,309 | 297,469 | 272,430 | 250,180 |
| Total Government Activities | 72,127,033 | 70,576,623 | 69,104,728 | 66,311,178 | 65,225,758 |
| Business-type Activities | | | | | |
| Investment Earnings | 11,063 | 5,007 | 1,861 | 815 | 750 |
| Total Business-type Activities | 11,063 | 5,007 | 1,861 | 815 | 750 |
| Total Primary Government | 72,138,096 | 70,581,630 | 69,106,589 | 66,311,993 | 65,226,508 |
| Excess (Deficiency) of Revenues Over Expenditures | | | | | |
| Governmental Activities | 4,798,326 | 2,972,449 | 3,160,944 | 2,529,717 | 3,894,155 |
| Business-type Activities | (25,636) | (64,923) | (34,158) | (11,430) | (41,951) |
| Other Financing Sources (Uses) | | | | | |
| Governmental Activities-Transfers Out | - | - | (4,924) | - | (8,843) |
| Business-type Activities-Transfers In | - | - | 4,924 | - | 8,843 |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Change in Net Position | | | | | |
| Governmental Activities | 4,798,326 | 2,972,449 | 3,156,020 | 2,529,717 | 3,885,312 |
| Business-type Activities | (25,636) | (64,923) | (29,234) | (11,430) | (33,108) |
| Total Primary Government | \$ 4,772,690 | \$ 2,907,526 | \$ 3,126,786 | \$ 2,518,287 | \$ 3,852,204 |

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

| | Fiscal Year Ending June 30, | | | | |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Net Revenues (Expenses) | | | | | |
| Governmental Activities | \$ (66,343,086) | \$ (64,939,718) | \$ (62,612,405) | \$ (61,032,794) | \$ (60,427,211) |
| Business-Type Activities | 48,712 | 97,909 | 181,322 | 58,620 | 64,091 |
| Total Primary Government | (66,294,374) | (64,841,809) | (62,431,083) | (60,974,174) | (60,363,120) |
| GENERAL REVENUES | | | | | |
| Governmental Activities | | | | | |
| Taxes: | | | | | |
| Property Taxes Levied for General Purposes, net | 52,137,413 | 50,789,517 | 49,954,005 | 49,443,984 | 47,863,361 |
| Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net | 4,614,053 | 3,841,949 | 3,524,101 | 3,464,303 | 3,557,071 |
| Grants, Subsidies, & Contributions Not Restricted | 11,061,864 | 10,671,410 | 11,183,489 | 10,863,997 | 9,851,121 |
| Investment Earnings | 71,589 | 96,483 | 238,073 | 210,956 | 875,034 |
| Miscellaneous Income | 408,339 | 364,416 | 536,363 | 272,768 | 181,763 |
| Special Items (Loss) on demolition of building | - | - | - | - | - |
| Total Government Activities | 68,293,258 | 65,763,775 | 65,436,031 | 64,256,008 | 62,328,350 |
| Business-type Activities | | | | | |
| Investment Earnings | 636 | 506 | 246 | 270 | 1,091 |
| Total Business-type Activities | 636 | 506 | 246 | 270 | 1,091 |
| Total Primary Government | 68,293,894 | 65,764,281 | 65,436,277 | 64,256,278 | 62,329,441 |
| Excess (Deficiency) of Revenues Over Expenditures | | | | | |
| Governmental Activities | 1,950,172 | 824,057 | 2,823,626 | 3,223,214 | 1,901,139 |
| Business-type Activities | 49,348 | 98,415 | 181,568 | 58,890 | 65,182 |
| Other Financing Sources (Uses) | | | | | |
| Governmental Activities - Transfers Out | - | (400,000) | - | - | - |
| Business-type Activities-Transfers In | - | 400,000 | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Change in Net Position | | | | | |
| Governmental Activities | 1,950,172 | 424,057 | 2,823,626 | 3,223,214 | 1,901,139 |
| Business-type Activities | 49,348 | 498,415 | 181,568 | 58,890 | 65,182 |
| Total Primary Government | \$ 1,999,520 | \$ 922,472 | \$ 3,005,194 | \$ 3,282,104 | \$ 1,966,321 |

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, | | | | |
|---|-----------------------------|--------------------|--------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| General Fund | | | | | |
| Nonspendable | \$ 7,586 | \$ 52,578 | \$ 22,038 | \$ - | \$ - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Unassigned | 6,888,627 | 6,710,812 | 6,496,902 | 6,311,786 | 6,071,743 |
| Total General Fund | \$6,896,213 | \$6,763,390 | \$6,518,940 | \$ 6,311,786 | \$ 6,071,743 |
| All Other Governmental Funds | | | | | |
| Capital Projects | | | | | |
| Restricted | \$9,233,980 | \$6,426,725 | \$8,474,047 | \$ 8,912,438 | \$ 9,471,432 |
| Total All Other Governmental Funds | \$9,233,980 | \$6,426,725 | \$8,474,047 | \$ 8,912,438 | \$ 9,471,432 |

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, | | | | |
|---|-----------------------------|---------------------|----------------------|----------------------|---------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| General Fund | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 764,933 | 764,933 | 764,933 | - | - |
| Committed | 778,000 | 778,000 | 778,000 | - | - |
| Unassigned | 4,368,626 | 3,702,545 | 4,137,638 | 5,732,721 | 5,601,930 |
| Total General Fund | \$ 5,911,559 | \$ 5,245,478 | \$ 5,680,571 | \$ 5,732,721 | \$ 5,601,930 |
| All Other Governmental Funds | | | | | |
| Capital Projects | | | | | |
| Restricted | \$ 8,395,347 | \$ 8,781,072 | \$ 18,951,173 | \$ 24,294,226 | \$ 7,053,337 |
| Total All Other Governmental Funds | \$ 8,395,347 | \$ 8,781,072 | \$ 18,951,173 | \$ 24,294,226 | \$ 7,053,337 |

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, | | | | |
|--|--------------------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| REVENUES: | | | | | |
| Local Sources | \$ 65,350,648 | \$ 63,857,789 | \$ 62,338,405 | \$ 60,070,213 | \$ 58,950,195 |
| State Sources | 17,382,556 | 16,734,075 | 15,655,262 | 14,759,517 | 13,471,522 |
| Federal Sources | 1,648,557 | 1,558,249 | 1,521,663 | 1,405,253 | 1,675,914 |
| TOTAL REVENUES | 84,381,761 | 82,150,113 | 79,515,330 | 76,234,983 | 74,097,631 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | 47,215,650 | 48,798,636 | 46,141,491 | 43,645,410 | 41,173,135 |
| Support Services | 24,822,962 | 23,990,869 | 23,698,137 | 22,017,365 | 21,322,424 |
| Operation of Non-Instructional Services | 1,403,425 | 1,439,536 | 1,265,038 | 1,224,276 | 1,297,851 |
| Total Current Expenditures | 73,442,037 | 74,229,041 | 71,104,666 | 66,887,051 | 63,793,410 |
| Capital Outlay | | | | | |
| Facilities Acq, Construction & Imprvmnt Servs | 863,115 | 2,370,355 | 1,438,564 | 1,829,352 | 1,361,293 |
| Total Capital Outlay | 863,115 | 2,370,355 | 1,438,564 | 1,829,352 | 1,361,293 |
| Debt Services | | | | | |
| Principal | 5,790,000 | 5,675,000 | 5,600,000 | 5,695,000 | 5,395,000 |
| Interest and Fiscal Charges | 1,546,199 | 1,678,589 | 2,251,193 | 2,142,531 | 2,302,816 |
| Total Debt Service | 7,336,199 | 7,353,589 | 7,851,193 | 7,837,531 | 7,697,816 |
| TOTAL EXPENDITURES | 81,641,351 | 83,952,985 | 80,394,423 | 76,553,934 | 72,852,519 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,740,410 | (1,802,872) | (879,093) | (318,951) | 1,245,112 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of Refunding Debt | 11,425,000 | - | 17,795,000 | - | - |
| Issuance of Bond Proceeds | - | - | - | - | - |
| Payment to Refunded Debt Escrow | (12,166,894) | - | (17,605,000) | - | - |
| Bond Discount | - | - | - | - | - |
| Bond Premium | 934,662 | - | 462,780 | - | - |
| Refund of Prior Year Revenues | - | - | - | - | - |
| Sale of Capital Assets | 6,900 | - | - | - | - |
| Transfers In | 3,485,877 | 299,498 | 1,082,595 | 1,201,675 | 2,387,477 |
| Transfers Out | (3,485,877) | (299,498) | (1,087,519) | (1,201,675) | (2,396,320) |
| TOTAL OTHER FINANCING SOURCES (USES) | 199,668 | - | 647,856 | - | (8,843) |
| NET CHANGE IN FUND BALANCES | \$ 2,940,078 | \$ (1,802,872) | \$ (231,237) | \$ (318,951) | \$ 1,236,269 |
| Debt Service as a percentage of noncapital expenditures | 9.07% | 9.10% | 9.92% | 11.45% | 11.63% |

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, | | | | |
|--|--------------------------------|------------------------|-----------------------|----------------------|-----------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| REVENUES: | | | | | |
| Local Sources | \$ 57,000,078 | \$ 55,009,082 | \$ 54,524,584 | \$ 53,853,843 | \$ 52,170,904 |
| State Sources | 13,126,037 | 12,856,031 | 12,427,729 | 11,634,121 | 12,341,405 |
| Federal Sources | 1,310,666 | 1,349,743 | 2,516,557 | 2,530,197 | 1,576,786 |
| TOTAL REVENUES | 71,436,781 | 69,214,856 | 69,468,870 | 68,018,161 | 66,089,095 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | 40,604,143 | 39,388,054 | 37,899,272 | 36,447,416 | 34,844,846 |
| Support Services | 21,269,313 | 21,226,831 | 20,607,903 | 20,783,645 | 20,878,752 |
| Operation of Non Instructional Services | 1,103,352 | 1,101,917 | 998,164 | 962,816 | 996,829 |
| Total Current Expenditures | 62,976,808 | 61,716,802 | 59,505,339 | 58,193,877 | 56,720,427 |
| Capital Outlay | | | | | |
| Facilities Acq. Construction & Imprvmnt Servs | 1,727,394 | 10,268,877 | 15,904,970 | 5,527,714 | 4,705,319 |
| Total Capital Outlay | 1,727,394 | 10,268,877 | 15,904,970 | 5,527,714 | 4,705,319 |
| Debt Services | | | | | |
| Principal | 4,055,000 | 4,870,000 | 4,705,000 | 4,490,000 | 4,215,000 |
| Interest and Fiscal Charges | 2,397,223 | 2,964,370 | 2,978,764 | 2,429,890 | 2,766,856 |
| Total Debt Service | 6,452,223 | 7,834,370 | 7,683,764 | 6,919,890 | 6,981,856 |
| TOTAL EXPENDITURES | 71,156,425 | 79,820,049 | 83,094,073 | 70,641,481 | 68,407,602 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 280,356 | (10,605,193) | (13,895,203) | (2,623,320) | (2,318,507) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of Refunding Debt | 18,025,000 | - | - | - | - |
| Issuance of Bond Proceeds | - | - | - | 19,995,000 | - |
| Payment to Refunded Debt Escrow | (18,675,203) | - | 8,500,000 | - | - |
| Bond Discount | (142,398) | - | - | - | - |
| Bond Premium | 792,600 | - | - | - | - |
| Refund of Prior Year Revenues | - | - | - | - | (10,852) |
| Sale of Capital Assets | - | - | - | - | - |
| Transfers In | 1,312,377 | - | 1,855,417 | 2,582,009 | 1,625,515 |
| Transfers Out | (1,312,377) | - | (1,855,417) | (2,582,009) | (1,625,515) |
| TOTAL OTHER FINANCING SOURCES (USES) | (0) | - | 8,500,000 | 19,995,000 | (10,852) |
| NET CHANGE IN FUND BALANCES | \$ 280,356 | \$ (10,605,193) | \$ (5,395,203) | \$ 17,371,680 | \$ (2,329,359) |
| Debt Service as a percentage of noncapital expenditures | 9.26% | 11.42% | 11.42% | 10.62% | 10.72% |

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

General Fund Revenues by Source Last Ten Fiscal Years

| | Fiscal Year Ending June 30, | | | | |
|--------------------------------|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| LOCAL SOURCES: | | | | | |
| Real Estate Taxes (Current) | \$ 56,609,086 | \$ 55,409,613 | \$ 53,935,825 | \$ 52,224,846 | \$ 51,522,506 |
| Interim Real Estate Taxes | 234,855 | 219,503 | 364,777 | 293,621 | 176,233 |
| Earned Income Taxes (Current) | 4,568,266 | 4,619,000 | 4,428,024 | 4,059,485 | 4,077,297 |
| Transfer Taxes | 916,919 | 1,103,477 | 979,140 | 771,018 | 788,695 |
| Delinquent Taxes | 2,071,464 | 1,727,732 | 1,929,914 | 2,114,722 | 1,786,340 |
| Earnings from Investments | 415,193 | 153,564 | 81,791 | 41,794 | 54,727 |
| Utility Taxes | 63,481 | 66,788 | 67,897 | 71,554 | 69,332 |
| Other Sources | 378,662 | 534,577 | 532,395 | 482,954 | 425,164 |
| Total Local Sources | 65,257,926 | 63,834,254 | 62,319,763 | 60,059,994 | 58,900,294 |
| STATE SOURCES: | | | | | |
| Basic Education | 5,651,648 | 5,553,453 | 5,304,197 | 5,115,498 | 5,130,732 |
| Charter Schools | - | - | - | - | - |
| Special Education | 1,850,375 | 1,812,011 | 1,796,196 | 1,734,045 | 1,642,179 |
| Transportation | 1,480,781 | 1,503,572 | 1,477,298 | 1,388,565 | 1,386,207 |
| Rental & Sinking Fund Payments | 486,728 | 438,141 | 478,304 | 771,363 | 458,439 |
| State Property Tax Allocation | 1,436,354 | 1,457,389 | 1,410,703 | 1,379,058 | 1,379,054 |
| Social Security Subsidy | 1,102,443 | 1,082,919 | 1,061,348 | 1,045,973 | 994,567 |
| Retirement Subsidy | 4,857,630 | 4,374,018 | 3,617,746 | 2,919,016 | 2,254,194 |
| Other Sources | 516,597 | 512,572 | 509,470 | 405,999 | 226,150 |
| Total State Sources | 17,382,556 | 16,734,075 | 15,655,262 | 14,759,517 | 13,471,522 |
| FEDERAL SOURCES: | | | | | |
| Total Federal Sources | 1,648,557 | 1,558,249 | 1,521,663 | 1,405,253 | 1,675,914 |
| TOTAL REVENUES | \$ 84,289,039 | \$ 82,126,578 | \$ 79,496,688 | \$ 76,224,764 | \$ 74,047,730 |

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

General Fund Revenues by Source - continued Last Ten Fiscal Years

| | Fiscal Year Ending June 30, | | | | |
|--------------------------------|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| LOCAL SOURCES: | | | | | |
| Real Estate Taxes (Current) | \$ 50,045,173 | \$ 49,127,910 | \$ 47,679,124 | \$ 46,573,409 | \$ 45,131,128 |
| Interim Real Estate Taxes | 405,286 | 198,738 | 245,391 | 417,250 | 691,571 |
| Earned Income Taxes (Current) | 3,860,952 | 3,144,285 | 3,451,401 | 3,393,938 | 3,492,318 |
| Transfer Taxes | 710,079 | 623,290 | 653,733 | 683,944 | 701,374 |
| Delinquent Taxes | 1,498,661 | 1,453,960 | 1,346,243 | 2,053,482 | 1,031,744 |
| Earnings from Investments | 42,296 | 47,642 | 104,256 | 154,298 | 579,652 |
| Utility Taxes | 73,021 | 74,375 | 73,207 | 70,365 | 64,753 |
| Other Sources | 335,318 | 290,041 | 567,412 | 450,499 | 193,834 |
| Total Local Sources | 56,970,786 | 54,960,241 | 54,120,767 | 53,797,185 | 51,886,374 |
| STATE SOURCES: | | | | | |
| Basic Education | 4,944,313 | 4,943,478 | 4,420,183 | 3,847,548 | 3,946,825 |
| Charter Schools | - | - | 582,704 | 616,496 | 554,461 |
| Special Education | 1,603,930 | 1,587,547 | 1,581,594 | 1,615,603 | 1,649,118 |
| Transportation | 1,404,204 | 1,529,181 | 1,621,315 | 1,450,354 | 1,920,741 |
| Rental & Sinking Fund Payments | 366,705 | 417,636 | 435,681 | 430,126 | 443,103 |
| State Property Tax Allocation | 1,390,637 | 1,426,523 | 1,447,465 | 1,401,061 | 1,406,690 |
| Social Security Subsidy | 1,087,238 | 1,127,468 | 986,165 | 1,025,969 | 1,035,291 |
| Retirement Subsidy | 1,778,637 | 1,267,580 | 803,951 | 685,545 | 690,438 |
| Other Sources | 550,374 | 556,619 | 548,671 | 561,419 | 694,738 |
| Total State Sources | 13,126,037 | 12,856,031 | 12,427,729 | 11,634,121 | 12,341,405 |
| FEDERAL SOURCES: | | | | | |
| Total Federal Sources | 1,310,665 | 1,349,743 | 2,516,557 | 2,530,197 | 1,576,786 |
| TOTAL REVENUES | \$ 71,407,488 | \$ 69,166,015 | \$ 69,065,053 | \$ 67,961,503 | \$ 65,804,565 |

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Assessed Value Last Ten Fiscal Years

| | Fiscal Year Ending June 30, | | | | |
|---------------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Residential Property | \$1,547,412,240 | \$1,542,272,560 | \$1,530,444,750 | \$1,532,123,690 | \$1,536,068,450 |
| Industrial Property | 33,019,010 | 32,579,470 | 33,933,490 | 34,425,310 | 34,484,150 |
| Commercial Property | 397,228,732 | 398,841,950 | 396,376,580 | 391,897,340 | 385,430,490 |
| Agricultural Property | 41,330,496 | 41,094,585 | 44,867,975 | 42,257,345 | 41,547,780 |
| Mobile Homes | 2,425,870 | 2,506,190 | 2,428,990 | 2,390,100 | 2,347,390 |
| Direct Tax Rate | 29.8789 | 29.2408 | 28.6017 | 27.9406 | 27.452 |
| Total Taxable Assessed Property | \$2,021,416,348 | \$2,017,294,755 | \$2,008,051,785 | \$2,003,093,785 | \$1,999,878,260 |
| Common Level Ratio* | 51.30 | 53.00 | 53.80 | 55.40 | 57.70 |
| Total Fair Market Value* | \$3,940,382,745 | \$3,806,216,519 | \$3,732,438,262 | \$3,615,692,753 | \$3,465,993,518 |

*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, | | | | |
|---------------------------------|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Residential Property | \$1,549,025,370 | \$1,573,914,954 | \$1,591,982,014 | \$1,620,525,838 | \$1,616,572,738 |
| Industrial Property | 32,350,820 | 32,253,820 | 34,992,130 | 34,992,130 | 32,393,890 |
| Commercial Property | 383,308,460 | 382,069,990 | 382,486,490 | 378,971,560 | 357,286,730 |
| Agricultural Property | 42,323,150 | 44,506,250 | 47,508,390 | 50,833,970 | 55,516,360 |
| Mobile Homes | 2,368,440 | 2,366,750 | 2,318,150 | 2,224,380 | 2,205,910 |
| Direct Tax Rate | 26.7303 | 25.7293 | 24.7781 | 23.9537 | 23.14 |
| Total Taxable Assessed Property | \$2,009,376,240 | \$2,035,111,764 | \$2,059,287,174 | \$2,087,547,878 | \$2,063,975,628 |
| Common Level Ratio* | 60.20 | 58.52 | 55.87 | 55.25 | 52.91 |
| Total Fair Market Value* | \$3,337,834,286 | \$3,477,634,593 | \$3,685,854,974 | \$3,778,367,200 | \$3,900,913,937 |

*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 | | | | | | |
| 2018 | 3.5420 | 26.3369 | 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 |
| 2009 | 3.2745 | 19.8655 | 23.1400 | 3.9650 | 0.7500 | 0.2000 | 1.4330 | 3.8500 | 33.3380 |
| 2008 | 3.5476 | 18.4024 | 21.9500 | 3.8040 | 0.7500 | 0.6000 | 1.4330 | 2.8500 | 31.3870 |

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

Property tax component for all rates listed is real estate.

Source of data: Chester County Assessment Office

KENNETT CONSOLIDATED SCHOOL DISTRICT

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

| July 1, 2017 | | | | | July 1, 2008 | | |
|-----------------------------|------------------------|------------------------|------|---|------------------------|------|---|
| 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 | \$27,863,450 | 1 | 1.38% | \$17,450,710 | 2 | 0.85% |
| Kennett Exc Limited | Commerical Offices | 19,059,480 | 2 | 0.94% | 19,483,670 | 1 | 0.94% |
| 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 | 0.75% |
| Marlborough Associates | Retail Shopping Center | 10,155,200 | 5 | 0.50% | 7,177,280 | 7 | 0.35% |
| 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 | 0.38% | - | - | - |
| 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 | 5,372,020 | 10 | 0.27% | - | - | - |
| New Plan Realty Trust | Retail Shopping Center | - | - | - | 6,110,630 | 8 | 0.30% |
| Hartefeld Ltd. | Golf Course/Restaurant | - | - | - | 5,445,780 | 9 | 0.26% |
| Phillips Mushroom | Agriculture | - | - | - | 5,088,890 | 10 | 0.25% |
| | | <u>\$113,185,070</u> | | <u>5.60%</u> | <u>\$104,009,590</u> | | <u>5.04%</u> |

Source of data: Chester County Assessment Office

(1) District's Total Taxable Value - 2017-2018 \$2,021,416,348
(2) District's Total Taxable Value - 2007-2008 \$2,063,975,628

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 |
| 2018 | \$58,960,207 | \$56,609,086 | 96.01% | (3) | 56,609,086 | 96.01% |
| 2017 | 57,529,923 | 55,409,613 | 96.31% | 1,256,340 | 56,665,953 | 98.50% |
| 2016 | 56,022,992 | 53,935,825 | 96.27% | 1,692,849 | 55,628,674 | 99.30% |
| 2015 | 54,588,884 | 52,224,846 | 95.67% | 2,299,048 | 54,523,894 | 99.88% |
| 2014 | 53,521,604 | 51,522,506 | 96.26% | 1,996,313 | 53,518,819 | 99.99% |
| 2013 | 52,320,593 | 50,045,173 | 95.65% | 2,272,819 | 52,317,992 | 100.00% |
| 2012 | 50,971,364 | 49,127,910 | 96.38% | 1,841,733 | 50,969,643 | 100.00% |
| 2011 | 49,577,759 | 47,679,124 | 96.17% | 1,896,979 | 49,576,103 | 100.00% |
| 2010 | 48,603,435 | 46,573,409 | 95.82% | 2,028,395 | 48,601,804 | 100.00% |
| 2009 | 46,353,706 | 45,131,742 | 97.36% | 1,220,387 | 46,352,129 | 100.00% |
| 2008 | 44,564,889 | 42,422,003 | 95.19% | 2,141,575 | 44,563,578 | 100.00% |

(1) Beginning in 2008-09, 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 2017-18 was \$1,437,490.

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

(3) Collections in subsequent years not yet available for fiscal year ended June 30, 2018.

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 |
|---|--|---------------------------------------|----------------------------|------------------------------|---------------|
| 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 |
| 2009 | 23.1400 | 45,131,128 | 5,917,007 | 838,239 | 51,886,374 |

(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 2010 | General Obligation Bonds Series of 2012 | General Obligation Bonds Series of 2013 | General Obligation Bonds Series of 2015 | General Obligation Bonds Series of 2016 | General Obligation Bonds Series of 2018 | General Obligation Bonds Series of 2018A | Total Debt Outstanding |
|-------------------------------|---|---|---|---|---|---|--|---------------------------|
| 2019 | 10,000 | 1,495,000 | 2,125,000 | 575,000 | 1,285,000 | 445,000 | 5,000 | 5,940,000 |
| 2020 | 2,695,000 | 1,030,000 | - | 625,000 | 1,330,000 | 395,000 | 5,000 | 6,080,000 |
| 2021 | 3,870,000 | - | - | 440,000 | 1,545,000 | 405,000 | 5,000 | 6,265,000 |
| 2022 | 4,875,000 | - | - | 90,000 | 1,075,000 | 425,000 | 5,000 | 6,470,000 |
| 2023 | 5,090,000 | - | - | 90,000 | 1,030,000 | 450,000 | 5,000 | 6,665,000 |
| 2024-2028 | 3,415,000 | - | - | 5,645,000 | - | 2,445,000 | 6,835,000 | 18,340,000 |
| | \$ 19,955,000 | \$ 2,525,000 | \$ 2,125,000 | \$ 7,465,000 | \$ 6,265,000 | \$ 4,565,000 | \$ 6,860,000 | \$ 49,760,000 |

SCHEDULED YEARLY PAYMENTS

| Fiscal Year Ending June 30 | General Obligation Bonds Series of 2010 | General Obligation Bonds Series of 2012 | General Obligation Bonds Series of 2013 | General Obligation Bonds Series of 2015 | General Obligation Bonds Series of 2016 | General Obligation Bonds Series of 2018 | General Obligation Bonds Series of 2018A | Total Debt Payments |
|-------------------------------|---|---|---|---|---|---|--|------------------------|
| 2019 | 675,131 | 1,545,500 | 2,188,750 | 757,223 | 1,469,525 | 559,926 | 257,418 | 7,453,473 |
| 2020 | 3,359,817 | 1,050,600 | - | 784,223 | 1,475,500 | 524,925 | 306,805 | 7,501,870 |
| 2021 | 4,450,208 | - | - | 581,098 | 1,644,900 | 524,900 | 306,703 | 7,507,809 |
| 2022 | 5,331,194 | - | - | 221,373 | 1,117,100 | 533,513 | 306,595 | 7,509,775 |
| 2023 | 5,385,221 | - | - | 219,573 | 1,050,600 | 547,575 | 306,483 | 7,509,452 |
| 2024-2028 | 3,535,531 | - | - | 5,982,773 | - | 2,637,175 | 7,189,861 | 19,345,340 |
| | \$ 22,737,102 | \$ 2,596,100 | \$ 2,188,750 | \$ 8,546,263 | \$ 6,757,625 | \$ 5,328,014 | \$ 8,673,865 | \$ 56,827,719 |

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

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 |
|-------------|--------------------|---|--|-----------------|---|----------------|----------------------------------|---------------------|--|------------------------------|-----------------------------------|
| 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 | N/A | N/A | 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 |
| 2008-09 | 2,063,975,628 | 68,400,000 | - | 68,400,000 | 3.31% | 21,851 | 3,130 | 729,779,959 | 9.37% | 4,088 | 16,732 |

Sources:

(1) Chester County Board of Assessment Appeals, West Chester, PA.

(2) 2009-10 to 2017-18 fiscal years based on results of 2010 U. S. Census; previous years population statistics is from 2000 U.S. Census.

(3) Pennsylvania Department of Education; Years 2016-17 and 2017-18 not yet available.

(4) October enrollment for the fiscal year noted.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Schedule of Direct and Overlapping Debt
June 30, 2018
(Unaudited)

| Name of Governmental Unit | Gross Debt Outstanding | Percentage Applicable to Governmental Unit | Net Share of Debt |
|--|------------------------|--|----------------------|
| Direct Debt: | | | |
| Kennett Consolidated School District (3) | \$ 51,070,956 | 100% | \$ 51,070,956 |
| Overlapping Debt: | | | |
| East Marlborough Township (2)(4) | 7,080,000 | 26% | 1,855,810 |
| New Garden Township (2)(4) | 2,180,695 | 100% | 2,180,695 |
| Borough of Kennett Square (2)(4) | 10,894,591 | 100% | 10,894,591 |
| Chester County (1)(2)(4) | <u>585,568,070</u> | <u>5.38%</u> | <u>31,503,562</u> |
| Total Overlapping Debt | 605,723,356 | 7.67% | 46,434,658 |
| Total Direct and Overlapping Debt | <u>\$ 656,794,312</u> | <u>14.85%</u> | <u>\$ 97,505,614</u> |

Method/Computation/Definitions:

- Gross Direct Debt is the total debt of the District, the municipalities that are within the District's boundaries and the County within which the District lies.
- Overlapping Debt is the proportionate share of the debt of local governments located wholly or in part within the limits of the reporting government that must be borne by property within each government. The amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction.
- The direct debt ratios are computed by applying the District's direct debt only.
- The direct and overlapping ratios are computed by applying the net share of direct and overlapping debt.
 - The District's proportionate share of debt (5.38%) is based on Kennett Consolidated School District's assessed value of \$2,021,416,348 as a percentage of Chester County's assessed value of \$37,589,872,977
 - As of December 31, 2017
 - As of June 30, 2018
 - Data Source: Chester County Comprehensive Annual Financial Report, 2017
- 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)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Nonelectoral Debt Limit | \$ 183,347,552 | \$ 177,094,319 | \$ 171,020,339 | \$ 165,062,606 | \$ 160,033,841 |
| Less: Amount of Debt Applicable to Debt Limit | <u>51,070,956</u> | <u>56,817,781</u> | <u>62,664,921</u> | <u>68,134,790</u> | <u>73,957,662</u> |
| Total Debt Margin | \$ 132,276,596 | \$ 120,276,538 | \$ 108,355,418 | \$ 96,927,816 | \$ 86,076,179 |
| Total Debt Margin Percentage | 72.15% | 67.92% | 63.36% | 58.72% | 53.79% |

| Formula for Debt Limit | For the Period Ended June 30, | | |
|---|-------------------------------|----------------------|-----------------------|
| | 2016 Audited | 2017 Audited | 2018 Audited |
| Total Revenues | \$ 79,462,732 | \$ 82,126,070 | \$ 84,277,773 |
| Less: Required Deductions if Included in Total Revenues | | | |
| a. Rental & Sinking Fund Reimbursement | 478,304 | 438,140 | 486,728 |
| b. Sale of Property & Nonrecurring Items | - | - | - |
| Net Revenue | <u>\$ 78,984,428</u> | <u>\$ 81,687,930</u> | <u>\$ 83,791,045</u> |
| Total Net Revenues for Three Years | | | 244,463,403 |
| Borrowing Base - Average Net Revenues for | | | 81,487,801 |
| Calculation of Remaining Borrowing Capacity | | | |
| 1. Net Non-Electoral Debt and Lease Rental Debt | | | - |
| 2. Computation of Non-Electoral and Lease | | | |
| (a) Debt Limitation - 225% of Borrowing Base | | | 183,347,552 |
| (b) Less: Net Non-electoral and Lease Rental Debt | | | <u>51,070,956</u> |
| (c) Current Debt Margin | | | <u>\$ 132,276,596</u> |
| Total Debt Margin Percentage | | | <u>72.15%</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)

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Nonelectoral Debt Limit | \$156,313,901 | \$ 153,681,847 | \$ 151,133,519 | \$ 146,543,025 | \$ 141,275,786 |
| Less: Amount of Debt Applicable to Debt Limit | <u>78,625,000</u> | <u>82,830,000</u> | <u>87,700,000</u> | <u>83,905,000</u> | <u>68,400,000</u> |
| Total Debt Margin | \$ 77,688,901 | \$ 70,851,847 | \$ 63,433,519 | \$ 62,638,025 | \$ 72,875,786 |
| Total Debt Margin Percentage | 49.70% | 46.10% | 41.97% | 42.74% | 51.58% |

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) |
|-------------------------------|--|--|---|-----------------------------|---|---|--|--|--|--|
| 2018 | 32,647 | 970,572,014 | 29,729 | 4,176 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2017 | 32,647 | 970,572,014 | 29,729 | 4,150 | 519,293 | 12,805,537 | N/A | 31,476 | 3.5% | 4.9% |
| 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% |
| 2009 | 21,851 | 729,779,959 | 33,398 | 4,088 | 498,894 | 12,584,487 | 57,033 | 29,504 | 6.3% | 9.3% |

Data Sources:

- (1) Bureau of the Census/Chester County Planning Commission
- (2) Pennsylvania Department of Education, Data for years 2017 and 2018 not yet available - 2016 data used as estimate.
- (3) Based on the school district census at the start of the school year.
- (4) U. S. Census Bureau, 2018 information currently not available.
- (5) Chester County Annual Financial Report 2017, Data for years 2017 and 2018 not yet available.
- (6) U. S. Department of Labor, Bureau of Labor Statistics, 2018 information currently not available.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Principal Employers Current Year and Nine Years Ago *Unaudited*

| Employer | 2017 | | | 2008 | | |
|---|---------|-----------|---------------------------|------|-----------|---------------------------|
| | Rank | Employees | Percentage of Labor Force | Rank | Employees | Percentage of Labor Force |
| GHC Payroll LLC (Genesis Health Care) | 1 | 778 | 0.28% | 1 | 692 | 0.26% |
| Kaolin Mushroom Farms Inc. | 2 | 594 | 0.21% | 4 | 500 | 0.19% |
| Exelon Generation Co LLC | 3 | 513 | 0.18% | 3 | 550 | 0.21% |
| Kennett Consolidated School District | 4 | 483 | 0.17% | 2 | 644 | 0.24% |
| YMCA of the Brandywine Valley | 5 | 363 | 0.13% | 6 | 350 | 0.13% |
| Chatham Financial | 6 | 347 | 0.12% | | | |
| Kendal-Crosslands Communities | 7 | 324 | 0.12% | 7 | 300 | 0.11% |
| Giant Food Stores | 8 | 320 | 0.11% | 8 | 250 | 0.09% |
| To-Jo Mushrooms Inc | 9 | 266 | 0.09% | | | |
| W. L. Gore & Associates | 10 | 264 | 0.09% | 5 | 400 | 0.15% |
| Modern Mushroom Farms | | | | 9 | 295 | |
| Cardile Mushrooms, Inc. | | | | 10 | 275 | 0.10% |
| Total | | 4,252 | 1.51% | | 4,256 | 1.60% |
| Chester County Labor Force 2017 (average) | 280,958 | | | | | |
| Chester County Labor Force 2008 (average) | 265,858 | | | | | |

(1) Estimated Employment Source - 2017: Keystone Collections Group

(2) Estimated Employment Source - 2008: 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, 2017.

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

| Calendar Year | Number of Permits | Commercial | Residential | Total |
|----------------------|------------------------------|-------------------|--------------------|---------------|
| 2018 | 63 | \$ 6,659,200 | \$ 11,619,630 | \$ 18,278,830 |
| 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 |
| 2009 | 101 | 33,869,220 | 14,389,250 | 48,258,470 |

*Source: Chester County Board of Assessments. Calendar year 2018 is as of December, 2018.

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 and Other Financing Uses | Total Expenditures Per Pupil |
|--|---------------------------------------|-------------------------------|---|--|---|
| 2018 | \$ 73,442,037 | 4,176 | \$ 17,587 | \$ 81,641,351 | \$ 19,550 |
| 2017 | 74,229,041 | 4,150 | 17,887 | 83,952,985 | 20,230 |
| 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 |
| 2009 | 56,720,427 | 4,088 | 13,875 | 68,407,602 | 16,734 |

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, 2018 (Unaudited)

| Program | Regular Education 1100 | Special Education 1200 | Pupil Services 2100 | Instructional Services 2200 | Admin Services 2300 | Health Services 2400 | Business Office 2500 | Maintenance 2600 | Transportation 2700 | Central Services 2800 | Food Services 3100 | Student Activities 3200 | Total |
|-----------------------|------------------------------|------------------------------|---------------------------|-----------------------------------|---------------------------|----------------------------|----------------------------|---------------------|------------------------|-----------------------------|--------------------------|-------------------------------|---------------|
| Administrator | | | | | | | | | | | | | |
| -Educational | | | | 2.00 | 13.00 | | | | | | | | 15.00 |
| -Support | | | | 2.00 | | | 2.00 | 1.00 | 1.00 | 2.00 | | 1.00 | 9.00 |
| Teachers | | | | | | | | | | | | | |
| -Elementary | 126.00 | 9.00 | | | | | | | | | | | 135.00 |
| -Secondary | 135.00 | 20.00 | | | | | | | | | | | 155.00 |
| Specialists | | | | | | | | | | | | | |
| -Library | | | | 5.00 | | | | | | | | | 5.00 |
| -Psychologist | | | 3.00 | | | | | | | | | | 3.00 |
| -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 |
| -Therapist | | 1.00 | | | | | | | | | | | 1.00 |
| Support Staff | | | | | | | | | | | | | |
| -Supervisor | | | | | | | | 2.00 | | 1.00 | 5.00 | | 8.00 |
| -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 |
| Function Total | 261.00 | 34.00 | 21.00 | 16.00 | 26.00 | 8.00 | 7.00 | 40.00 | 2.00 | 10.00 | 5.50 | 2.00 | 432.50 |

KENNETT CONSOLIDATED SCHOOL DISTRICT

Salary Data for Classroom Teachers & Specialists As of June 30, 2018 (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 | 48.00 | 2.00 | 50.00 |
| \$87,000 - \$89,999 | 0.00 | 15.00 | 0.00 | 15.00 |
| \$84,000 - \$86,999 | 1.00 | 10.00 | 0.00 | 11.00 |
| \$81,000 - \$83,999 | 2.00 | 10.00 | 1.00 | 13.00 |
| \$78,000 - \$80,999 | 0.00 | 10.00 | 0.00 | 10.00 |
| \$75,000 - \$77,999 | 0.00 | 10.00 | 0.00 | 10.00 |
| \$72,000 - \$74,999 | 0.00 | 11.00 | 0.00 | 11.00 |
| \$69,000 - \$71,999 | 0.00 | 10.00 | 0.00 | 10.00 |
| \$66,000 - \$68,999 | 1.00 | 13.00 | 0.00 | 14.00 |
| \$63,000 - \$65,999 | 0.00 | 24.00 | 1.00 | 25.00 |
| \$60,000 - \$62,999 | 0.00 | 9.00 | 0.00 | 9.00 |
| \$57,000 - \$59,999 | 1.00 | 43.00 | 0.00 | 44.00 |
| \$54,000 - \$56,999 | 0.00 | 32.00 | 0.00 | 32.00 |
| \$51,000 - \$53,999 | 11.00 | 18.00 | 0.00 | 29.00 |
| \$48,000 - \$50,999 | 11.00 | 0.00 | 0.00 | 11.00 |
| \$45,000 - \$47,999 | 26.00 | 0.00 | 0.00 | 26.00 |
| Total No. of Teachers | 53.00 | 263.00 | 4.00 | 320.00 |

| | B.S. | M.Ed. | D.Ed. |
|--------------------|---------------|-----------|-----------|
| Highest Salary | \$86,166 | \$103,568 | \$103,568 |
| Lowest Salary | \$46,250 | \$51,250 | \$65,490 |
| Total Salaries | \$ 21,956,940 | | |
| Classroom Teachers | 320.00 | | |
| 2017-18 Avg. | \$ 68,615 | | |

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, 2018
(Unaudited)

| Building | Full Time Equivalent Teachers | Number of Students | Student/ Teacher Ratio |
|----------------------------------|-------------------------------------|-----------------------|------------------------------|
| High School | 88.0 | 1,334 | 15.16 |
| Middle School | 81.0 | 1,056 | 13.04 |
| Bancroft Elementary | 40.0 | 451 | 11.28 |
| Greenwood Elementary | 48.0 | 604 | 12.58 |
| Mary D. Lang Kindergarten Center | 24.0 | 279 | 11.63 |
| New Garden Elementary | 39.0 | 452 | 11.59 |
| Totals | 320.0 | 4,176 | 13.05 |

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 | 579 | 146 |
| Kennett High School 100 East South Street Kennett Square, PA 19348 | 1930 | 1997 2007 | 219,763 | 1,545 | 1,367 | 178 |
| 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 | 480 | 170 |
| Kennett Middle School 195 Sunny Dell Road Landenberg, PA 19350 | 2002 | | 192,000 | 1,150 | 986 | 164 |
| Bancroft Elementary 181 Bancroft Road Kennett Square, PA 19348 | 2011 | | 105,172 | 625 | 426 | 199 |

Source of Data: District's Records
Projected Enrollment is for 2019-2020

KENNETT CONSOLIDATED SCHOOL DISTRICT

Enrollment History and Projections

(Unaudited)

| Year | Elementary Schools | Middle School | High School | Total |
|----------|-----------------------|------------------|----------------|-------|
| 2001-02 | 1,895 | 894 | 965 | 3,754 |
| 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* | 1,765 | 986 | 1,367 | 4,118 |

Notes:

1. 2019-20 numbers are derived using historical retention ratios.
2. Enrollment for all other years represents September 30th actual.
3. Enrollment figures exclude students enrolled in Charter Schools, Cyber Charter Schools and out-of-district Special Education educational facilities.
4. Enrollment for elementary schools includes kindergarten.
5. Source of Data: District's Records

KENNETT CONSOLIDATED SCHOOL DISTRICT

Enrollment History and Projections Elementary Schools (Unaudited)

| Year | Bancroft Elementary | Greenwood Elementary | Mary D. Lang Kindergarten Center | New Garden Elementary | Total |
|----------|------------------------|-------------------------|--|--------------------------|-------|
| 2001-02 | 0 | 598 | 433 | 864 | 1,895 |
| 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* | 426 | 579 | 280 | 480 | 1,765 |

Notes:

1. Bancroft Elementary School opened in September, 2011.
2. Mary D. Lang was converted to a Kindergarten Center in September, 2011.
3. 2019-20 numbers are derived using historical retention ratios.
4. Enrollment for all other years represents September 30th actual.
5. Enrollment figures exclude students enrolled in Charter Schools, Cyber Charter Schools and out-of-district Special Education educational facilities.
6. Source of Data: District's Records

KENNETT CONSOLIDATED SCHOOL DISTRICT

Average Daily Attendance Report Last ten years (Unaudited)

| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Kindergarten* | | | | | | | | | | |
| ADA | 269.176 | 288.497 | 282.277 | 293.397 | 299.122 | 272.627 | 322.285 | 319.777 | 307.602 | 273.398 |
| ADM | 280.802 | 301.859 | 294.153 | 305.484 | 309.05 | 283.668 | 335.978 | 334.316 | 322.237 | 283.883 |
| % Attendance | 95.86% | 95.57% | 95.96% | 96.04% | 96.79% | 96.11% | 95.92% | 95.65% | 95.46% | 96.30% |
| Elementary | | | | | | | | | | |
| ADA | 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 | 1,861.239 |
| ADM | 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 | 1,929.345 |
| % Attendance | 96.55% | 96.90% | 98.13% | 96.75% | 97.09% | 96.67% | 96.69% | 96.63% | 96.55% | 96.50% |
| Secondary | | | | | | | | | | |
| ADA | 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 | 1,816.635 |
| ADM | 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 | 1,923.399 |
| % Attendance | 94.64% | 93.16% | 93.65% | 95.18% | 95.27% | 95.06% | 95.39% | 95.25% | 95.39% | 94.40% |
| District Total | | | | | | | | | | |
| ADA | 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 | 3,951.272 |
| ADM | 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 | 4,136.627 |
| % Attendance | 95.59% | 95.06% | 95.92% | 95.99% | 96.25% | 95.91% | 96.06% | 95.94% | 95.93% | 95.50% |

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 | | | | | | | | | |
| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
| Bancroft Elementary School | | | | | | | | | | |
| Free | 49.44% | 43.09% | 45.26% | 43.76% | 46.27% | 42.12% | 38.04% | | | |
| Reduced | 7.57% | 7.01% | 7.31% | 7.78% | 8.21% | 8.79% | 11.68% | | | |
| Greenwood Elementary School | | | | | | | | | | |
| Free | 45.52% | 40.67% | 41.67% | 33.22% | 32.33% | 30.61% | 30.44% | 17.32% | 13.35% | 12.84% |
| Reduced | 4.82% | 5.17% | 3.00% | 4.60% | 4.35% | 4.33% | 5.56% | 3.77% | 3.34% | 2.91% |
| Kennett High School | | | | | | | | | | |
| Free | 35.77% | 30.19% | 30.96% | 27.40% | 24.76% | 24.90% | 22.88% | 21.66% | 22.79% | 22.32% |
| Reduced | 3.96% | 3.95% | 3.13% | 5.62% | 6.23% | 5.85% | 7.08% | 6.22% | 6.06% | 6.67% |
| Kennett Middle School | | | | | | | | | | |
| Free | 36.97% | 35.51% | 35.39% | 32.58% | 30.86% | 30.98% | 27.41% | 26.11% | 22.79% | 23.22% |
| Reduced | 4.64% | 4.06% | 4.49% | 6.23% | 6.73% | 5.74% | 8.12% | 6.21% | 6.06% | 8.51% |
| Mary D. Lang Kindergarten Center | | | | | | | | | | |
| Free | 47.33% | 44.67% | 41.22% | 42.76% | 43.04% | 41.32% | 33.23% | 54.08% | 56.78% | 49.77% |
| Reduced | 2.85% | 5.33% | 5.74% | 7.89% | 7.77% | 7.99% | 10.89% | 9.18% | 10.65% | 13.51% |
| New Garden Elementary School | | | | | | | | | | |
| Free | 34.30% | 38.26% | 37.53% | 33.21% | 33.52% | 31.98% | 30.78% | 31.35% | 31.47% | 27.45% |
| Reduced | 3.12% | 3.48% | 6.50% | 4.99% | 4.57% | 6.65% | 7.29% | 7.51% | 8.18% | 8.07% |

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, 2018

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 *Governmental 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, 2018, 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, 2018.

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.

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.

Members of the Board
Kennett Consolidated School District

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, 2018

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, 2018. 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.

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.

Members of the Board
Kennett Consolidated School District

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, 2018.

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, 2018**

| 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 7/01/2017 | REVENUE RECOGNIZED | EXPENDITURES | ACCRUED (UNEARNED) REVENUE 6/30/2018 | AMOUNT PASSED THROUGH TO SUBRECIPIENTS |
|--|----------------|---------------------------|---|--|-----------------|-------------------------------|---|-----------------------|------------------|---|---|
| U.S. Department of Education | | | | | | | | | | | |
| <u>Passed through Pennsylvania Department of Education</u> | | | | | | | | | | | |
| Title I - Grants to Local Education Agencies | I | 84.010 | 013-17-0210 | 07/01/16-09/30/17 | \$ 706,544 | \$ 325,038 | \$ 86,938 | \$ 238,100 | \$ 238,100 | \$ - | \$ - |
| Title I - Grants to Local Education Agencies | I | 84.010 | 013-18-0210 | 07/01/17-09/30/18 | 609,769 | 348,439 | - | 441,281 | 441,281 | 92,842 | - |
| Total CFDA #84.010 | | | | | | 673,477 | 86,938 | 679,381 | 679,381 | 92,842 | - |
| Title II - Improving Teacher Quality | I | 84.367 | 020-17-0210 | 07/01/16-09/30/17 | 92,574 | 24,427 | 22,792 | 1,635 | 1,635 | - | - |
| Title II - Improving Teacher Quality | I | 84.367 | 020-18-0210 | 07/01/17-09/30/18 | 114,673 | 106,966 | - | 114,673 | 114,673 | 7,707 | - |
| Total CFDA #84.367 | | | | | | 131,393 | 22,792 | 116,308 | 116,308 | 7,707 | - |
| Title III - Language Inst LEP | I | 84.365 | 010-17-0210 | 07/01/16-09/30/17 | 163,054 | 21,741 | 12,921 | 8,820 | 8,820 | - | - |
| Title III - Language Inst LEP | I | 84.365 | 010-18-0210 | 07/01/17-09/30/18 | 142,570 | 101,836 | - | 107,485 | 107,485 | 5,649 | - |
| Total CFDA #84.365 | | | | | | 123,577 | 12,921 | 116,305 | 116,305 | 5,649 | - |
| Title IV - Student Support and Academic Enrichment | I | 84.424 | 144-18-0210 | 08/28/17-09/30/18 | 13,670 | 12,694 | - | 13,670 | 13,670 | 976 | - |
| Total CFDA# 84.424 | | | | | | 12,694 | - | 13,670 | 13,670 | 976 | - |
| <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 | 07/01/16-06/30/17 | 611,249 | 233,112 | 233,112 | - | - | - | - |
| I.D.E.A. Part B | I | 84.027 | 062-18-0024 | 07/01/17-06/30/18 | 537,674 | 358,449 | - | 537,674 | 537,674 | 179,225 | - |
| Total CFDA #84.027 | | | | | | 591,561 | 233,112 | 537,674 | 537,674 | 179,225 | - |
| I.D.E.A. Part B 619 | I | 84.173 | 141-17-0024B | 07/01/16-06/30/17 | 1,347 | 1,347 | 1,347 | - | - | - | - |
| I.D.E.A. Part B 619 | I | 84.173 | 141-18-0024B | 07/01/17-06/30/18 | 1,470 | 1,470 | - | 1,470 | 1,470 | - | - |
| Total Special Education Cluster | | | | | | 594,378 | 234,459 | 539,144 | 539,144 | 179,225 | - |
| Total U.S. Department of Education | | | | | | 1,535,519 | 357,110 | 1,464,808 | 1,464,808 | 286,399 | - |
| U.S. Department of Agriculture | | | | | | | | | | | |
| <u>Passed through Pennsylvania Department of Agriculture</u> | | | | | | | | | | | |
| National School Lunch Program | I | 10.555 | N/A | 09/01/17-06/30/18 | N/A | 118,794 | - | 118,794 | 118,794 | - | - |
| <u>Passed through Pennsylvania Department of Education</u> | | | | | | | | | | | |
| National School Lunch Program | I | 10.555 | N/A | 09/01/16-06/30/17 | N/A | 119,864 | 119,864 | - | - | - | - |
| National School Lunch Program | I | 10.555 | N/A | 09/01/17-06/30/18 | N/A | 622,776 | - | 752,807 | 752,807 | 130,031 | - |
| Total CFDA #10.555 | | | | | | 861,434 | 119,864 | 871,601 | 871,601 | 130,031 | - |

Continued on next page.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| 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 7/1/2017 | REVENUE RECOGNIZED | EXPENDITURES | ACCRUED (UNEARNED) REVENUE 6/30/2018 | AMOUNT PASSED THROUGH TO SUBRECIPIENTS |
|---|----------------|---------------------------|---|--|-----------------|-------------------------------|--|-----------------------|---------------------|---|---|
| (cont'd) | | | | | | | | | | | |
| U.S. Department of Agriculture | | | | | | | | | | | |
| Passed through Pennsylvania Department of Education | | | | | | | | | | | |
| Breakfast Program | I | 10.553 | N/A | 09/01/16-06/30/17 | N/A | 19,076 | 19,076 | - | - | - | - |
| Breakfast Program | I | 10.553 | N/A | 09/01/17-06/30/18 | N/A | 100,411 | - | 120,224 | 120,224 | 19,813 | - |
| Total CFDA #10.553 | | | | | | 119,487 | 19,076 | 120,224 | 120,224 | 19,813 | - |
| Total Child Nutrition Cluster | | | | | | 980,921 | 138,940 | 991,825 | 991,825 | 149,844 | - |
| Total U.S. Department of Agriculture | | | | | | 980,921 | 138,940 | 991,825 | 991,825 | 149,844 | - |
| U.S. Department of Health and Human Services | | | | | | | | | | | |
| Passed through Pennsylvania Department of Health and Human Services | | | | | | | | | | | |
| Medical Assistance Program | I | 93.778 | N/A | 07/01/16-06/30/17 | N/A | 7,511 | 7,511 | - | - | - | - |
| Medical Assistance Program | I | 93.778 | N/A | 07/01/17-06/30/18 | N/A | 6,381 | - | 17,410 | 17,410 | 11,029 | - |
| Total CFDA# 93.778 | | | | | | 13,892 | 7,511 | 17,410 | 17,410 | 11,029 | - |
| TOTAL FEDERAL AWARDS | | | | | | <u>\$ 2,530,332</u> | <u>\$ 503,561</u> | <u>\$ 2,474,043</u> | <u>\$ 2,474,043</u> | <u>\$ 447,272</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 2017 - 2018 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, 2018 was \$166,339.

NOTE D 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.