



KENNETT CONSOLIDATED SCHOOL DISTRICT

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

Our purpose 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.

Kennett Consolidated School District

Kennett Square, Pennsylvania 19348

www.kcsd.org

Comprehensive Annual Financial Report

For the

Fiscal Year Ended June 30, 2017

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 22, 2017

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 (KCSO) for the fiscal year ended June 30, 2017. 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 2016-17 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, 2017. 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, 2017. 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 2016 total employment rates in Chester County to be 270,147 employed and 3.9% unemployed. The state of Pennsylvania shows 5.4% unemployed and 4.9% for the U.S.

During the 2016-17 fiscal year, the district employed 439 employees comprised of 24 administrators, 323 classroom teachers and specialists, and 92 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 2016-17 school year was 4,150.

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 two hundred and twelve (212) 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, 2017, \$3,557,474 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 2009 to 2013 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 three years, a .5% increase from 2016 to the 2017. Earned income tax collections have increased by 34% 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. Two major land developments are underway within the District that could impact student enrollment and the current attendance maps. Chester County's economy remains healthy with the lowest unemployment rate among the 67 counties of the Commonwealth of Pennsylvania at 3.9%. 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 2016-17 remained strong. Total revenues, primarily from property taxes, increased by \$2,382,529 or 2.9% over the prior year. The District's expenses increased by \$2,601,789 or 3.3% 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 represents 94.6% of total expenses. At the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$13,190,115. While this is a decrease of \$1,802,872 in comparison with the prior year, approximately 50.9% of the total amount, \$6,710,812, is available for spending at the District's discretion.

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.

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.

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, the Homeowners Tax Relief Act 1, 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 302 students, 81% of which continued their education at two- and four-year colleges, technical schools, and universities. The mean SAT scores for 2017 graduates were 580 for Evidence Based Reading and Writing and 568 for Math. The Class of 2017 had one National Merit finalist and nine National Merit commended.

In 2017 The *U.S. News & World Report* and the *Washington Post* have named Kennett High School one of America's Best High Schools and one of America's Most Challenging High Schools, respectively.

To produce the 2017 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 45 out of 148 in the Commonwealth and 1,602 out of 28,496 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 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 in 2016 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, Kennett School District received a School Performance Profile score of 81.3 out of 100. Profile scores are calculated based on academic achievement, closing the achievement gap, indicators of academic growth, and other indicators such as attendance and graduation rates.

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 2016-2017 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, 2016. This is the fifth 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**

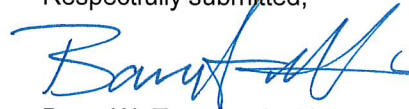
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kennett Consolidated School District for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the sixth 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, 2016.**

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



**Anthony N. Dragona, Ed.D., RSBA
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, 2016

Christopher P. Morrell

Executive Director/CEO

KENNETT CONSOLIDATED SCHOOL DISTRICT

Organization

Board of School Directors

Kendra LaCosta	President
Joseph Meola.....	Vice-President
Michael H. Finnegan	Treasurer
Rudy Alfonso.....	Member
Aline Frank.....	Member
Dominic F. Perigo, Jr.	Member
Janis W. Reynolds	Member
Heather Schaen	Member
Robert Norris.....	Member
Barry W. Tomasetti, Ed. D. (non-voting member).....	Superintendent
Mark T. Tracy (non-voting member)	Secretary

KENNETT CONSOLIDATED SCHOOL DISTRICT

Organization Board Committees

Curriculum Committee Aline Frank, Chairperson

Finance Committee Michael H. Finnegan, Chairperson

Government Liaison & Communications..... Joseph Meola, Chairperson

Liaison with Administration

Facilities & Operations Dominic F. Perigo, Jr.

Intermediate Unit Board Rudy Alfonso

Legislative Council Janice Reynolds

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
Robert J. Perzel 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. Levi. Assistant Principal, Kennett Middle School
Jacob D. Moore Assistant Principal, Kennett Middle School
Judith Jester Durante Supervisor of Language Arts and Social Studies
Trista C. Todd. Supervisor of Special Education
Daniel E. Maguire. Supervisor of Technology Services
Penny L. Shaffer Supervisor of Business Services
W. Thompson Jenkins. Manager of Transportation
Kevin R. Bridges Supervisor of Information Systems

KENNETT CONSOLIDATED SCHOOL DISTRICT

Consultants and Advisors

Independent Auditors

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

Legal Counsel

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

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

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

Financial Advisors

RBC Dain Rauscher
2101 Oregon Pike
Lancaster, PA 17601

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

Official Depositories

Fulton Bank
501 Schoolhouse Road
Kennett Square, PA 19348

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

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

Architects

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

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graph TD
    Electorate[Electorate] --> Board[Board of School Directors]
    Board --> Superintendent[Superintendent]
    Superintendent --> ASBA[Assistant to the Superintendent Business Affairs]
    Superintendent --> DCSI[Dir. of Curriculum & Math/Science Instruction]
    Superintendent --> ASAS[Assistant Superintendent of Administrative Services]
    Superintendent --> DSE[Director of Special Education]
    Superintendent --> Principals[Principals]
    
    ASBA --> DCF[Director of Construction and Facilities]
    ASBA --> MT[Manager of Transportation]
    ASBA --> SBS[Supervisor of Business Services]
    ASBA --> STS[Supervisor of Technology Services]
    ASBA --> SIS[Supervisor of Information Systems]
    
    DCSI --> CS[Curriculum Supervisor]
    
    ASAS --> HR[Human Resource]
    ASAS --> EASL[English as a Second Language]
    ASAS --> CSvc[Counseling Services]
    ASAS --> StS[Student Services]
    ASAS --> HSSV[Home/School Visitor Social Worker]
    
    DSE --> SSE[Supervisor of Special Education]
    DSE --> SEL[Special Education Liaison]
    DSE --> SEDG[Special Ed/Gifted Staff]
    DSE --> SLC[Speech/Language Clinicians]
    DSE --> SP[School Psychologists]
    
    Principals --> APAD[Assistant Principals/Athletic Director]
    Principals --> CS[Certificated Staff]
    Principals --> SCH[Supplemental Contract Holders]
  
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The organizational chart for the School District of Chicago is structured as follows:

- Electorate**
 - Board of School Directors**
 - Superintendent**
 - Assistant to the Superintendent Business Affairs**
 - Director of Construction and Facilities
 - Manager of Transportation
 - Supervisor of Business Services
 - Supervisor of Technology Services
 - Supervisor of Information Systems
 - Dir. of Curriculum & Math/Science Instruction**
 - Curriculum Supervisor
 - Assistant Superintendent of Administrative Services**
 - Human Resource
 - English as a Second Language
 - Counseling Services
 - Student Services
 - Home/School Visitor Social Worker
 - Director of Special Education**
 - Supervisor of Special Education
 - Special Education Liaison
 - Special Ed/Gifted Staff
 - Speech/Language Clinicians
 - School Psychologists
 - Principals**
 - Assistant Principals/Athletic Director
 - Certificated Staff
 - Supplemental Contract Holders

- Position

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

November 2, 2017

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Kennett Consolidated School District's 2016 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 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 also not a required part of the basic financial statements. The schedule of expenditures of federal

Members of the Board
Kennett Consolidated School District

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 2, 2017 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.

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**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 \$41,623,631. 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 GASB 68, "Accounting and Financial Reporting for Pensions." The District's allocation of PSERS net pension liability is \$110,264,000. As a result, the District's unrestricted net position is \$(90,393,382).
- The District's total net position increased by \$2,907,526. The increase in net position is partially attributable to the reduction in deferred pension expense of \$1,139,000.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,190,115, a decrease of \$1,802,872 in comparison with the prior year. Approximately 50.9 percent of this total amount, \$6,710,812, 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 \$6,710,812, or 8.3 percent of total general fund expenditures.
- The District's total long-term liabilities increased by \$10,901,990, or 6.6 percent, during the fiscal year. The increase is primarily due to an increase in the District's net pension liability of \$16,054,000. The increase is offset by a decrease in general obligation bonds of \$5,502,860.
- The net position of business-type activities, the food service operation, decreased by \$64,923, or 1.2 percent this year. The food service operation was allocated one percent of the PSERS net pension liability, which is \$1,102,640 for the current year. Revenues for the food service operation increased by 1.2 percent to \$1,812,697 while expenses increased by 2.9 percent to \$1,877,620.

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 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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017**

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 liabilities. 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 uses 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, 2017**

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 Governmental Accounting Standards Board ("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 Pennsylvania Public School Employees' Retirement System ("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, 2017**

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 30.03 percent in 2016 - 2017. 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.

Financial Analysis of the District as a Whole

The District's net position was adversely affected by the District's recognition of its proportionate share of the net pension liability of the Public School Employees' Retirement System of Pennsylvania (PSERS). For the current year, the District's share of the PSERS net pension liability is \$110,264,000 and total net position is \$(41,623,631), resulting in a negative *unrestricted net position* of \$(90,393,382). The following table presents condensed financial information for the net position of the District as of June 30, 2017 and 2016.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 26,420,455	\$ 26,893,612	\$ 910,602	\$ 920,810	\$ 27,331,057	\$ 27,814,422
Capital Assets	98,244,070	98,856,707	723,127	756,764	98,967,197	99,613,471
Total Assets	124,664,525	125,750,319	1,633,729	1,677,574	126,298,254	127,427,893
Deferred Outflows of Resources	20,650,862	7,354,067	208,595	74,284	20,859,457	7,428,351
Total Assets and Deferred Outflows of Resources	145,315,387	133,104,386	1,842,324	1,751,858	147,157,711	134,856,244
Long-term liabilities	173,860,222	163,120,595	1,116,996	954,633	174,977,218	164,075,228
Other liabilities	9,216,130	9,557,747	131,684	127,268	9,347,814	9,685,015
Total Liabilities	183,076,352	172,678,342	1,248,680	1,081,901	184,325,032	173,760,243
Deferred Inflows of Resources	4,413,260	5,572,718	43,050	54,440	4,456,310	5,627,158
Total Liabilities and Deferred Inflows of Resources	187,489,612	178,251,060	1,291,730	1,136,341	188,781,342	179,387,401
Net position:						
Net investment in capital assets	41,619,899	36,394,244	723,127	756,764	42,343,026	37,151,008
Restricted	6,426,725	8,474,047	-	-	6,426,725	8,474,047
Unrestricted (Deficit)	(90,220,849)	(90,014,965)	(172,533)	(141,247)	(90,393,382)	(90,156,212)
Total Net Position (Deficit)	\$ (42,174,225)	\$ (45,146,674)	\$ 550,594	\$ 615,517	\$ (41,623,631)	\$ (44,531,157)

A significant portion of the District's net position, \$42,343,026, 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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

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, \$6,426,725, 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 68. 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 \$2,907,526 during the current fiscal year. The increase is partly due to the reduction in deferred pension expense of \$1,139,000. Governmental activities increased the District's net position by \$2,972,449, thereby accounting for 100 percent of the total growth in the net position.

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

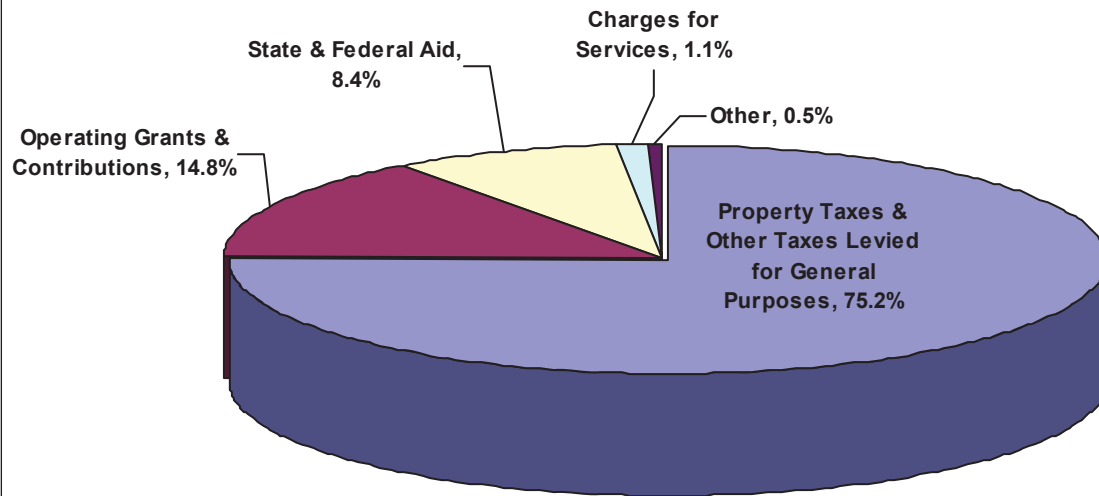
The following table presents condensed financial information from the statement of activities in a different format.

Changes in Net Position from Operating Results

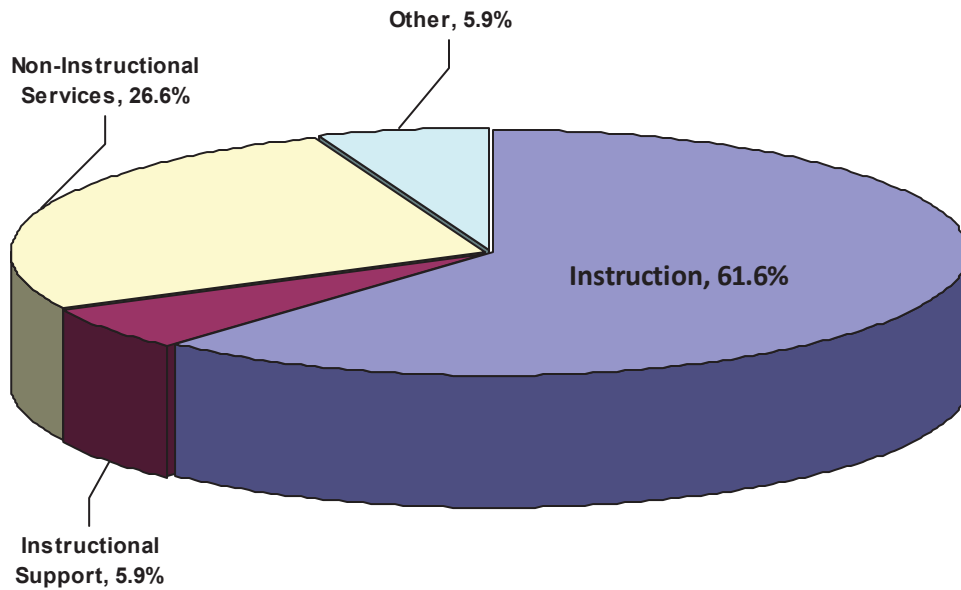
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 261,483	\$ 200,969	\$ 692,442	\$ 714,040	\$ 953,925	\$ 915,009
Operating grants and contributions	11,290,760	10,462,025	1,115,248	1,075,411	12,406,008	11,537,436
General Revenues:						
Property taxes and other taxes levied for general purposes	63,125,373	61,991,926	-	-	63,125,373	61,991,926
State and federal aid	7,010,842	6,714,900	-	-	7,010,842	6,714,900
Other	440,408	397,902	5,007	1,861	445,415	399,763
Total Revenues	82,128,866	79,767,722	1,812,697	1,791,312	83,941,563	81,559,034
Expenses:						
Instruction	50,130,855	47,394,610	-	-	50,130,855	47,394,610
Instructional support	4,765,349	5,357,520	-	-	4,765,349	5,357,520
Non-instructional services	21,676,525	20,961,236	-	-	21,676,525	20,961,236
Other	2,583,688	2,893,412	1,877,620	1,825,470	4,461,308	4,718,882
Total Expenses	79,156,417	76,606,778	1,877,620	1,825,470	81,034,037	78,432,248
Increase (Decrease) in Net Position Before Transfers	2,972,449	3,160,944	(64,923)	(34,158)	2,907,526	3,126,786
Transfers	-	(4,924)	-	4,924	-	-
Increase (Decrease) in Net Position	2,972,449	3,156,020	(64,923)	(29,234)	2,907,526	3,126,786
Beginning Net Position (Deficit)	(45,146,674)	(48,302,694)	615,517	644,751	(44,531,157)	(47,657,943)
Ending Net Position (Deficit)	<u>\$ (42,174,225)</u>	<u>\$ (45,146,674)</u>	<u>\$ 550,594</u>	<u>\$ 615,517</u>	<u>\$ (41,623,631)</u>	<u>\$ (44,531,157)</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

Sources of Revenue for Fiscal Year 2017

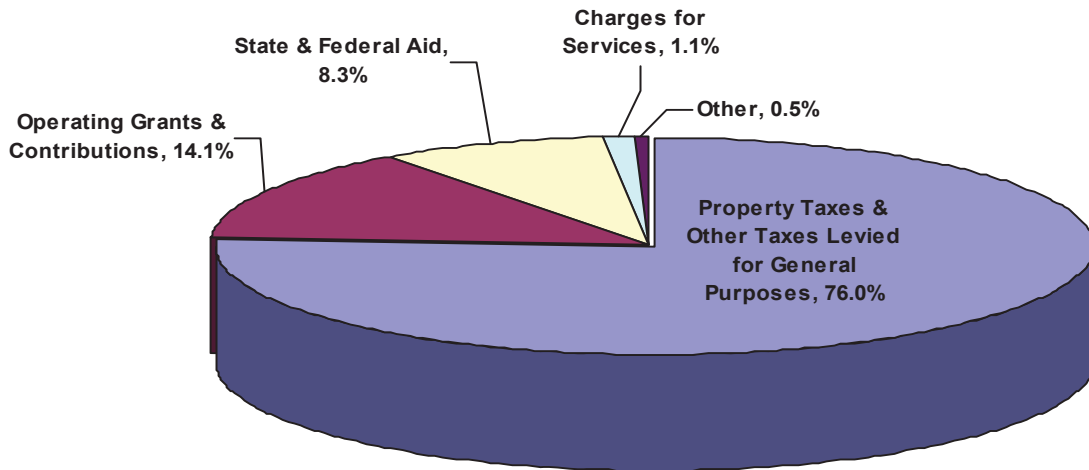


Expenses for Fiscal Year 2017

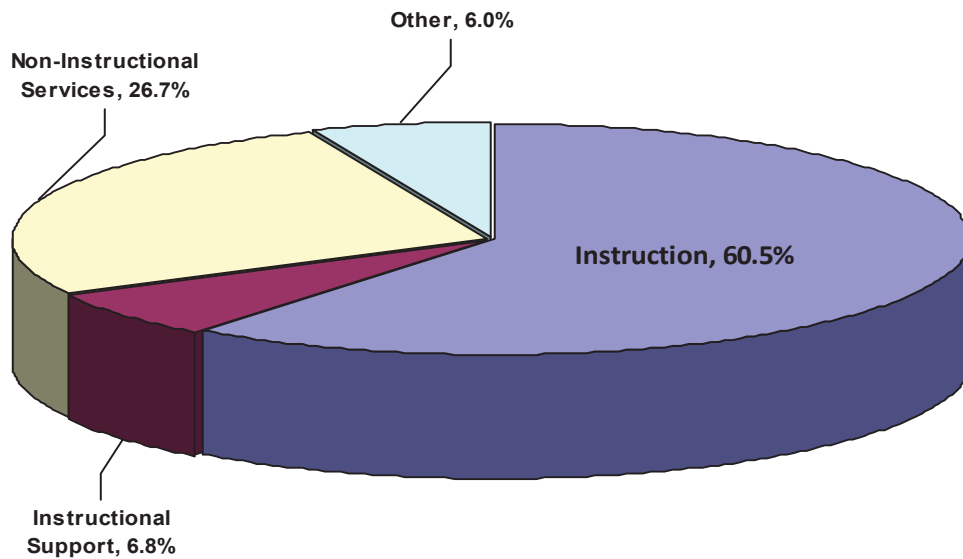


**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

Sources of Revenue for Fiscal Year 2016



Expenses for Fiscal Year 2016



**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

Governmental Activities. Total revenues increased by \$2,361,144, or 3.0 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$63,125,373, or 76.9 percent. The increase of \$1,133,447 (1.8 percent) is due to an increase in the millage rate of 2.24 percent and a slight recovery in the tax base, along with an increase in realty transfer and earned income taxes. Another \$7,010,842, or 8.5 percent, came from state formula aid, such as the basic education subsidy. The remainder, \$11,992,651 or 14.6 percent, came from various sources. Revenue of \$11,290,760 came from operating grants, including funds for special education, student transportation, retirement, and social security. Revenue of \$177,090 came from earnings on investments, revenue of \$261,483 came from fees charged for services, and other revenue amounted to \$263,318.

The total cost of all governmental programs and services rose to \$79,156,417, an increase of \$2,549,639, or 3.3 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 represents \$75,100,790, or 94.9 percent, of total expenses. The growth in expenses includes an increase of \$1,445,465 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 \$2,972,449 over the past year.

Business-type Activities. Business-type activities decreased the District's net position by \$64,923. While revenues increased by \$21,385, or 1.2 percent, over the prior year due to an increase in the price of meals served, expenses increased by \$52,150, or 2.9 percent, due mainly to an increase in food 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 increased by \$1,660,390 to \$67,604,174. The state and federal government subsidized certain programs with capital and operating grants and contributions which totaled \$11,290,760.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016		2017	2016	
Functions/Programs						
Instruction	\$ 50,130,855	\$ 47,394,610	5.8%	\$ 42,525,956	\$ 40,399,429	5.3%
Instructional support	4,765,349	5,357,520	-11.1%	4,247,906	4,907,182	-13.4%
Non-instructional services	21,676,525	20,961,236	3.4%	18,684,765	18,222,065	2.5%
Other	2,583,688	2,893,412	-10.7%	2,145,547	2,415,108	-11.2%
Food services	<u>\$ 79,156,417</u>	<u>\$ 76,606,778</u>	<u>3.3%</u>	<u>\$ 67,604,174</u>	<u>\$ 65,943,784</u>	<u>2.5%</u>

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

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
	2017	2016		2017	2016	
Functions/Programs						
Food services	\$ 1,877,620	\$ 1,825,470	2.9%	\$ 69,930	\$ 36,019	94.1%

Financial Analysis of the Government's Funds

Governmental Funds

At the end of June 30, 2017, governmental funds had total fund balances of \$13,190,115, a decrease of \$1,802,872 in comparison with the previous year. Approximately 50.9 percent of this total amount, \$6,710,812, 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 \$6,763,390, which also represents 8.3 percent of total general fund expenditures. The fund balance of the District's general fund increased by \$244,450.

The Capital Projects Fund has a total fund balance of \$193,610, 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 \$8,848 is due to expenditures related to the repair of defective concrete at the school.

The Capital Reserve Fund has a total fund balance of \$6,233,115, 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 decrease in fund balance during the current year in the Capital Reserve Fund was \$2,038,474. The Capital Reserve Fund received transfers from the general fund of \$299,498. The Capital Reserve Fund had expenses of \$2,360,706 for a variety of facility improvements including the installation of relocatable classrooms at Greenwood Elementary, renovations to the New Garden Elementary all-purpose room, replacements to portions of the High School roof and construction of the Middle School baseball field. Through the Capital Reserve Fund, the District also made a significant investment in technology (\$518,822) with the purchase of Dell Chromebooks and Notebooks along with appropriate storage cabinets and interactive white boards and projectors.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

Proprietary Funds

Unrestricted net position of the Food Service Fund at the end of the year amounted to \$(172,533). The negative unrestricted net position is due to the Food Service operation's share of the District's net pension liability for PSERS of \$1,102,640. The net position for this fund decreased by \$64,923. 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 \$3,060,956 and represents resources accumulated for anticipated future losses. The net position for this fund increased by \$1,640,540 due to a combination of increased charges for health insurance and decreased insurance claims. This residual balance is reported in the governmental activities since the services provided primarily benefit the governmental activities.

General Fund Budgetary Highlights

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

The difference in the 2016 - 2017 revenues and expenditures compared to the budget resulted in an overall favorable variance of \$1,257,770. 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 \$543,440. An amount of \$299,498 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 \$213,910 to \$6,710,812.

Significant variances between the original and final budget occurred in local sources of revenues due to greater than expected collections for earned income and realty transfer taxes and interest on investments.

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

- Increases in earned income and realty transfer tax collections of \$997,477.
- Increase in interest on investments of \$103,421.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had investments of \$98,967,197 (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 \$646,274, or 0.6 percent, for the year. Total depreciation expense for the year amounted to \$3,839,822. More detailed information about capital assets can be found in the notes to the financial statements.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

Capital Assets

	Governmental Activities		Business-type Activities		Totals		Percentage Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 3,060,599	\$ 3,060,599	\$ -	\$ -	\$ 3,060,599	\$ 3,060,599	0.0%
Construction-in-progress	899,609	324,304	-	-	899,609	324,304	177.4%
Building and building improvements	91,678,496	93,362,950	-	-	91,678,496	93,362,950	-1.8%
Fixtures and equipment	2,605,366	2,108,854	723,127	756,764	3,328,493	2,865,618	16.2%
Total	<u>\$ 98,244,070</u>	<u>\$ 98,856,707</u>	<u>\$ 723,127</u>	<u>\$ 756,764</u>	<u>\$ 98,967,197</u>	<u>\$ 99,613,471</u>	<u>-0.6%</u>

Long-term Debt

As of June 30, 2017, the District had \$175,321,498 in general obligation bonds and other long-term debt outstanding, an increase of \$11,246,270, or 6.9 percent, over last year primarily due the District's net pension liability. The District made annual debt service payments totaling \$5,675,000 and issued no new debt in 2017. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Outstanding Long-term Debt

	Totals		
	2017	2016	% Change
General Obligation Bonds	\$ 56,817,781	\$ 62,664,921	-9.3%
Compensated Absences	1,074,856	1,023,803	5.0%
Other Post-employment Benefits (OPEB)	6,820,581	6,176,504	10.4%
Net Pension Liability	<u>110,264,000</u>	<u>94,210,000</u>	<u>17.0%</u>
Total	<u>\$174,977,218</u>	<u>\$164,075,228</u>	<u>6.6%</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 teacher's contract. The economic package (salaries and fringe benefits) over the next four years provides for an annual increase of 2.3 percent, 2.5 percent, 2.6 percent, and 2.7 percent and includes employee contributions for healthcare costs.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

- 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 four 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 2017 - 2018 was two percent.
- The District is carefully monitoring proposed developments in the Borough of Kennett Square, 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. The District is revisiting the elementary attendance areas annually to ensure future students can be accommodated.
- 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 and logistics.
- 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.
- The current national and global economic conditions continue to affect the District's revenue stream. The continued downturn in new construction in the housing market has resulted in the loss of interim real estate taxes. The number of successful real estate tax assessment appeals in the past few years reached a level to impact the assessment base downward, resulting in the loss of annual real estate tax revenue. The District has seen this stabilize due to the fact that most residential home owners have already appealed their assessment and a reversal of the real estate market. While interest rates have started to increase slowly, low interest rates continue to result in lower income earned on District investments.
- As of this date, there has been no significant progress on the passage of a final state budget, which comprises approximately 19 percent of total revenues. There lacks a completed and agreed upon 2017 - 2018 revenue package. Despite the lack of any coordinated legislative solution, the Governor has made clear that he will take steps to manage the Commonwealth's finances and ensure that education funding is not impacted.
- 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 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

**KENNETT CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONT'D
FOR THE YEAR ENDED JUNE 30, 2017**

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 2018 - 2019 is 2.4 percent, compared to 2.9 percent in 2017 - 2018. The District does not anticipate needing a referendum for the 2018 - 2019 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, 2017
(With Summarized Comparative Data - June 30, 2016)

	Governmental	Business-Type	Totals	
	Activities	Activities	2017	2016
Assets and Deferred Outflows of Resources				
Assets				
Cash and cash equivalents	\$ 3,964,794	\$ 806,442	\$ 4,771,236	\$ 3,011,158
Investments	18,279,907	-	18,279,907	20,759,049
Taxes receivable, net	1,813,267	-	1,813,267	1,962,964
Due from other governments	2,128,555	145,932	2,274,487	1,936,488
Internal balance	88,951	(88,951)	-	-
Other receivables	92,403	7,784	100,187	105,333
Prepaid expenses	52,578	-	52,578	22,038
Inventories	-	39,395	39,395	17,392
Land	3,060,599	-	3,060,599	3,060,599
Construction in progress	899,609	-	899,609	324,304
Building and building improvements, net of depreciation	91,678,497	-	91,678,497	93,362,950
Fixtures and equipment, net of depreciation	2,605,365	723,127	3,328,492	2,865,618
Total Assets	124,664,525	1,633,729	126,298,254	127,427,893
Deferred Outflows of Resources				
Deferred pension contributions	8,638,075	87,253	8,725,328	7,233,717
Deferred pension expense	12,012,787	121,342	12,134,129	194,634
Total Deferred Outflows of Resources	20,650,862	208,595	20,859,457	7,428,351
Total Assets and Deferred Outflows of Resources	\$145,315,387	\$ 1,842,324	\$147,157,711	\$134,856,244
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 1,590,849	\$ 131,684	\$ 1,722,533	\$ 2,390,161
Accrued salaries and benefits	6,937,347	-	6,937,347	6,602,149
Retainage payable	53,685	-	53,685	21,562
Accrued interest	634,249	-	634,249	663,019
Unearned Revenue	-	-	-	8,124
Long-term liabilities				
Portion due or payable within one year:				
Bonds and notes payable in future years, net	5,929,026	-	5,929,026	5,814,026
Accumulated compensated absences	123,812	-	123,812	101,051
Portion due or payable after one year:				
Bonds and notes payable in future years, net	50,888,755	-	50,888,755	56,850,895
Accumulated compensated absences	936,688	14,356	951,044	922,752
Other post employment benefit obligations	6,820,581	-	6,820,581	6,176,504
Net pension liability	109,161,360	1,102,640	110,264,000	94,210,000
Total Liabilities	183,076,352	1,248,680	184,325,032	173,760,243
Deferred Inflows of Resources				
Deferred pension expense	4,261,950	43,050	4,305,000	5,444,000
Deferred amount on bond refunding	151,310	-	151,310	183,158
Total Deferred Inflows of Resources	4,413,260	43,050	4,456,310	5,627,158
Net Position (Deficit):				
Net investment in capital assets	41,619,899	723,127	42,343,026	37,151,008
Restricted net position for capital projects	6,426,725	-	6,426,725	8,474,047
Unrestricted net position	(90,220,849)	(172,533)	(90,393,382)	(90,156,212)
Total Net Position (Deficit)	(42,174,225)	550,594	(41,623,631)	(44,531,157)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$145,315,387	\$ 1,842,324	\$147,157,711	\$134,856,244

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, 2017
(With Summarized Comparative Data for Fiscal Year Ended June 30, 2016)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services		Capital Grants and Contributions	Governmental Activities	Business-type Activities		Totals
		Operating Grants and Contributions	Operating Grants and Contributions					
Governmental Activities								
Instruction	\$50,130,855	\$ 29,405	\$ 7,575,494	\$ -	\$ (42,525,956)	-	\$ (42,525,956)	\$ (40,399,429)
Instructional support	4,765,349	-	517,443	-	(4,247,906)	-	(4,247,906)	(4,907,182)
Administrative and financial support services	7,958,298	-	598,287	-	(7,360,011)	-	(7,360,011)	(7,184,140)
Operation and maintenance of plant services	7,280,812	-	547,226	-	(6,733,586)	-	(6,733,586)	(6,469,281)
Pupil transportation	4,965,476	119,662	1,503,572	-	(3,342,242)	-	(3,342,242)	(3,479,962)
Student activities	1,471,939	112,416	110,597	-	(1,248,926)	-	(1,248,926)	(1,088,682)
Interest on long-term debt	1,445,831	-	438,141	-	(1,007,690)	-	(1,007,690)	(1,302,865)
Unallocated depreciation*	1,137,857	-	-	-	(1,137,857)	-	(1,137,857)	(1,112,243)
Total Government Activities	79,156,417	261,483	11,290,760	-	(67,604,174)	-	(67,604,174)	(65,943,784)
Business-Type Activities								
Food Services	1,877,620	692,442	1,115,248	-	-	(69,930)	(69,930)	(36,019)
Total Business-Type Activities	1,877,620	692,442	1,115,248	-	-	(69,930)	(69,930)	(36,019)
Total Primary Government General Revenues	\$81,034,037	\$ 953,925	\$ 12,406,008	\$ -	\$ (67,604,174)	\$ (69,930)	\$ (67,674,104)	\$ (65,979,803)
Taxes								
Property taxes, levied for general purposes					\$ 57,336,108	\$ -	\$ 57,336,108	\$ 56,516,864
Taxes levied for specific purposes					5,789,265	-	5,789,265	5,475,062
Grants and entitlements not restricted to specific programs					7,010,842	-	7,010,842	6,714,900
Investment earnings					177,099	5,007	182,106	102,294
Miscellaneous					263,309	-	263,309	297,469
Total General Revenues					70,576,623	5,007	70,581,630	69,106,589
Change in Net Position					2,972,449	(64,923)	2,907,526	3,126,786
Net Position (Deficit), Beginning of Year					(45,146,674)	615,517	(44,531,157)	(47,657,943)
Net Position (Deficit), End of Year					\$ (42,174,225)	\$ 550,594	\$ (41,623,631)	\$ (44,531,157)

*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, 2017
(With Summarized Comparative Data - June 30, 2016)

	General	Capital Projects	Capital Reserve	Totals	
				2017	2016
Assets					
Cash and equivalents	\$ 35,805	193,610	\$ -	\$ 229,415	\$ 234,201
Investments	12,305,930	-	5,973,977	18,279,907	20,759,049
Receivables:					
Delinquent real estate taxes	1,850,272	-	-	1,850,272	1,100,212
Interfund receivables	75,626	-	312,823	388,449	2,003,025
Intergovernmental	2,128,555	-	-	2,128,555	1,884,948
Other	92,403	-	-	92,403	91,315
Prepaid expenditures	52,578	-	-	52,578	22,038
Total Assets	<u>\$16,541,169</u>	<u>\$193,610</u>	<u>\$ 6,286,800</u>	<u>\$23,021,579</u>	<u>\$26,094,788</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 916,426	\$ -	\$ 53,685	\$ 970,111	\$ 1,654,910
Interfund payables	299,498	-	-	299,498	1,211,076
Accrued salaries and benefits	6,937,347	-	-	6,937,347	6,602,149
Unearned revenues	-	-	-	-	8,124
Accrued compensated absences	123,812	-	-	123,812	101,051
Total Liabilities	<u>8,277,083</u>	<u>-</u>	<u>53,685</u>	<u>8,330,768</u>	<u>9,577,310</u>
Deferred Inflows of Resources					
Unavailable revenues-delinquent taxes	1,500,696	-	-	1,500,696	1,524,491
Total Deferred Inflows of Resources	<u>1,500,696</u>	<u>-</u>	<u>-</u>	<u>1,500,696</u>	<u>1,524,491</u>
Fund Balances					
Nonspendable	52,578			52,578	22,038
Restricted for:					
Capital Projects	-	193,610	6,233,115	6,426,725	8,474,047
Unassigned	6,710,812	-	-	6,710,812	6,496,902
Total Fund Balances	<u>6,763,390</u>	<u>193,610</u>	<u>6,233,115</u>	<u>13,190,115</u>	<u>14,992,987</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$16,541,169</u>	<u>\$193,610</u>	<u>\$ 6,286,800</u>	<u>\$23,021,579</u>	<u>\$26,094,788</u>

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
For Fiscal Year Ended June 30, 2017

TOTAL GOVERNMENTAL FUND BALANCES **\$ 13,190,115**

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	899,609	
Buildings and improvements	137,574,482	
Furniture and equipment	6,668,158	
Accumulated depreciation	<u>(49,958,778)</u>	98,244,070

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	\$ (56,817,781)	
Accumulated compensated absences	(936,688)	
Accrued interest	(634,249)	
Other post-employment benefits	(6,820,581)	
Net pension liability	<u>(109,161,360)</u>	(174,370,659)

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.

(37,005)

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.

3,060,956

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.

1,500,696

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

(151,310)

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

Deferred outflows of resources:

Deferred pension contributions	\$ 8,638,075
Deferred pension expense	12,012,787

Deferred inflows of resources:

Deferred pension expense	<u>(4,261,950)</u>	<u>16,388,912</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (42,174,225)

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, 2017
(With Summarized Comparative Data for Fiscal Year Ended June 30, 2016)

	General	Capital Projects	Capital Reserve	Totals	
				2017	2016
Revenues					
Revenue from local sources:					
Real estate taxes	\$ 55,409,613	\$ -	\$ -	\$ 55,409,613	\$ 53,935,825
Interim taxes	219,503	-	-	219,503	364,777
Earned income tax	4,619,000	-	-	4,619,000	4,428,024
Transfer taxes	1,103,477	-	-	1,103,477	979,140
Delinquent taxes	1,727,732	-	-	1,727,732	1,929,914
Earnings from investments	153,564	801	22,734	177,099	100,433
Utility taxes	66,788	-	-	66,788	67,897
Refund of Prior Year Expenditures	509	-	-	509	33,956
Other revenue	534,068	-	-	534,068	498,439
Subtotal	63,834,254	801	22,734	63,857,789	62,338,405
State Sources	16,734,075	-	-	16,734,075	15,655,262
Federal Sources	1,558,249	-	-	1,558,249	1,521,663
Total Revenues	82,126,578	801	22,734	82,150,113	79,515,330
Expenditures					
Current:					
Instruction	48,798,636	-	-	48,798,636	46,141,491
Support Services	23,990,869	-	-	23,990,869	23,698,137
Operation of noninstructional services	1,439,536	-	-	1,439,536	1,265,038
Capital outlays	-	9,649	2,360,706	2,370,355	1,438,564
Debt Service:					
Principal	5,675,000	-	-	5,675,000	5,790,000
Interest	1,678,589	-	-	1,678,589	2,061,193
Total Expenditures	81,582,630	9,649	2,360,706	83,952,985	80,394,423
Excess (Deficiency) of Revenues Over (under) Expenditures	543,948	(8,848)	(2,337,972)	(1,802,872)	(879,093)
Other Financing Sources (Uses)					
Issuance of Refunding Debt	-	-	-	-	17,795,000
Payment of Refunded Debt Escrow	-	-	-	-	(17,605,000)
Bond Premium	-	-	-	-	462,780
Interfund transfers	(299,498)	-	299,498	-	(4,924)
Total Other Financing Sources (Uses)	(299,498)	-	299,498	-	647,856
Net Change In Fund Balances	244,450	(8,848)	(2,038,474)	(1,802,872)	(231,237)
Fund Balances, Beginning of Year	6,518,940	202,458	8,271,589	14,992,987	15,224,224
Fund Balances, End of Year	\$ 6,763,390	\$ 193,610	\$ 6,233,115	\$ 13,190,115	\$ 14,992,987

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, 2017

NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS \$ (1,802,872)

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	\$ 3,182,621	
Loss on disposal	(2,398)	
Depreciation expense	<u>(3,792,860)</u>	(612,637)

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.

(23,795)

Change in allowance for uncollectible taxes

3,056

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.

5,675,000

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.

28,770

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.

1,640,540

Other post-employment benefits include post-employment healthcare benefits and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. The annual cost represents the employer's contribution to the plan which includes the implicit rate subsidy. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid).

(644,077)

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.

172,140

Governmental funds report deferred bond refunding option proceeds as other financing sources. However, these amounts are reported on the statement of net position as deferred outflows of resources and amortized over the life of the refunding debt.

31,848

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).

(26,469)

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.

(1,469,055)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,972,449

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, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 62,774,699	\$ 62,774,699	\$ 63,834,254	\$ 1,059,555
State Sources	16,893,399	16,893,399	16,734,075	(159,324)
Federal Sources	1,410,936	1,410,936	1,558,249	147,313
TOTAL REVENUES	81,079,034	81,079,034	82,126,578	1,047,544
EXPENDITURES				
Instruction:				
Regular programs	34,006,018	34,028,609	33,988,345	40,264
Special programs	12,968,147	12,797,472	12,795,121	2,351
Vocational programs	1,751,166	1,706,046	1,705,566	480
Other instructional programs	170,921	321,380	309,604	11,776
Total Instruction	48,896,252	48,853,507	48,798,636	54,871
Support Services:				
Pupil services	2,394,558	2,328,851	2,300,234	28,617
Instructional support	2,157,270	2,190,549	2,180,282	10,267
Administrative support	4,162,249	4,215,201	4,208,339	6,862
Pupil health	897,443	918,097	902,058	16,039
Business support	1,082,956	1,095,363	1,094,098	1,265
Operation & maintenance of plant	6,473,812	6,408,559	6,393,311	15,248
Student transportation	5,080,321	4,926,575	4,906,625	19,950
Central support	2,046,971	1,986,971	1,971,341	15,630
Other support services	37,551	37,551	34,581	2,970
Total Support Services	24,333,131	24,107,717	23,990,869	116,848
Operation of Non-instructional Services	1,116,927	1,390,449	1,367,281	23,168
Community Services	-	13,100	9,102	3,998
Facilities Acq, Construct. & Imprmnt Servs.	75,000	75,000	63,153	11,847
Debt Service	7,282,054	7,353,591	7,353,589	2
TOTAL EXPENDITURES	81,703,364	81,793,364	81,582,630	210,734
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(624,330)	(714,330)	543,948	1,258,278
OTHER FINANCING USES				
Budgetary reserve	(90,000)	-	-	-
Transfers out	-	-	(299,498)	(299,498)
TOTAL OTHER FINANCING USES	(90,000)	-	(299,498)	(299,498)
NET CHANGE IN FUND BALANCE	(714,330)	(714,330)	244,450	958,780
FUND BALANCE, BEGINNING OF YEAR	6,543,469	6,543,469	6,518,940	24,529
FUND BALANCE, END OF YEAR	\$ 5,829,139	\$ 5,829,139	\$ 6,763,390	\$ 983,309

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, 2017 (With Comparative Data - June 30, 2016)

	Major Fund		Internal Service Fund	
	Food Service Fund			
	2017	2016	2017	2016
Assets and Deferred Outflows of Resources				
Current Assets:				
Cash and cash equivalents	\$ 806,442	\$ 888,481	\$1,735,379	\$ 1,888,476
Investments	-	-	2,000,000	-
Due from other governments	145,932	51,540	-	-
Due from other funds	-	12,185	-	166,828
Other receivables	7,784	14,018	-	-
Inventories	39,395	17,392	-	-
Total Current Assets	<u>999,553</u>	<u>983,616</u>	<u>3,735,379</u>	<u>2,055,304</u>
Furniture and Equipment				
Net furniture and equipment	<u>723,127</u>	<u>756,764</u>	-	-
Total Assets	<u>1,722,680</u>	<u>1,740,380</u>	<u>3,735,379</u>	<u>2,055,304</u>
Deferred Outflows of Resources				
Deferred pension contributions	87,253	72,337	-	-
Deferred pension expenses	121,342	1,947	-	-
Total Deferred Outflows of Resources	<u>208,595</u>	<u>74,284</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,931,275</u>	<u>\$ 1,814,664</u>	<u>\$3,735,379</u>	<u>\$ 2,055,304</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities:				
Accounts payable	\$ 131,684	\$ 127,268	\$ 674,423	\$ 629,545
Due to other funds	88,951	62,806	-	5,343
Total Current Liabilities	<u>220,635</u>	<u>190,074</u>	<u>674,423</u>	<u>634,888</u>
Long term Liabilities				
Portion due or payable after one year:				
Compensated absences	14,356	12,533	-	-
Net pension liability	1,102,640	942,100	-	-
Total Liabilities	<u>1,337,631</u>	<u>1,144,707</u>	<u>674,423</u>	<u>634,888</u>
Deferred Inflows of Resources				
Deferred pension expense	<u>43,050</u>	<u>54,440</u>	<u>-</u>	<u>-</u>
Net Position (Deficit):				
Net investment in capital assets	723,127	756,764	-	-
Unrestricted	(172,533)	(141,247)	3,060,956	1,420,416
Total Net Position	<u>550,594</u>	<u>615,517</u>	<u>3,060,956</u>	<u>1,420,416</u>
Total Liabilities, Deferred Inflows of Resources And Net Position	<u>\$ 1,931,275</u>	<u>\$ 1,814,664</u>	<u>\$3,735,379</u>	<u>\$ 2,055,304</u>

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, 2017 (With Comparative Data for Fiscal Year Ended June 30, 2016)

	<u>Major Fund</u>		<u>Internal Service Fund</u>	
	<u>Food Service Fund</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating Revenues				
Food service revenues	\$ 692,442	\$ 714,040	\$ -	\$ -
Charges for health insurance	-	-	8,738,132	8,120,263
Total Operating Revenues	<u>692,442</u>	<u>714,040</u>	<u>8,738,132</u>	<u>8,120,263</u>
Operating Expenses				
Salaries	207,591	201,102	-	-
Employee benefits	143,238	109,325	-	-
Other purchased services	1,354,616	1,346,473	-	-
Self-insurance claims	-	-	7,108,373	7,808,278
Supplies	125,213	117,392	-	-
Depreciation	46,962	51,178	-	-
Total Operating Expenses	<u>1,877,620</u>	<u>1,825,470</u>	<u>7,108,373</u>	<u>7,808,278</u>
Operating Income (Loss)	<u>(1,185,178)</u>	<u>(1,111,430)</u>	<u>1,629,759</u>	<u>311,985</u>
Non-Operating Revenues				
Earnings on investments	5,007	1,861	10,781	1,690
State sources	84,667	86,496	-	-
Federal sources	<u>1,030,581</u>	<u>988,915</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues	<u>1,120,255</u>	<u>1,077,272</u>	<u>10,781</u>	<u>1,690</u>
Change in Net Position Before Transfers	(64,923)	(34,158)	1,640,540	313,675
Interfund Transfers	<u>-</u>	<u>4,924</u>	<u>-</u>	<u>-</u>
Change In Net Position	(64,923)	(29,234)	1,640,540	313,675
Net Position, Beginning of Year	<u>615,517</u>	<u>644,751</u>	<u>1,420,416</u>	<u>1,106,741</u>
Net Position, End of Year	<u>\$ 550,594</u>	<u>\$ 615,517</u>	<u>\$3,060,956</u>	<u>\$1,420,416</u>

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, 2017 (With Comparative Data for Fiscal Year Ended June 30, 2016)

	Major Fund		Internal Service Fund	
	Food Service Fund			
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Cash received from users	\$ 698,676	\$ 775,517	\$ 8,904,960	\$ 8,176,951
Payments to suppliers	(1,335,181)	(1,503,537)	-	-
Payments to employees	(323,805)	(323,966)	-	-
Cash payments for health insurance costs	-	-	(7,068,838)	(7,575,137)
Net Cash (Used) Provided by Operating Activities	<u>(960,310)</u>	<u>(1,051,986)</u>	<u>1,836,122</u>	<u>601,814</u>
Cash Flows from Noncapital Financing Activities:				
State Sources	80,186	86,320	-	-
Federal Sources	806,403	886,975	-	-
Transfers from other funds	-	4,924	-	-
Net Cash Provided by Noncapital Financing Activities	<u>886,589</u>	<u>978,219</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>(13,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Purchase of investments	-	-	(2,000,000)	-
Earnings on investments	5,007	1,861	10,781	1,690
Net Cash Provided by Investing Activities	<u>5,007</u>	<u>1,861</u>	<u>(1,989,219)</u>	<u>1,690</u>
Net Increase in Cash and Cash Equivalents	<u>(82,039)</u>	<u>(71,906)</u>	<u>(153,097)</u>	<u>603,504</u>
Cash and Cash Equivalents, Beginning of Year	<u>888,481</u>	<u>960,387</u>	<u>1,888,476</u>	<u>1,284,972</u>
Cash and Cash Equivalents, End of Year	<u>\$ 806,442</u>	<u>\$ 888,481</u>	<u>\$ 1,735,379</u>	<u>\$ 1,888,476</u>
Reconciliation of Operating (Loss) Income to Net Cash (Used) Provided by Operating Cash Flows from Operating Activities:				
Operating (loss) income	\$ (1,185,178)	\$ (1,111,430)	\$ 1,629,759	\$ 311,985
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:				
Depreciation	46,962	51,178	-	-
Donated commodities	134,267	96,034	-	-
(Increase)Decrease in:				
Other receivables	6,234	61,477	-	58,373
Inventories	(22,003)	8,627	-	-
Due from other funds	12,185	(8,585)	166,828	(1,685)
Deferred outflow s of resources-pension	(134,311)	(15,644)	-	-
Increase (Decrease) in:				
Accounts payable	4,416	(128,878)	44,878	232,321
Due to other funds	26,145	(15,455)	(5,343)	820
Compensated absences	1,823	-	-	-
Net pension liability	160,540	69,740	-	-
Deferred inflow s of resources-pension	(11,390)	(59,050)	-	-
Net Cash Used by Operating Activities	<u>\$ (960,310)</u>	<u>\$ (1,051,986)</u>	<u>\$ 1,836,122</u>	<u>\$ 601,814</u>
SUPPLEMENTAL DISCLOSURE				
Noncash Noncapital Financing Activity:				
U.S.D.A. donated commodities	<u>\$ 134,267</u>	<u>\$ 96,034</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017
(With Comparative Data - June 30, 2016)

	Private-Purpose Trust		Agency Fund	
	2017	2016	2017	2016
ASSETS				
Cash	\$ 246,595	\$ 254,531	\$ 39,113	\$ 32,568
Other accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>
TOTAL ASSETS	<u><u>\$ 246,595</u></u>	<u><u>\$ 254,531</u></u>	<u><u>\$ 39,113</u></u>	<u><u>\$ 32,598</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES:				
Other current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,113</u>	<u>\$ 32,598</u>
NET POSITION:				
Reserved for trust	<u>246,595</u>	<u>254,531</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 246,595</u></u>	<u><u>\$ 254,531</u></u>	<u><u>\$ 39,113</u></u>	<u><u>\$ 32,598</u></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, 2017
(With Comparative Data for the Fiscal Year Ended June 30, 2016)

	Private Purpose Trust	
	2017	2016
ADDITIONS:		
Local contributions	\$ 53,713	\$ 63,025
Earnings on investments	<u>951</u>	<u>292</u>
TOTAL ADDITIONS	<u>54,664</u>	<u>63,317</u>
DEDUCTIONS:		
Fees paid and scholarships awarded	<u>62,600</u>	<u>58,317</u>
TOTAL DEDUCTIONS	<u>62,600</u>	<u>58,317</u>
CHANGE IN NET POSITION	(7,936)	5,000
NET POSITION, BEGINNING OF YEAR	<u>254,531</u>	<u>249,531</u>
NET POSITION, END OF YEAR	<u><u>\$ 246,595</u></u>	<u><u>\$ 254,531</u></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, 2017

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, 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of deferred inflows and outflows in addition to assets and liabilities 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. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, the District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. 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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Based upon the application of the above 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 fixed asset acquisitions, construction, and improvements.
- **Capital Reserve Fund** – This fund is used to account for maintenance projects under Section 1432 of the Municipal Code.

PROPRIETARY FUND – This fund accounts 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.
- **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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- 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 complies with GASB Statement No. 72, "Fair Value Measurement and Application." This statement requires most investments to be reported at fair value.

In establishing the fair value of investments, the District uses the following hierarchy. The lowest level of valuation available is used for all investments.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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, 2017 consist of the purchased food/supplies for use in the food program in the amount of \$39,395.

Capital Assets

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

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

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

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

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16, "Accounting for Compensated Absences." This statement requires a liability be reported for certain compensated absences as the benefits are earned by employees instead of when they are paid.

Vested or accumulated vacation or sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation or sick leave that are not expected to be liquidated with expendable available financial resources and that have not matured are reported as long-term liabilities in the government-wide statements. Vested or accumulated vacation or sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

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 three items that qualify for reporting in this category. Pension contributions made subsequent to the measurement date and, therefore, not reflected in the net pension liability under full accrual basis reporting are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

pension liability 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.

Fund Balances

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more 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 committed fund balance classification includes amounts that can be used only for the specific purposes. The School Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. The School Board of Directors may assign fund balance for specific purposes (such as the

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

purchase of fixed assets, construction, debt service, or for other purposes). Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or review a commitment.

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.

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, 2016, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

- Commercial paper, bankers' acceptances, and negotiable certificates of deposit receiving top ratings from at least two nationally recognized statistical ratings organizations.

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

The breakdown of total cash and investments at June 30, 2017 is as follows:

Cash	\$ 3,056,944
Investments	<u>20,279,907</u>
	<u>\$ 23,336,851</u>

Deposits:

At year end, the carrying amount of the District's deposits was \$3,056,944, and the bank balance was \$3,074,167. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$339,946 was covered through collateral held by financial institutions in accordance with Act 72. The remaining \$2,484,221 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, 2017, the District had the following investments:

	<u>Fair Value</u>
Pennsylvania Local Government Investment Trust (PLGIT)	\$ 50,785
Pennsylvania School District Liquid Asset Trust (PSDLAF)	<u>20,229,122</u>
Total Investments	<u>\$ 20,279,907</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS - continued

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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Of the investments, \$2,425,000 is invested in non-negotiable certificates of deposits with maturities of less than one year. The remaining \$15,854,907 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, 2017, the District's investments were rated as:

Investment	Standard & Poor's
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, 2017, 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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

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, 2017 was 29.24 mills (\$29.24 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, 2017 was \$37,005. 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 \$1,500,696 consists of unavailable real estate taxes.

NOTE 5 – INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Due To	Amount	Due From	Amount
General Fund	\$ 75,626	General Fund	\$ 299,498
Capital Reserve Fund	312,823	Food Service Fund	88,951
	<u>\$ 388,449</u>		<u>\$ 388,449</u>

Transfer To	Amount	Transfer From	Amount
Capital Reserve Fund	\$ 299,498	General Fund	\$ 299,498
	<u>\$ 299,498</u>		<u>\$ 299,498</u>

Interfund balances between funds represent temporary loans recorded 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, 2017

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, 2017 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	324,304	1,132,269	556,964	899,609
Total Capital Assets Not Being Depreciated	<u>3,384,903</u>	<u>1,132,269</u>	<u>556,964</u>	<u>3,960,208</u>
Capital assets being depreciated:				
Buildings and building improvements	135,963,293	1,611,189	-	137,574,482
Furniture and equipment	5,714,760	996,127	42,729	6,668,158
Total Capital Assets Being Depreciated	<u>141,678,053</u>	<u>2,607,316</u>	<u>42,729</u>	<u>144,242,640</u>
Less accumulated depreciation for:				
Buildings and building improvements	42,600,342	3,295,643	-	45,895,985
Furniture and equipment	3,605,907	497,217	40,331	4,062,793
Total Accumulated Depreciation	<u>46,206,249</u>	<u>3,792,860</u>	<u>40,331</u>	<u>49,958,778</u>
Total Capital Assets Being Depreciated , Net	<u>95,471,804</u>	<u>(1,185,544)</u>	<u>2,398</u>	<u>94,283,862</u>
Governmental Capital Assets, Net	<u>\$ 98,856,707</u>	<u>\$ (53,275)</u>	<u>\$ 559,362</u>	<u>\$ 98,244,070</u>

Business-type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Equipment	\$ 1,397,895	\$ 13,325	\$ -	\$ 1,411,220
Less accumulated depreciation for:				
Equipment	641,131	46,962	-	688,093
Business-type Activities Capital Assets, Net	<u>\$ 756,764</u>	<u>\$ (33,637)</u>	<u>\$ -</u>	<u>\$ 723,127</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 7 – CHANGES IN CAPITAL ASSETS - continued

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

<u>Governmental Activities:</u>	
Instruction	\$ 1,517,146
Administrative and financial support	397,065
Operation and maintenance of plant services	740,792
Unallocated depreciation	<u>1,137,857</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,792,860</u>

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

<u>Food Service:</u>	
Equipment	\$ <u>46,962</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 46,962</u>

NOTE 8 – LONG-TERM LIABILITIES

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

General Obligation Bonds - Series of 1998

Series of 1998, maturing through February 1, 2018, bears interest at a variable rate based on municipal bond rates (approximately 1.3% as of June 30, 2017). Interest is payable monthly. The proceeds of the bond were used to pay a portion of the costs associated with planning and constructing the new middle school, improvements to existing school facilities, and debt issuance costs. \$ 750,000

General Obligation Notes - Series of 2006

Series of 2006, maturing through October 1, 2026, bears interest at a variable rate based on municipal bond rates (approximately 1.3% as of June 30, 2017). Interest is payable monthly. Proceeds of the issue were used to fund renovations for the High School, improvements to existing High School athletic fields, and the construction of a multi-purpose stadium. 5,090,000

General Obligation Bonds - Series of 2010

Series of 2010, maturing through February 15, 2024, bears 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. 19,960,000

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 8 – LONG-TERM LIABILITIES – continued

General Obligation Note - Series of 2011

Series of 2011, maturing through February 1, 2025, bears interest at a variable rate based on municipal bond rates (approximately 1.3% as of June 30, 2017). Interest is payable monthly. Proceeds of the issue were used for constructing, equipping, and furnishing the new Bancroft Elementary School and paying the costs of issuing the note.

7,470,000

General Obligation Refunding Bonds - Series of 2012

Series of 2012, maturing through February 15, 2019, bears 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.

3,400,000

General Obligation Refunding Bonds - Series of 2013

Series of 2013, maturing through February 15, 2019, bears 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.

4,020,000

General Obligation Refunding Bonds - Series of 2015

Series of 2015, maturing through February 15, 2026, bears 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.

8,050,000

General Obligation Refunding Bonds - Series of 2016

Series of 2016, maturing through February 15, 2023, bears 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.

7,520,000

Total Bonds/Notes Payable

\$ 56,260,000

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

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>
2018	\$ 5,790,000	\$ 1,471,667	\$ 7,261,667
2019	5,930,000	1,326,216	7,256,216
2020	6,140,000	1,163,423	7,303,423
2021	6,335,000	987,386	7,322,386
2022	6,540,000	788,443	7,328,443
2023 - 2027	<u>25,525,000</u>	<u>1,264,243</u>	<u>26,789,243</u>
	<u>\$ 56,260,000</u>	<u>\$ 7,001,378</u>	<u>\$ 63,261,378</u>

Changes in Long-term Liabilities:

Long-term liability balance and activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bonds and notes payable	\$ 61,935,000	\$ -	\$ 5,675,000	\$ 56,260,000	\$ 5,790,000
Bond premiums	<u>729,921</u>	<u>-</u>	<u>172,140</u>	<u>557,781</u>	<u>172,140</u>
Net	62,664,921	-	5,847,140	56,817,781	5,962,140
Other Liabilities:					
Compensated absences	1,011,270	118,046	68,816	1,060,500	123,812
Other post-employment benefits	<u>6,176,504</u>	<u>644,077</u>	<u>-</u>	<u>6,820,581</u>	<u>-</u>
Total Governmental Long-term Liabilities	<u>\$ 69,852,695</u>	<u>\$ 693,307</u>	<u>\$ 5,847,140</u>	<u>\$ 64,698,862</u>	<u>\$ 6,085,552</u>
Business-type Activities					
Compensated absences	<u>\$ 12,533</u>	<u>\$ 1,823</u>	<u>\$ -</u>	<u>\$ 14,356</u>	<u>\$ -</u>
Total Business-type Long-term Liabilities	<u>\$ 12,533</u>	<u>\$ 1,823</u>	<u>\$ -</u>	<u>\$ 14,356</u>	<u>\$ -</u>

Payments on bonds and notes payable, compensated absence liabilities, and net other post-employment benefit obligations are liquidated by the general fund. Total interest expense during the year ended June 30, 2017 was \$1,445,831.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

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, 2017

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 of 2010 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, 2017, the rate of the employer contribution was 30.03 percent of covered payroll, which was comprised of 29.20 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, 2017 was \$8,725,328.

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

At June 30, 2017, the District reported a liability of \$110,264,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 0.2225 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2015.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

For the year ended June 30, 2017, the District recognized pension expense of \$10,155,943. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 6,146,000	\$ -
Difference between expected and actual experience	-	918,000
Change in proportionate share of net pension liability	1,743,000	3,387,000
Change in assumptions	3,980,000	-
Difference between employer contributions and proportionate share of total contributions	265,129	-
Contributions subsequent to the date of measurement	8,725,328	-
	<u>\$20,859,457</u>	<u>\$ 4,305,000</u>

An amount of \$8,725,328 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, 2017. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ending June 30,

2018	\$ 820,550
2019	820,550
2020	3,408,305
2021	2,779,724
	<u>\$ 7,829,129</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, 2015 actuarial valuation to June 30, 2016 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, 2017

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

- Actuarial cost method – Entry age normal, level percentage of pay.
- Investment return – 7.50 percent, including inflation of 3.00 percent.
- Salary increases – Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1.00 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Directors at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

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	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPS	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	<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.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 9 – EMPLOYEE RETIREMENT PLAN - continued

Discount Rate:

The discount used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$134,882,000	\$110,264,000	\$ 89,577,000

Pension Plan Fiduciary Net Position:

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

NOTE 10 – POST-EMPLOYMENT 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 GASB Statement No. 45, 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 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 2017, the District contributed \$420,046 to the plan for current premiums, or approximately 54 percent of total

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 10 – POST-EMPLOYMENT HEALTHCARE PLAN - continued

premiums. Plan members receiving benefits contributed \$362,412, or approximately 46 percent of total premiums, through their required monthly contributions.

Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 1,572,140
Interest on net OPEB obligation	-
Adjustments on annual required contribution	(196,594)
Annual OPEB costs	<u>1,375,546</u>
Contributions made (estimated)	<u>(731,470)</u>
Estimated increase in net OPEB obligation	644,076
Net OPEB obligation - beginning of year	6,176,505
Net OPEB obligation - end of year	<u><u>\$ 6,820,581</u></u>

Schedule of Employer Contributions:

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
June 30, 2017	\$ 1,572,140	46.50%	\$1,375,276	53.20%	\$6,820,581
June 30, 2016	\$ 1,545,991	44.80%	\$1,381,877	50.20%	\$6,176,505
June 30, 2015	\$ 1,469,346	44.90%	\$1,333,858	49.40%	\$5,487,727
June 30, 2014	\$ 1,441,616	40.60%	\$1,333,754	43.80%	\$4,813,269
June 30, 2013	\$ 1,374,111	43.30%	\$1,289,663	46.20%	\$4,064,215
June 30, 2012	\$ 1,787,309	52.10%	\$1,732,754	53.80%	\$3,369,852
June 30, 2011	\$ 1,713,333	53.90%	\$1,677,001	55.10%	\$2,568,698
June 30, 2010	\$ 1,868,688	51.00%	\$1,851,371	51.50%	\$1,815,397
June 30, 2009	\$ 1,786,426	48.70%	\$1,786,426	48.70%	\$ 917,226

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 10 – POST-EMPLOYMENT HEALTHCARE PLAN - continued

Funding Status and Funding Progress:

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2016	\$ -	\$16,179,000	\$16,179,000	0.00%	\$29,286,577	55.24%
7/1/2014	\$ -	\$14,901,000	\$19,901,000	0.00%	\$28,183,000	52.87%
7/1/2012	\$ -	\$15,622,000	\$15,622,000	0.00%	\$29,108,000	53.66%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Health Cost Trend

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%

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 10 – POST-EMPLOYMENT HEALTHCARE PLAN - continued

In the July 1, 2016 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.25 percent investment rate of return and an annual healthcare cost trend rate of 7.30 percent in 2018, reduced by decrements to an ultimate rate of 4.00 percent in 2086 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2017 was 22 years.

NOTE 11 – FUND BALANCES

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Capital Reserve Fund	Total Governmental Funds
Nonspendable	\$ 52,578	\$ -	\$ -	\$ 52,578
Restricted:				
Capital Projects	-	193,610	6,233,115	6,426,725
Unassigned	6,710,812	-	-	6,710,812
Total Fund Balances	<u>\$ 6,763,390</u>	<u>\$ 193,610</u>	<u>\$ 6,233,115</u>	<u>\$ 13,190,115</u>

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Government Grants and Awards:

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

Construction Commitment

As of June 30, 2017, anticipated construction commitments are as follows:

Name	Contract Amount	Completed through 6/30/17	Remaining Amount
New Garden Renovations	\$ 544,292	\$ 531,336	\$ 12,956
Middle School Baseball Field	466,508	368,273	98,235
	<u>\$ 1,010,800</u>	<u>\$ 899,609</u>	<u>\$ 111,191</u>

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 13 – 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 2016 - 2017 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, 2017, 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 2016-17 year, the maximum claims liability was \$35,013. 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	
	6/30/2017	6/30/2016
Unpaid Claims Premiums, beginning of fiscal year	\$ 0	\$ 0
Claims and premiums	177,982	147,650
Payments	(177,982)	(147,650)
Unpaid Claims Premiums, end of fiscal year	<u>\$ 0</u>	<u>\$ 0</u>

Effective July 1, 2010, the District became self-insured for medical insurance for employees and dependents. Effective June 30, 2013, the District established an internal service fund to administer self-insurance benefits for medical, dental and prescription insurance to all District employees. The District used a third-party administrator to provide consulting and administrative services to process claims within the self-insurance fund. The arrangement also includes stop-loss coverage which provides protection for claims in excess of \$200,000 per person. The following table presents the components of the self-insurance benefits obligation and the related changes to the funds benefit obligation at June 30, 2017:

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 13 – RISK MANAGEMENT - continued

Claims Payable	\$ 550,410
Changes in benefit obligations as follows for the year ended June 30, 2017:	
Claims Payable, beginning of year	532,924
Benefits earned	6,049,140
Claims paid	(6,031,654)
Claims payable, end of year	<u>\$ 550,410</u>

NOTE 14 – DEFICIT NET POSITION

For governmental activities, business-type activities, and the proprietary fund, the unrestricted net deficit amounts of \$90,220,849, \$172,533, and \$172,533, respectively, includes the effect of deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 15 – SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 2, 2017, the date the financial statements were available to be issued.

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - This statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the year ending June 30, 2018.
- Statement No. 81, Irrevocable Split-Interest Agreements in March 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this Statement are effective for periods beginning after December 15, 2016.

KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - continued
June 30, 2017

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS - continued

- 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. 85, Omnibus 2017 - This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- Statement No. 86, Certain Debt Extinguishment Issues - This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- 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.

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

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REQUIRED SUPPLEMENTARY INFORMATION

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.2225%	0.2175%	0.2204%
District's proportion of the net pension liability - dollar value	\$ 110,264,000	\$ 94,210,000	\$ 87,236,000
District's covered employee payroll	\$ 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	381.08%	334.50%	310.20%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2016, 2015, and 2014)

Note: This schedule is to present the requirement to show information for ten (10) years. However, until a full ten year treat is compiled, information for only those years for which information is available is shown.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 8,725,328	\$ 7,233,717	\$ 5,773,651
Contributions in relation to the contractually required contribution	<u>8,725,328</u>	<u>7,233,717</u>	<u>5,773,651</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 29,881,260	\$ 28,934,868	\$ 28,164,151
Contributions as a percentage of covered-employee payroll	29.20%	25.00%	20.50%

Note: This schedule is to present the requirement to show information for ten (10) years. However, until a full ten year treat is compiled, information for only those years for which information is available is shown.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Pennsylvania Public School Employees' Retirement System (PSERS)

The schedules in this section present the requirement to show information for ten (10) years. However, until a full ten year treat is compiled, information for only those years for which information is available is shown.

Changes of Benefit Terms:

None.

Changes of Assumptions:

None.

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SUPPLEMENTARY INFORMATION

KENNETT CONSOLIDATED SCHOOL DISTRICT

Supplementary Information Individual Fund Schedules

General Fund

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

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KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Revenues – Budget to Actual
For the Year Ended June 30, 2017

REVENUES	Original & Final		Variance with	
	Budget	Actual	Final Budget	
Local Revenue				
Current Real Estate Taxes	\$ 55,516,376	\$ 55,409,613	\$ (106,763)	
Interim Real Estate Taxes	400,000	219,503	(180,497)	
Utility Taxes	73,000	66,788	(6,212)	
Earned Income	4,000,000	4,619,000	619,000	
Realty Transfer Tax	725,000	1,103,477	378,477	
Delinquent Real Estate Taxes	1,725,000	1,727,732	2,732	
Investment Earnings	50,142	153,564	103,422	
Facility Rental Fees	66,350	86,837	20,487	
Other Revenue	218,831	447,740	228,909	
Total Revenue from Local Sources	62,774,699	63,834,254	1,059,555	
State Revenue				
State Basic Subsidy	5,591,325	5,553,453	(37,872)	
Migratory Children	-	3,518	3,518	
Tuition Orphans & Children	-	22,899	22,899	
Special Education	1,787,505	1,812,011	24,506	
Transportation	1,440,000	1,503,572	63,572	
Authority Rental Reimbursement	560,408	438,141	(122,267)	
Health Services	86,000	85,538	(462)	
Property Tax Reduction Allocation	1,457,389	1,457,389	-	
Ready to Learn Grant	304,781	400,617	95,836	
FICA Reimbursement	1,141,898	1,082,919	(58,979)	
Retirement Reimbursement	4,524,093	4,374,018	(150,075)	
Total Revenue from State Sources	16,893,399	16,734,075	(159,324)	
Federal Revenue				
Title I	545,832	657,232	111,400	
Title II	95,118	119,175	24,057	
Title III	154,902	154,234	(668)	
IDEA	565,257	612,597	47,340	
Medical Assistance Reimbursement	49,827	15,011	(34,816)	
Total Revenue From Federal Sources	1,410,936	1,558,249	147,313	
Total Revenues	\$ 81,079,034	\$ 82,126,578	\$ 1,047,544	

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual
For the Year Ended June 30, 2017

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
Regular Instruction				
Salaries	\$17,824,620	\$17,858,765	\$17,858,765	\$ -
Employee Benefits	12,033,965	11,914,354	11,892,994	21,360
Purchased Professional & Technical Services	51,400	71,137	62,667	8,470
Purchased Property Services	7,297	6,752	2,859	3,893
Other Purchased Services	3,556,938	3,519,742	3,582,722	(62,980)
Supplies	513,398	583,358	519,951	63,407
Property	18,400	69,501	60,484	9,017
Other Objects	-	5,000	7,903	(2,903)
Total	34,006,018	34,028,609	33,988,345	40,264
Special Instruction				
Salaries	2,602,761	2,628,944	2,628,944	-
Employee Benefits	1,710,551	1,710,551	1,703,398	7,153
Purchased Professional & Technical Services	6,091,402	5,888,902	5,195,746	693,156
Purchased Property Services	2,000	2,000	-	2,000
Other Purchased Services	2,489,934	2,489,934	3,187,677	-
Supplies	46,999	55,641	60,753	(5,112)
Property	20,000	20,000	18,603	1,397
Other Objects	4,500	1,500	-	1,500
Total	12,968,147	12,797,472	12,795,121	2,351
Vocational Programs				
Other Purchased Services	1,751,166	1,706,046	1,705,566	480
Total	1,751,166	1,706,046	1,705,566	480
Other Instructional Programs				
Salaries	-	45,190	45,190	-
Employee Benefits	-	17,671	17,226	445
Purchased Professional & Technical Services	50,768	76,283	10,654	65,629
Other Purchased Services	120,153	164,528	225,986	(61,458)
Supplies	-	5,758	3,872	1,886
Other Objects	-	11,950	6,676	5,274
Total	170,921	321,380	309,604	11,776
Support Services-Students				
Salaries	1,302,733	1,296,505	1,296,472	33
Employee Benefits	818,175	818,176	809,689	8,487
Purchased Professional & Technical Services	255,000	180,820	176,660	4,160
Other Purchased Services	5,100	5,100	4,070	1,030
Supplies	11,800	26,500	13,303	13,197
Property	1,000	1,000	-	1,000
Other Objects	750	750	40	710
Total	2,394,558	2,328,851	2,300,234	28,617

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual - continued
For the Year Ended June 30, 2017

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
Support Services-Instructional Staff				
Salaries	1,095,531	1,030,251	1,030,279	(28)
Employee Benefits	647,019	614,071	612,036	2,035
Purchased Professional & Technical Services	42,650	77,600	70,680	6,920
Purchased Property Services	3,500	3,500	2,248	1,252
Other Purchased Services	27,192	15,576	15,798	(222)
Supplies	315,958	438,131	437,581	550
Property	19,000	5,000	5,998	(998)
Other Objects	6,420	6,420	5,662	758
Total	2,157,270	2,190,549	2,180,282	10,267
Support Services-Administration				
Salaries	2,345,166	2,345,166	2,425,716	(80,550)
Employee Benefits	1,304,539	1,364,539	1,358,891	5,648
Purchased Professional & Technical Services	232,625	232,625	174,581	58,044
Purchased Property Services	171,375	169,297	170,556	(1,259)
Other Purchased Services	31,200	26,939	25,080	1,859
Supplies	10,950	10,950	-	10,950
Property	66,394	65,685	53,515	12,170
Total	4,162,249	4,215,201	4,208,339	6,862
Support Services-Pupil Health				
Salaries	508,966	526,231	525,173	1,058
Employee Benefits	352,696	322,696	322,373	323
Purchased Professional & Technical Services	8,300	8,300	10,504	(2,204)
Purchased Property Services	950	28,336	18,634	9,702
Supplies	26,031	26,312	24,866	1,446
Property	500	508	508	-
Other Objects	-	5,714	-	5,714
Total	897,443	918,097	902,058	16,039
Support Services-Business				
Salaries	634,426	646,833	624,322	22,511
Employee Benefits	322,108	322,108	326,168	(4,060)
Purchased Professional & Technical Services	75,522	75,522	32,547	42,975
Other Purchased Services	9,250	9,250	6,405	2,845
Supplies	15,000	15,000	10,445	4,555
Property	10,000	10,000	-	10,000
Other Objects	16,650	16,650	94,211	(77,561)
Total	1,082,956	1,095,363	1,094,098	1,265
Operation & Maintenance of Plant Services				
Salaries	2,069,871	2,034,580	2,075,568	(40,988)
Employee Benefits	1,512,474	1,512,474	1,476,873	35,601
Purchased Professional & Technical Services	133,120	108,270	167,535	(59,265)
Purchased Property Services	1,729,666	1,666,155	1,700,787	(34,632)
Other Purchased Services	271,972	241,210	215,162	26,048
Supplies	623,427	644,568	591,943	52,625
Property	120,909	173,229	129,932	43,297
Other Objects	12,373	28,073	35,511	(7,438)
Total	6,473,812	6,408,559	6,393,311	15,248

KENNETT CONSOLIDATED SCHOOL DISTRICT
General Fund
Schedule of Expenditures – Budget to Actual - continued
For the Year Ended June 30, 2017

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
Student Transportation				
Salaries	120,783	121,993	122,029	(36)
Employee Benefits	89,057	89,057	88,858	199
Purchased Professional & Technical Services	2,000	33,695	36,193	(2,498)
Purchased Property Services	2,500	2,500	503	1,997
Other Purchased Services	4,815,981	4,629,330	4,637,180	(7,850)
Supplies	49,000	49,000	20,833	28,167
Other Objects	1,000	1,000	1,029	(29)
Total	5,080,321	4,926,575	4,906,625	19,950
Support Services-Central				
Salaries	698,122	698,122	743,711	(45,589)
Employee Benefits	462,475	462,475	474,106	(11,631)
Purchased Professional & Technical Services	131,250	131,250	105,931	25,319
Other Purchased Services	177,974	177,974	137,677	40,297
Supplies	297,150	297,150	285,232	11,918
Property	276,500	216,500	224,674	(8,174)
Other Objects	3,500	3,500	10	3,490
Total	2,046,971	1,986,971	1,971,341	15,630
Other Support Services				
Other Purchased Services	37,551	37,551	34,581	2,970
Total	37,551	37,551	34,581	2,970
Operation of Non-instructional Services				
Salaries	632,773	650,908	651,834	(926)
Employee Benefits	90,766	243,766	283,961	(40,195)
Purchased Professional & Technical Services	97,326	97,326	93,321	4,005
Purchased Property Services	2,000	2,000	-	2,000
Other Purchased Services	116,225	106,283	107,437	(1,154)
Supplies	115,214	184,048	140,588	43,460
Property	16,311	24,711	21,099	3,612
Other Objects	46,312	81,407	69,041	12,366
Total	1,116,927	1,390,449	1,367,281	23,168
Community Services				
Salaries	-	6,310	6,310	-
Employee Benefits	-	2,214	2,392	(178)
Purchased Professional & Technical Services	-	4,576	400	4,176
Total	-	13,100	9,102	3,998
Facilities Acquisition, Construction & Improvement Services				
Purchased Property Services	75,000	75,000	63,153	11,847
Total	75,000	75,000	63,153	11,847
Other Expenditures & Financing Uses				
Debt Service Interest	1,607,054	1,678,591	1,678,589	2
Debt Service Principal	5,675,000	5,675,000	5,675,000	-
Fund Transfers	-	-	299,498	(299,498)
Budgetary Reserve	90,000	-	-	-
Total	7,372,054	7,353,591	7,653,087	(299,496)
Total Expenditures	\$ 81,793,364	\$ 81,793,364	\$ 81,882,128	\$ (88,764)

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, 2017

	Balance			Balance
	6/30/2016	Additions	Reductions	6/30/2017
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 32,568	\$ 161,907	\$ 155,362	\$ 39,113
Accounts Receivable	<u>30</u>	<u>-</u>	<u>30</u>	<u>-</u>
Total Current Assets	<u>\$ 32,598</u>	<u>\$ 161,907</u>	<u>\$ 155,392</u>	<u>\$ 39,113</u>
CURRENT LIABILITIES				
Other Current Liabilities	<u>\$ 32,598</u>	<u>\$ 6,515</u>	<u>\$ -</u>	<u>\$ 39,113</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	89-98
<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	99-106
<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	107-111
<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	112-114
<i>Demographic and economic indicators help the reader better understand the environment within which the Government's financial activities take place.</i>	
Operating Information	115-123
<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				
	2017	2016	2015	2014	2013
Governmental Activities					
Net Investment in capital assets	\$ 41,619,899	\$ 36,394,244	\$ 33,432,135	\$ 29,177,881	\$ 26,321,970
Restricted	6,426,725	8,474,047	8,912,438	9,471,432	9,160,280
Unrestricted (deficit)	(90,220,849)	(90,014,965)	(90,647,267)	(89,481,724)	944,365
Total Net Position (Deficit)	(42,174,225)	(45,146,674)	(48,302,694)	(50,832,411)	36,426,615
Business-type Activities					
Net Investment in capital assets	723,127	756,764	807,942	830,369	867,408
Unrestricted (deficit)	(172,533)	(141,247)	(163,191)	(174,188)	742,531
Total Net Position	550,594	615,517	644,751	656,181	1,609,939
Total Primary Government					
Net Investment in capital assets	42,343,026	37,151,008	34,240,077	30,008,250	27,189,378
Restricted	6,426,725	8,474,047	8,912,438	9,471,432	9,160,280
Unrestricted (deficit)	(90,393,382)	(90,156,212)	(90,810,458)	(89,655,912)	1,686,896
Total Net Position (Deficit)	\$ (41,623,631)	\$ (44,531,157)	\$ (47,657,943)	\$ (50,176,230)	\$ 38,036,554

Source: District Audited Financial Statements

Note: 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				
	2012	2011	2010	2009	2008
Governmental Activities					
Net Investment in capital assets	\$ 25,733,483	\$ 21,438,008	\$ 18,810,820	\$ 16,693,270	\$ 11,858,460
Restricted	9,546,005	10,451,173	9,344,348	527,927	1,203,712
Unrestricted	(803,045)	2,163,205	3,073,592	10,784,352	13,042,238
Total Net Position	34,476,443	34,052,386	31,228,760	28,005,549	26,104,410
Business-type Activities					
Net Investment in capital assets	911,864	556,624	901,384	-	-
Unrestricted	648,727	505,552	279,224	821,718	756,536
Total Net Position	1,560,591	1,062,176	1,180,608	821,718	756,536
Total Primary Government					
Net Investment in capital assets	26,645,347	21,994,632	19,712,204	16,693,270	11,858,460
Restricted	9,546,005	10,451,173	9,344,348	527,927	1,203,712
Unrestricted	(154,318)	2,668,757	3,352,816	11,606,070	13,798,774
Total Net Position	\$ 36,037,034	\$ 35,114,562	\$ 32,409,368	\$ 28,827,267	\$ 26,860,946

Source: District Audited Financial Statements

Note: 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,				
	2017	2016	2015	2014	2013
Expenses					
Governmental Activities:					
Instruction	\$ 50,130,855	\$ 47,394,610	\$ 45,847,083	\$ 42,797,572	\$ 41,822,110
Instructional Student Support	4,765,349	5,357,520	4,953,537	4,943,339	10,299,201
Administrative & Financial Support Services	7,958,298	7,709,518	6,833,294	6,422,488	977,727
Operation & Maintenance of Plant Services	7,280,812	6,942,484	6,776,493	6,749,110	6,177,565
Pupil Transportation	4,965,476	5,054,747	5,018,670	4,753,709	5,234,257
Student Activities	1,471,939	1,254,487	1,226,738	1,189,028	1,103,142
Community Services	-	-	-	108,225	210
Interest on Long-term Debt	1,445,831	1,781,169	1,939,805	2,144,350	3,031,457
Unallocated Depreciation Expense	1,137,857	1,112,243	1,066,578	1,037,914	1,072,256
Total Governmental Activities Expense	79,156,417	76,606,778	73,662,198	70,145,735	69,717,925
Business-type Activities:					
Food Services	1,877,620	1,825,470	1,781,548	1,797,999	1,632,842
Total Primary Government Expenses	81,034,037	78,432,248	75,443,746	71,943,734	71,350,767
Program Revenues					
Governmental Activities:					
Charges for Service	261,483	200,969	205,253	176,484	-
Operating Grants and Contributions	11,290,760	10,462,025	9,675,484	8,637,648	3,008,134
Capital Grants and Contributions	-	-	-	-	366,705
Total Governmental Program Revenue	11,552,243	10,662,994	9,880,737	8,814,132	3,374,839
Business-type Activities					
Charges for Service	692,442	714,040	752,780	723,032	768,217
Operating Grants and Contributions	1,115,248	1,075,411	1,016,523	1,032,266	913,337
Total Business-type Program Revenues	1,807,690	1,789,451	1,769,303	1,755,298	1,681,554
Total Primary Government Program Revenues	13,359,933	12,452,445	11,650,040	10,569,430	5,056,393
Net Revenues (Expenses)					
Governmental Activities	(67,604,174)	(65,943,784)	(63,781,461)	(61,331,603)	(66,343,086)
Business-type Activities	(69,930)	(36,019)	(12,245)	(42,701)	48,712
Total Primary Government	\$ (67,674,104)	\$ (65,979,803)	\$ (63,793,706)	\$ (61,374,304)	\$ (66,294,374)

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
Expenses					
Governmental Activities:					
Instruction	\$ 40,805,780	\$ 39,516,197	\$ 38,004,683	\$ 36,333,409	\$ 33,883,553
Instructional Student Support	9,974,543	9,865,076	10,246,420	11,456,726	8,888,900
Administrative & Financial Support Services	944,789	936,078	877,227	996,829	751,739
Operation & Maintenance of Plant Services	6,502,464	6,090,677	6,345,772	6,300,562	6,328,868
Pupil Transportation	5,219,016	5,050,335	4,661,033	4,754,290	4,265,777
Student Activities	1,079,627	985,023	950,415	996,829	932,474
Community Services	22,289	13,141	12,401	-	-
Interest on Long-term Debt	2,912,171	3,027,264	2,581,790	2,811,008	2,988,486
Unallocated Depreciation Expense	1,013,403	889,411	849,136	772,127	708,202
Total Governmental Activities Expense	68,474,082	66,373,202	64,528,877	64,421,780	58,747,999
Business-type Activities:					
Food Services	1,665,483	1,485,208	1,553,156	1,411,390	1,490,320
Total Primary Government Expenses	70,139,565	67,858,410	66,082,033	65,833,170	60,238,319
Program Revenues					
Governmental Activities:					
Charges for Service	-	-	-	-	-
Operating Grants and Contributions	3,116,728	3,325,116	3,065,957	3,551,466	3,075,299
Capital Grants and Contributions	417,636	435,681	430,126	443,103	339,850
Total Governmental Program Revenue	3,534,364	3,760,797	3,496,083	3,994,569	3,415,149
Business-type Activities					
Charges for Service	818,847	775,625	776,914	743,568	737,170
Operating Grants and Contributions	944,545	890,905	834,862	731,913	637,524
Total Business-type Program Revenues	1,763,392	1,666,530	1,611,776	1,475,481	1,374,694
Total Primary Government Program Revenues	5,297,756	5,427,327	5,107,859	5,470,050	4,789,843
Net Revenues (Expenses)					
Governmental Activities	(64,939,718)	(62,612,405)	(61,032,794)	(60,427,211)	(55,332,850)
Business-type Activities	97,909	181,322	58,620	64,091	(115,626)
Total Primary Government	\$ (64,841,809)	\$ (62,431,083)	\$ (60,974,174)	\$ (60,363,120)	\$ (55,448,476)

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
Net Revenues (Expenses)					
Governmental Activities	\$ (67,604,174)	\$ (65,943,784)	\$ (63,781,461)	\$ (61,331,603)	\$ (66,343,086)
Business-Type Activities	(69,930)	(36,019)	(12,245)	(42,701)	48,712
Total Primary Government	(67,674,104)	(65,979,803)	(63,793,706)	(61,374,304)	(66,294,374)
GENERAL REVENUES					
Governmental Activities					
Taxes:					
Property Taxes Levied for General Purposes, net	57,336,108	56,516,864	54,590,123	53,427,263	52,137,413
Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net	5,789,265	5,475,062	4,902,057	4,935,324	4,614,053
Grants, Subsidies, & Contributions Not Restricted	7,010,842	6,714,900	6,494,554	6,509,788	11,061,864
Investment Earnings	177,099	100,433	52,014	103,203	71,589
Miscellaneous Income	263,309	297,469	272,430	250,180	408,339
Total Government Activities	70,576,623	69,104,728	66,311,178	65,225,758	68,293,258
Business-type Activities					
Investment Earnings	5,007	1,861	815	750	636
Total Business-type Activities	5,007	1,861	815	750	636
Total Primary Government	70,581,630	69,106,589	66,311,993	65,226,508	68,293,894
Excess (Deficiency) of Revenues Over Expenditures					
Governmental Activities	2,972,449	3,160,944	2,529,717	3,894,155	1,950,172
Business-type Activities	(64,923)	(34,158)	(11,430)	(41,951)	49,348
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	2,972,449	3,156,020	2,529,717	3,885,312	1,950,172
Business-type Activities	(64,923)	(29,234)	(11,430)	(33,108)	49,348
Total Primary Government	\$ 2,907,526	\$ 3,126,786	\$ 2,518,287	\$ 3,852,204	\$ 1,999,520

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Changes in Net Position-continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
Net Revenues (Expenses)					
Governmental Activities	\$ (64,939,718)	\$ (62,612,405)	\$ (61,032,794)	\$ (60,427,211)	\$ (55,332,850)
Business-Type Activities	97,909	181,322	58,620	64,091	(115,626)
Total Primary Government	(64,841,809)	(62,431,083)	(60,974,174)	(60,363,120)	(55,448,476)
GENERAL REVENUES					
Governmental Activities					
Taxes:					
Property Taxes Levied for General Purposes, net	50,789,517	49,954,005	49,443,984	47,863,361	46,671,684
Public Utility Realty, Earned Income & Mercantile Taxes Levied for General Purposes, net	3,841,949	3,524,101	3,464,303	3,557,071	3,515,481
Grants, Subsidies, & Contributions Not Restricted	10,671,410	11,183,489	10,863,997	9,851,121	8,101,720
Investment Earnings	96,483	238,073	210,956	875,034	1,631,740
Miscellaneous Income	364,416	536,363	272,768	181,763	155,258
Special Items (Loss) on demolition of building	-	-	-	-	-
Total Government Activities	65,763,775	65,436,031	64,256,008	62,328,350	60,075,883
Business-type Activities					
Investment Earnings	506	246	270	1,091	4,126
Total Business-type Activities	506	246	270	1,091	4,126
Total Primary Government	65,764,281	65,436,277	64,256,278	62,329,441	60,080,009
Excess (Deficiency) of Revenues Over Expenditures					
Governmental Activities	824,057	2,823,626	3,223,214	1,901,139	4,743,033
Business-type Activities	98,415	181,568	58,890	65,182	(111,500)
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	424,057	2,823,626	3,223,214	1,901,139	4,743,033
Business-type Activities	498,415	181,568	58,890	65,182	(111,500)
Total Primary Government	\$ 922,472	\$ 3,005,194	\$ 3,282,104	\$ 1,966,321	\$ 4,631,533

Source: District Audited Financial Statements

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

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 52,578	\$ 22,038	\$ -	\$ -	\$ -
Restricted	-	-	-	-	764,933
Committed	-	-	-	-	778,000
Unassigned	6,710,812	6,496,902	6,311,786	6,071,743	4,368,626
Total General Fund	\$ 6,763,390	\$ 6,518,940	\$ 6,311,786	\$ 6,071,743	\$ 5,911,559
All Other Governmental Funds					
Capital Projects					
Restricted	\$ 6,426,725	\$ 8,474,047	\$ 8,912,438	\$ 9,471,432	\$ 8,395,347
Total All Other Governmental Funds	\$ 6,426,725	\$ 8,474,047	\$ 8,912,438	\$ 9,471,432	\$ 8,395,347

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.

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

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	764,933	764,933	-	-	-
Committed	778,000	778,000	-	-	-
Unassigned	3,702,545	4,137,638	5,732,721	5,601,930	5,242,094
Total General Fund	\$ 5,245,478	\$ 5,680,571	\$ 5,732,721	\$ 5,601,930	\$ 5,242,094
All Other Governmental Funds					
Capital Projects					
Restricted	\$ 8,781,072	\$ 18,951,173	\$ 24,294,226	\$ 7,053,337	\$ 9,742,532
Total All Other Governmental Funds	\$ 8,781,072	\$ 18,951,173	\$ 24,294,226	\$ 7,053,337	\$ 9,742,532

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,				
	2017	2016	2015	2014	2013
REVENUES:					
Local Sources	\$ 63,857,789	\$ 62,338,405	\$ 60,070,213	\$ 58,950,195	\$ 57,000,078
State Sources	16,734,075	15,655,262	14,759,517	13,471,522	13,126,037
Federal Sources	1,558,249	1,521,663	1,405,253	1,675,914	1,310,666
TOTAL REVENUES	82,150,113	79,515,330	76,234,983	74,097,631	71,436,781
EXPENDITURES:					
Current:					
Instruction	48,798,636	46,141,491	43,645,410	41,173,135	40,604,143
Support Services	23,990,869	23,698,137	22,017,365	21,322,424	21,269,313
Operation of Non-Instructional Services	1,439,536	1,265,038	1,224,276	1,297,851	1,103,352
Total Current Expenditures	74,229,041	71,104,666	66,887,051	63,793,410	62,976,808
Capital Outlay					
Facilities Acq, Construction & Imprvmnt Servs	2,370,355	1,438,564	1,829,352	1,361,293	1,727,394
Total Capital Outlay	2,370,355	1,438,564	1,829,352	1,361,293	1,727,394
Debt Services					
Principal	5,675,000	5,600,000	5,695,000	5,395,000	4,055,000
Interest and Fiscal Charges	1,678,589	2,251,193	2,142,531	2,302,816	2,397,223
Total Debt Service	7,353,589	7,851,193	7,837,531	7,697,816	6,452,223
TOTAL EXPENDITURES	83,952,985	80,394,423	76,553,934	72,852,519	71,156,425
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,802,872)	(879,093)	(318,951)	1,245,112	280,356
OTHER FINANCING SOURCES (USES):					
Issuance of Refunding Debt	-	17,795,000	-	-	18,025,000
Issuance of Bond Proceeds	-	-	-	-	-
Payment to Refunded Debt Escrow	-	(17,605,000)	-	-	(18,675,203)
Bond Discount	-	-	-	-	(142,398)
Bond Premium	-	462,780	-	-	792,600
Transfers In	299,498	1,082,595	1,201,675	2,387,477	1,312,377
Transfers Out	(299,498)	(1,087,519)	(1,201,675)	(2,396,320)	(1,312,377)
TOTAL OTHER FINANCING SOURCES (USES)	-	647,856	-	(8,843)	-
NET CHANGE IN FUND BALANCES	\$ (1,802,872)	\$ (231,237)	\$ (318,951)	\$ 1,236,269	\$ 280,356
Debt Service as a percentage of noncapital expenditures	9.10%	9.92%	11.45%	11.63%	9.26%

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,				
	2012	2011	2010	2009	2008
REVENUES:					
Local Sources	\$ 55,009,082	\$ 54,524,584	\$ 53,853,843	\$ 52,170,904	\$ 51,860,392
State Sources	12,856,031	12,427,729	11,634,121	12,341,405	10,165,347
Federal Sources	1,349,743	2,516,557	2,530,197	1,576,786	1,351,522
TOTAL REVENUES	69,214,856	69,468,870	68,018,161	66,089,095	63,377,261
EXPENDITURES:					
Current:					
Instruction	39,388,054	37,899,272	36,447,416	34,844,846	33,593,523
Support Services	21,226,831	20,607,903	20,783,645	20,878,752	20,168,007
Operation of Non Instructional Services	1,101,917	998,164	962,816	996,829	932,474
Total Current Expenditures	61,716,802	59,505,339	58,193,877	56,720,427	54,694,004
Capital Outlay					
Facilities Acq. Construction & Imprvmnt Servs	10,268,877	15,904,970	5,527,714	4,705,319	6,050,402
Total Capital Outlay	10,268,877	15,904,970	5,527,714	4,705,319	6,050,402
Debt Services					
Principal	4,870,000	4,705,000	4,490,000	4,215,000	4,140,000
Interest and Fiscal Charges	2,964,370	2,978,764	2,429,890	2,766,856	2,907,366
Total Debt Service	7,834,370	7,683,764	6,919,890	6,981,856	7,047,366
TOTAL EXPENDITURES	79,820,049	83,094,073	70,641,481	68,407,602	67,791,772
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,605,193)	(13,895,203)	(2,623,320)	(2,318,507)	(4,414,511)
OTHER FINANCING SOURCES (USES):					
Issuance of Bond Proceeds	-	-	19,995,000	-	-
Payment to Refunded Debt Escrow	-	8,500,000	-	-	-
Refund of Prior Year Revenues	-	-	-	(10,852)	(16,680)
Transfers In	-	1,855,417	2,582,009	1,625,515	727,434
Transfers Out	-	(1,855,417)	(2,582,009)	(1,625,515)	(727,434)
TOTAL OTHER FINANCING SOURCES	-	8,500,000	19,995,000	(10,852)	(16,680)
NET CHANGE IN FUND BALANCES	\$ (10,605,193)	\$ (5,395,203)	\$ 17,371,680	\$ (2,329,359)	\$ (4,431,191)
Debt Service as a percentage of noncapital expenditures	11.42%	11.42%	10.62%	10.72%	11.66%

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

General Fund Revenues by Source Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
LOCAL SOURCES:					
Real Estate Taxes (Current)	\$ 55,409,613	\$ 53,935,825	\$ 52,224,846	\$ 51,522,506	\$ 50,045,173
Interim Real Estate Taxes	219,503	364,777	293,621	176,233	405,286
Earned Income Taxes (Current)	4,619,000	4,428,024	4,059,485	4,077,297	3,860,952
Transfer Taxes	1,103,477	979,140	771,018	788,695	710,079
Delinquent Taxes	1,727,732	1,929,914	2,114,722	1,786,340	1,498,661
Earnings from Investments	153,564	81,791	41,794	54,727	42,296
Utility Taxes	66,788	67,897	71,554	69,332	73,021
Other Sources	534,577	532,395	482,954	425,164	335,318
Total Local Sources	63,834,254	62,319,763	60,059,994	58,900,294	56,970,786
STATE SOURCES:					
Basic Education	5,553,453	5,304,197	5,115,498	5,130,732	4,944,313
Charter Schools	-	-	-	-	-
Special Education	1,812,011	1,796,196	1,734,045	1,642,179	1,603,930
Transportation	1,503,572	1,477,298	1,388,565	1,386,207	1,404,204
Rental & Sinking Fund Payments	438,141	478,304	771,363	458,439	366,705
State Property Tax Allocation	1,457,389	1,410,703	1,379,058	1,379,054	1,390,637
Social Security Subsidy	1,082,919	1,061,348	1,045,973	994,567	1,087,238
Retirement Subsidy	4,374,018	3,617,746	2,919,016	2,254,194	1,778,637
Other Sources	512,572	509,470	405,999	226,150	550,374
Total State Sources	16,734,075	15,655,262	14,759,517	13,471,522	13,126,037
FEDERAL SOURCES:					
Total Federal Sources	1,558,249	1,521,663	1,405,253	1,675,914	1,310,665
TOTAL REVENUES	\$ 82,126,578	\$ 79,496,688	\$ 76,224,764	\$ 74,047,730	\$ 71,407,488

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

General Fund Revenues by Source - continued Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
LOCAL SOURCES:					
Real Estate Taxes (Current)	\$49,127,910	\$47,679,124	\$46,573,409	\$ 45,131,128	\$ 43,574,435
Interim Real Estate Taxes	198,738	245,391	417,250	691,571	893,284
Earned Income Taxes (Current)	3,144,285	3,451,401	3,393,938	3,492,318	3,446,864
Transfer Taxes	623,290	653,733	683,944	701,374	997,550
Delinquent Taxes	1,453,960	1,346,243	2,053,482	1,031,744	1,083,191
Earnings from Investments	47,642	104,256	154,298	579,652	1,133,042
Utility Taxes	74,375	73,207	70,365	64,753	68,617
Other Sources	290,041	567,412	450,499	193,834	181,391
Total Local Sources	54,960,241	54,120,767	53,797,185	51,886,374	51,378,374
STATE SOURCES:					
Basic Education	4,943,478	4,420,183	3,847,548	3,946,825	3,512,311
Charter Schools	-	582,704	616,496	554,461	442,866
Special Education	1,587,547	1,581,594	1,615,603	1,649,118	1,648,867
Transportation	1,529,181	1,621,315	1,450,354	1,920,741	1,426,433
Rental & Sinking Fund Payments	417,636	435,681	430,126	443,103	339,851
State Property Tax Allocation	1,426,523	1,447,465	1,401,061	1,406,690	-
Social Security Subsidy	1,127,468	986,165	1,025,969	1,035,291	984,277
Retirement Subsidy	1,267,580	803,951	685,545	690,438	924,153
Other Sources	556,619	548,671	561,419	694,738	886,589
Total State Sources	12,856,031	12,427,729	11,634,121	12,341,405	10,165,347
FEDERAL SOURCES:					
Total Federal Sources	1,349,743	2,516,557	2,530,197	1,576,786	1,351,522
TOTAL REVENUES	\$69,166,015	\$69,065,053	\$67,961,503	\$ 65,804,565	\$ 62,895,243

Source: District Audited Financial Statements

KENNETT CONSOLIDATED SCHOOL DISTRICT

Assessed Value Last Ten Fiscal Years

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
Residential Property	\$1,542,272,560	\$1,530,444,750	\$1,532,123,690	\$1,536,068,450	\$1,549,025,370
Industrial Property	32,579,470	33,933,490	34,425,310	34,484,150	32,350,820
Commercial Property	398,841,950	396,376,580	391,897,340	385,430,490	383,308,460
Agricultural Property	41,094,585	44,867,975	42,257,345	41,547,780	42,323,150
Mobile Homes	2,506,190	2,428,990	2,390,100	2,347,390	2,368,440
Direct Tax Rate	29.2408	28.6017	27.9406	27.452	26.7303
Total Taxable Assessed Property	\$2,017,294,755	\$2,008,051,785	\$2,003,093,785	\$1,999,878,260	\$2,009,376,240
Common Level Ratio*	53.00	53.80	55.40	57.70	60.20
Total Fair Market Value*	\$3,806,216,519	\$3,732,438,262	\$3,615,692,753	\$3,465,993,518	\$3,337,834,286

*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,				
	2012	2011	2010	2009	2008
Residential Property	\$1,573,914,954	\$1,591,982,014	\$1,620,525,838	\$1,616,572,738	\$1,581,546,794
Industrial Property	32,253,820	34,992,130	34,992,130	32,393,890	31,601,060
Commercial Property	382,069,990	382,486,490	378,971,560	357,286,730	350,365,830
Agricultural Property	44,506,250	47,508,390	50,833,970	55,516,360	64,531,720
Mobile Homes	2,366,750	2,318,150	2,224,380	2,205,910	2,245,660
Direct Tax Rate	25.7293	24.7781	23.9537	23.14	21.95
Total Taxable Assessed Property	\$2,035,111,764	\$2,059,287,174	\$2,087,547,878	\$2,063,975,628	\$2,030,291,064
Common Level Ratio*	58.52	55.87	55.25	52.91	51.81
Total Fair Market Value*	\$3,477,634,593	\$3,685,854,974	\$3,778,367,200	\$3,900,913,937	\$3,918,461,754

*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 ¹	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						
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

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

Ten Principal Taxpayers **Current Year and 10 Years Ago** *(Unaudited)*

		July 1, 2016		July 1, 2007	
Name	Type of Property	Percent of District's Total Taxable Value (1)		Percent of District's Total Taxable Value (2)	
		Assessed Value	Rank	Assessed Value	Rank
Kendal Crosslands Community	Retirement Community	\$27,863,450	1	\$17,450,710	2
Kennett Exc Limited	Commerical Offices	19,059,480	2	19,483,670	1
East Marlboro Associates	Retail Shopping Center	11,382,980	3	11,382,980	4
State Street Associates	Professional Offices	11,329,460	4	15,496,660	3
Marlborough Associates	Retail Shopping Center	10,155,200	5	7,177,280	7
Modern Mushroom Farms, Inc.	Agriculture	8,246,170	6	8,057,340	6
Kennett Center LP	Professional Offices	7,597,700	7	-	-
350 Scarlet Group	Retail Shopping Center	6,534,970	8	8,315,650	5
Turks Head Health Services	Professional Offices	5,643,640	9	-	-
Chathan Financial Corp.	Commerical Offices	5,183,070	10	-	-
New Plan Realty Trust	Retail Shopping Center	-	-	6,110,630	8
Hartefeld Ltd.	Golf Course/Restaurant	-	-	5,445,780	9
Phillips Mushroom	Agriculture	-	-	5,088,890	10
		<u>\$112,996,120</u>		<u>\$104,009,590</u>	
		5.60%		5.12%	

Source of data: Chester County Assessment Office

- (1) District's Total Taxable Value - 2016-2017
\$2,017,294,755
- (2) District's Total Taxable Value - 2007-2008
\$2,030,291,064

KENNETT CONSOLIDATED SCHOOL DISTRICT

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

Fiscal Year Ended June 30,	Fiscal Year of the Levy				Total Collections to Date	
	Total Tax Levy for Fiscal Year (1)	Current Amount (2)	% of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2017	\$57,529,923	\$55,409,613	96.31%	(3)	\$55,409,613	96.31%
2016	56,022,992	53,935,825	96.27%	1,218,927	55,154,752	98.45%
2015	54,588,884	52,224,846	95.67%	2,035,683	54,260,529	99.40%
2014	53,521,604	51,522,506	96.26%	1,986,085	53,508,591	99.98%
2013	52,320,593	50,045,173	95.65%	2,270,608	52,315,781	99.99%
2012	50,971,364	49,127,910	96.38%	1,839,827	50,967,737	99.99%
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 2016-17 was \$1,457,389.

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

(3) Collections in subsequent years not yet available for fiscal year ended June 30, 2017.

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
2017	29.2408	\$ 55,409,613	\$ 7,669,713	\$ 745,650	\$ 63,824,976
2016	28.6017	53,935,825	7,701,855	656,422	62,294,102
2015	27.9406	52,224,846	7,238,846	596,302	60,059,994
2014	27.4520	51,522,506	6,825,565	1,074,637	59,422,708
2013	26.7303	50,045,173	6,474,979	1,017,861	57,538,013
2012	25.7293	49,127,910	5,420,273	1,037,450	55,585,633
2011	24.7781	47,679,124	5,696,768	1,190,819	54,566,711
2010	23.9537	46,573,409	6,548,614	675,162	53,797,185
2009	23.1400	45,131,128	5,917,007	827,387	51,875,522
2008	21.9500	43,574,435	6,420,889	1,366,370	51,361,694

(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	Emmaus 1996 General Obligation Note 1998	Emmaus 1996 General Obligation Note 2006	General Obligation Bonds Series of 2010	Emmaus 2000A General Obligation Note 2011	General Obligation Bonds Series of 2012	General Obligation Bonds Series of 2013	General Obligation Bonds Series of 2015	General Obligation Bonds Series of 2016	Total Debt Outstanding
2018	750,000	420,000	5,000	5,000	875,000	1,895,000	585,000	1,255,000	5,790,000
2019	-	435,000	10,000	5,000	1,495,000	2,125,000	575,000	1,285,000	5,930,000
2020	-	455,000	2,695,000	5,000	1,030,000	-	625,000	1,330,000	6,140,000
2021	-	475,000	3,870,000	5,000	-	-	440,000	1,545,000	6,335,000
2022	-	495,000	4,875,000	5,000	-	-	90,000	1,075,000	6,540,000
2023-2027	-	2,810,000	8,505,000	7,445,000	-	-	5,735,000	1,030,000	25,525,000
	\$ 750,000	\$ 5,090,000	\$ 19,960,000	\$ 7,470,000	\$ 3,400,000	\$ 4,020,000	\$ 8,050,000	\$ 7,520,000	\$ 56,260,000

SCHEDULED YEARLY PAYMENTS

Fiscal Year Ending June 30	Emmaus 1996 General Obligation Note 1998	Emmaus 1996 General Obligation Note 2006	General Obligation Bonds Series of 2010	Emmaus 2000A General Obligation Note 2011	General Obligation Bonds Series of 2012	General Obligation Bonds Series of 2013	General Obligation Bonds Series of 2015	General Obligation Bonds Series of 2016	Total Debt Payments
2018	766,216	492,170	670,288	119,446	951,750	2,002,350	784,772	1,474,675	7,261,667
2019	-	500,718	675,131	119,369	1,545,500	2,188,750	757,223	1,469,525	7,256,216
2020	-	513,991	3,359,817	119,293	1,050,600	-	784,222	1,475,500	7,303,423
2021	-	526,964	4,450,208	119,216	-	-	581,098	1,644,900	7,322,386
2022	-	539,637	5,331,194	119,139	-	-	221,373	1,117,100	7,328,443
2023-2027	-	2,912,128	8,920,753	7,703,417	-	-	6,202,345	1,050,600	26,789,243
	\$ 766,216	\$ 5,485,608	\$ 23,407,391	\$ 8,299,880	\$ 3,547,850	\$ 4,191,100	\$ 9,331,033	\$ 8,232,300	\$ 63,261,378

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
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	N/A	N/A	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
2007-08	2,030,291,064	72,615,000	-	72,615,000	3.58%	21,851	3,323	727,648,198	9.98%	4,100	17,711

Sources:

- (1) Chester County Board of Assessment Appeals, West Chester, PA.
- (2) 2009-10 to 2016-17 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 2015-16 and 2016-17 not yet available.
- (4) October enrollment for the fiscal year noted.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Schedule of Direct and Overlapping Debt
June 30, 2017
(Unaudited)

Name of Governmental Unit	Gross Debt Outstanding	Percentage Applicable to Governmental Unit	Net Share of Debt
Direct Debt:			
Kennett Consolidated School District (3)	\$ 56,817,781	100%	\$ 56,817,781
Overlapping Debt:			
East Marlborough Township (2)(4)	7,465,000	26.21%	1,956,726
New Garden Township (2)(4)	1,581,818	100%	1,581,818
Borough of Kennett Square (2)(4)	11,739,289	100%	11,739,289
Chester County (1)(2)(4)	<u>610,113,752</u>	<u>5.41%</u>	<u>33,007,154</u>
Total Overlapping Debt	630,899,859	7.65%	48,284,987
Total Direct and Overlapping Debt	<u>\$ 687,717,640</u>	<u>15.28%</u>	<u>\$ 105,102,768</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 (5.41%) is based on Kennett Consolidated School District's assessed value of \$2,017,294,755 as a percentage of Chester County's assessed value of \$37,269,032,636.
 - As of December 31, 2016
 - As of June 30, 2017
 - Data Source: Chester County Comprehensive Annual Financial Report, 2016
- 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)

	2017	2016	2015	2014	2013
Total Nonelectoral Debt Limit	\$ 177,094,319	\$ 171,020,339	\$ 165,062,606	\$ 160,033,841	\$ 156,313,901
Less: Amount of Debt Applicable to Debt Limit	<u>56,817,781</u>	<u>62,664,921</u>	<u>68,134,790</u>	<u>73,957,662</u>	<u>78,625,000</u>
Total Debt Margin	\$ 120,276,538	\$ 108,355,418	\$ 96,927,816	\$ 86,076,179	\$ 77,688,901
Total Debt Margin Percentage	67.92%	63.36%	58.72%	53.79%	49.70%

For the Period Ended June 30,			
Formula for Debt Limit	2015 Audited	2016 Audited	2017 Audited
Total Revenues	\$ 76,224,763	\$ 79,462,732	\$ 82,126,070
Less: Required Deductions if Included in Total Revenues			
a. Rental & Sinking Fund Reimbursement	771,363	478,304	438,140
b. Sale of Property & Nonrecurring Items	-	-	-
Net Revenue	<u>\$ 75,453,400</u>	<u>\$ 78,984,428</u>	<u>\$ 81,687,930</u>
Total Net Revenues for Three Years			236,125,758
Borrowing Base - Average Net Revenues for			78,708,586
Calculation of Remaining Borrowing Capacity			
1. Net Non-Electoral Debt and Lease Rental Debt			56,817,781
2. Computation of Non-Electoral and Lease			
(a) Debt Limitation - 225% of Borrowing Base			177,094,319
(b) Less: Net Non-electoral and Lease Rental Debt			<u>56,817,781</u>
(c) Current Debt Margin			<u>\$ 120,276,538</u>
Total Debt Margin Percentage			<u>67.92%</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Nonelectoral Debt Limit	\$ 153,681,847	\$ 151,133,519	\$ 146,543,025	\$ 141,275,786	\$ 135,390,681
Less: Amount of Debt Applicable to Debt Limit	<u>82,830,000</u>	<u>87,700,000</u>	<u>83,905,000</u>	<u>68,400,000</u>	<u>72,615,000</u>
Total Debt Margin	\$ 70,851,847	\$ 63,433,519	\$ 62,638,025	\$ 72,875,786	\$ 62,775,681
Total Debt Margin Percentage	46.10%	41.97%	42.74%	51.58%	46.37%

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 (4)	Pennsylvania Per Capita Personal Income (4)	Chester County Unemployment Rate (5)	Pennsylvania Unemployment Rate (5)
2017	32,647	968,091,475	29,653	4,150	N/A	N/A	N/A	N/A	N/A	N/A
2016	32,647	968,091,475	29,653	4,172	516,312	12,783,977	N/A	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%
2008	21,851	727,648,198	33,300	4,100	491,489	12,448,279	58,156	29,997	4.1%	5.8%

Data Sources:

- (1) Bureau of the Census/Chester County Planning Commission
- (2) Pennsylvania Department of Education; Data for years 2016 and 2017 not yet available - 2015 data used as estimate.
- (3) Based on the school district census at the start of the school year.
- (4) U. S. Census Bureau, 2017 information currently not available.
- (5) U. S. Department of Labor, Bureau of Labor Statistics, 2017 information currently not available.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Principal Employers Current Year and Ten Years Ago *Unaudited*

Employer	Rank	2016		Rank	2007	
		Employees	Percentage of Labor Force		Employees	Percentage of Labor Force
GHC Payroll LLC (Genesis Health Care)	1	809	0.29%	1	600	0.23%
Kaolin Mushroom Farms Inc.	2	617	0.22%	2	n/a	
Exelon Generation Co LLC	3	521	0.18%	5	250	0.10%
Kennett Consolidated School District	4	486	0.17%	3	487	0.19%
YMCA of the Brandywine Valley	5	392	0.14%			
Giant Food Stores	6	334	0.12%	4	300	0.12%
Kendal-Crosslands Communities	7	317	0.11%			
Chatham Financial	8	308	0.11%			
W. L. Gore & Associates	9	285	0.10%	6	200	0.08%
To-Jo Mushrooms Inc	10	283	0.10%			
Modern Mushroom Farms				7	150	0.06%
Total		4,352	1.55%		1,987	0.77%

Chester County Labor Force 2016 (average) 281,650

Chester County Labor Force 2007 (average) 259,483

(1) Estimated Employment Source - 2016: Keystone Collections Group

(2) Estimated Employment Source - 2007: Berkheimer Associates' records have been purged; School District's estimate; information only available for top seven employers.

(3) Percentage of Labor Force is based on Chester County average labor force per Chester County Comprehensive Annual Financial Report, 2016.

KENNETT CONSOLIDATED SCHOOL DISTRICT

Building Construction Last Ten Calendar Years (Unaudited)

Calendar Year	Number of Permits	Commercial	Residential	Total
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
2008	130	21,048,180	26,781,010	47,829,190

*Source: Chester County Board of Assessments. Calendar year 2017 is as of December, 2017.

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
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
2008	54,694,004	4,100	13,340	67,791,772	16,535

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, 2017 (Unaudited)

P r o g r a m	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
A d m i n i s t r a t o r													
-Educational				2.00	13.00								15.00
-Support				2.00			2.00	1.00	1.00	2.00		1.00	9.00
T e a c h e r s													
-Elementary	127.25	10.00											137.25
-Secondary	134.00	22.00											156.00
S p e c i a l i s t s													
-Library				5.00									5.00
-P s y c h o l o g i s t			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
S u p p o r t S t a f f													
-Supervisor								2.00		1.00	5.00		8.00
-Secretarial			3.00	2.00	9.00		1.00	1.00	1.00	1.00	1.00		19.00
-Clerical			1.00	5.00	4.00		2.00					1.00	13.00
-Accountants							1.00						1.00
-Custodial								33.00					33.00
-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	261.25	37.00	21.00	16.00	26.00	8.00	7.00	43.00	2.00	10.00	6.00	2.00	439.25

KENNETT CONSOLIDATED SCHOOL DISTRICT

Salary Data for Classroom Teachers & Specialists As of June 30, 2017 (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	40.00	2.00	42.00
\$87,000 - \$89,999	0.00	11.00	0.00	11.00
\$84,000 - \$86,999	1.00	13.00	0.00	14.00
\$81,000 - \$83,999	2.00	12.00	0.00	14.00
\$78,000 - \$80,999	0.00	9.00	0.00	9.00
\$75,000 - \$77,999	0.00	14.00	0.00	14.00
\$72,000 - \$74,999	0.00	11.00	0.00	11.00
\$69,000 - \$71,999	0.00	7.00	0.00	7.00
\$66,000 - \$69,999	0.00	16.00	0.00	16.00
\$63,000 - \$65,999	1.00	13.00	1.00	15.00
\$60,000 - \$62,999	0.00	24.00	0.00	24.00
\$57,000 - \$59,999	0.00	45.00	0.00	45.00
\$54,000 - \$56,999	1.00	33.20	0.00	34.20
\$51,000 - \$53,999	5.00	19.00	0.00	24.00
\$48,000 - \$50,999	17.00	0.00	0.00	17.00
\$45,000 - \$47,999	20.75	0.00	0.00	20.75
Total No. of Teachers	47.75	267.20	3.00	317.95

	B.S.	M.Ed.	D.Ed.
Highest Salary	\$86,166	\$103,568	\$103,568
Lowest Salary	\$46,250	\$50,870	\$97,758
Total Salaries	\$ 21,576,894		
Classroom Teachers	317.95		
2016-17 Avg.	\$ 67,863		

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, 2017
(Unaudited)

Building	Full Time Equivalent Teachers	Number of Students	Student/ Teacher Ratio
High School	81.0	1,289	15.91
Middle School	73.0	1,010	13.84
Bancroft Elementary	37.0	486	13.14
Greenwood Elementary	41.0	602	14.68
Mary D. Lang Kindergarten Center	22.0	301	13.68
New Garden Elementary	38.0	462	12.16
Totals	292.0	4,150	14.21

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	614	111
Kennett High School 100 East South Street Kennett Square, PA 19348	1930	1997 2007	219,763	1,545	1,347	198
Mary D. Lang Kindergarten Center 409 Center Street Kennett Square, PA 19348	1971		68,432	550	300	250
New Garden Elementary School 265 New Garden Road Toughkenamon, PA 19374	1955	1960,1966 1989,1994 1998	73,605	650	463	187
Kennett Middle School 195 Sunny Dell Road Landenberg, PA 19350	2002		192,000	1,150	1,014	136
Bancroft Elementary 181 Bancroft Road Kennett Square, PA 19348	2011		105,172	625	460	165

Source of Data: District's Records
Projected Enrollment is for 2018-2019

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*	1,837	1,014	1,347	4,198

Notes:

1. 2018-19 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*	460	614	300	463	1,837

Notes:

1. Bancroft Elementary School opened in September, 2011.
2. Mary D. Lang was converted to a Kindergarten Center in September, 2011.
3. 2018-19 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)

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Kindergarten*										
ADA	288.497	282.277	293.397	299.122	272.627	322.285	319.777	307.602	273.398	270.760
ADM	301.963	294.153	305.484	309.05	283.668	335.978	334.316	322.237	283.883	282.370
% Attendance	95.54%	95.96%	96.04%	96.79%	96.11%	95.92%	95.65%	95.46%	96.30%	95.90%
Elementary										
ADA	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	1,877.655
ADM	1,893.138	1,915.604	1,982.600	1,975.854	2,024.434	2,034.736	1,965.976	1,919.948	1,929.345	1,946.613
% Attendance	96.79%	98.13%	96.75%	97.09%	96.67%	96.69%	96.63%	96.55%	96.50%	96.50%
Secondary										
ADA	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	1,816.150
ADM	1,885.984	1,880.262	1,850.050	1,858.416	1,870.884	1,843.563	1,852.565	1,933.929	1,923.399	1,926.622
% Attendance	95.30%	93.65%	95.18%	95.27%	95.06%	95.39%	95.25%	95.39%	94.40%	94.30%
District Total										
ADA	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	3,964.565
ADM	4,081.085	4,090.019	4,138.134	4,143.320	4,178.986	4,214.277	4,152.859	4,176.114	4,136.627	4,155.605
% Attendance	96.01%	95.92%	95.99%	96.25%	95.91%	96.06%	95.94%	95.93%	95.50%	95.40%

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									
	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Bancroft Elementary School										
Free	43.09%	45.26%	43.76%	46.27%	42.12%	38.04%				
Reduced	7.01%	7.31%	7.78%	8.21%	8.79%	11.68%				
Greenwood Elementary School										
Free	40.67%	41.67%	33.22%	32.33%	30.61%	30.44%	17.32%	13.35%	12.84%	14.90%
Reduced	5.17%	3.00%	4.60%	4.35%	4.33%	5.56%	3.77%	3.34%	2.91%	5.03%
Kennett High School										
Free	30.19%	30.96%	27.40%	24.76%	24.90%	22.88%	21.66%	22.79%	22.32%	19.42%
Reduced	3.95%	3.13%	5.62%	6.23%	5.85%	7.08%	6.22%	6.06%	6.67%	6.95%
Kennett Middle School										
Free	35.51%	35.39%	32.58%	30.86%	30.98%	27.41%	26.11%	22.79%	23.22%	22.90%
Reduced	4.06%	4.49%	6.23%	6.73%	5.74%	8.12%	6.21%	6.06%	8.51%	6.78%
Mary D. Lang Kindergarten Center										
Free	44.67%	41.22%	42.76%	43.04%	41.32%	33.23%	54.08%	56.78%	49.77%	52.44%
Reduced	5.33%	5.74%	7.89%	7.77%	7.99%	10.89%	9.18%	10.65%	13.51%	16.71%
New Garden Elementary School										
Free	38.26%	37.53%	33.21%	33.52%	31.98%	30.78%	31.35%	31.47%	27.45%	27.90%
Reduced	3.48%	6.50%	4.99%	4.57%	6.65%	7.29%	7.51%	8.18%	8.07%	8.63%

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 2, 2017

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, 2017, 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 2, 2017.

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
BARBACANE, THORNTON & COMPANY LLP

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

November 2, 2017

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

Report on Compliance for Each 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, 2017. 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 Each 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, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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, 2017**

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 7/01/2016	REVENUE RECOGNIZED	ACCRUED (UNEARNED) REVENUE 6/30/2017	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Education										
Passed through Pennsylvania Department of Education										
Title I - Grants to Local Education Agencies	I	84.010	013-16-0210	07/01/15-09/30/16	\$ 544,553	\$ 180,665	\$ (8,124)	\$ 188,789	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-17-0210	07/01/16-09/30/17	706,544	381,506	-	468,444	86,938	-
Total CFDA #84.010						562,171	(8,124)	657,233	86,938	-
Title II - Improving Teacher Quality	I	84.367	020-16-0210	07/01/15-09/30/16	94,771	31,359	3,123	28,236	-	-
Title II - Improving Teacher Quality	I	84.367	020-17-0210	07/01/16-09/30/17	92,574	68,147	-	90,939	22,792	-
Total CFDA #84.367						99,506	3,123	119,175	22,792	-
Title III - Language Inst LEP	I	84.365	010-16-0210	07/01/15-09/30/16	156,997	33,075	33,075	-	-	-
Title III - Language Inst LEP	I	84.365	010-17-0210	07/01/16-09/30/17	163,054	141,313	-	154,234	12,921	-
Total CFDA #84.365						174,388	33,075	154,234	12,921	-
Subgrant from U.S. Department of Education										
Passed through Chester County Intermediate Unit										
I.D.E.A. Part B	I	84.027	062-16-0024	07/01/15-06/30/16	546,269	145,672	145,672	-	-	-
I.D.E.A. Part B	I	84.027	062-17-0024	07/01/16-06/30/17	611,249	378,137	-	611,249	233,112	-
Total CFDA #84.027						523,809	145,672	611,249	233,112	-
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	-
Total Special Education Cluster						523,809	145,672	612,596	234,459	-
Total U.S. Department of Education						1,359,874	173,746	1,543,238	357,110	-
U.S. Department of Agriculture										
Passed through Pennsylvania Department of Agriculture										
National School Lunch Program	I	10.555	N/A	09/01/16-06/30/17	N/A	134,267	-	134,267	-	-
Passed through Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	09/01/15-06/30/16	N/A	42,066	42,066	-	-	-
National School Lunch Program	I	10.555	N/A	09/01/16-06/30/17	N/A	655,380	-	775,244	119,864	-
Total CFDA #10.555						831,713	42,066	909,511	119,864	-

Continued on next page.

**KENNETT CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 7/1/2016	REVENUE RECOGNIZED	ACCURED (UNEARNED) REVENUE 6/30/2017	AMOUNT PASSED THROUGH TO SUBRECIPIENTS
(cont'd)										
U.S. Department of Agriculture										
Passed through Pennsylvania Department of Education	I	10.553	N/A	09/01/15-06/30/16	N/A	6,963	6,963	-	-	-
Breakfast Program	I	10.553	N/A	09/01/16-06/30/17	N/A	101,994	-	121,070	19,076	-
Total CFDA #10.553						108,957	6,963	121,070	19,076	-
Total Child Nutrition Cluster						940,670	49,029	1,030,581	138,940	-
Total U.S. Department of Agriculture						940,670	49,029	1,030,581	138,940	-
U.S. Department of Health and Human Services										
Passed through Pennsylvania Department of Health and Human Services	I	93.778	N/A	07/01/15-06/30/16	N/A	9,563	9,563	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/16-06/30/17	N/A	7,500	-	15,011	7,511	-
Total CFDA# 93.778						17,063	9,563	15,011	7,511	-
TOTAL FEDERAL AWARDS						\$ 2,317,607	\$ 232,338	\$ 2,588,830	\$ 503,561	\$ -

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 U.S.D.A. Donated Commodities, represent surplus food consumed by the District during the 2016 - 2017 fiscal year.

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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Kennett Consolidated School District
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Kennett Square, PA 19348
610-444-6600