Notes of Interest

November Financial Report

Pension discussion

- Underfunded pension liabilities have been discussed widely, and this will continue as the Kentucky legislature goes into session. To illustrate how the crisis could have occurred, the state's contribution to the teachers retirement system (KTRS) is included in other state revenues on page 2. While they have increased about 9% per year, the teachers retirement system unfunded pension liability has increased far more.
- County Employees Retirement System (CERS) unfunded pension liability has increased as well, albeit at a slower pace.

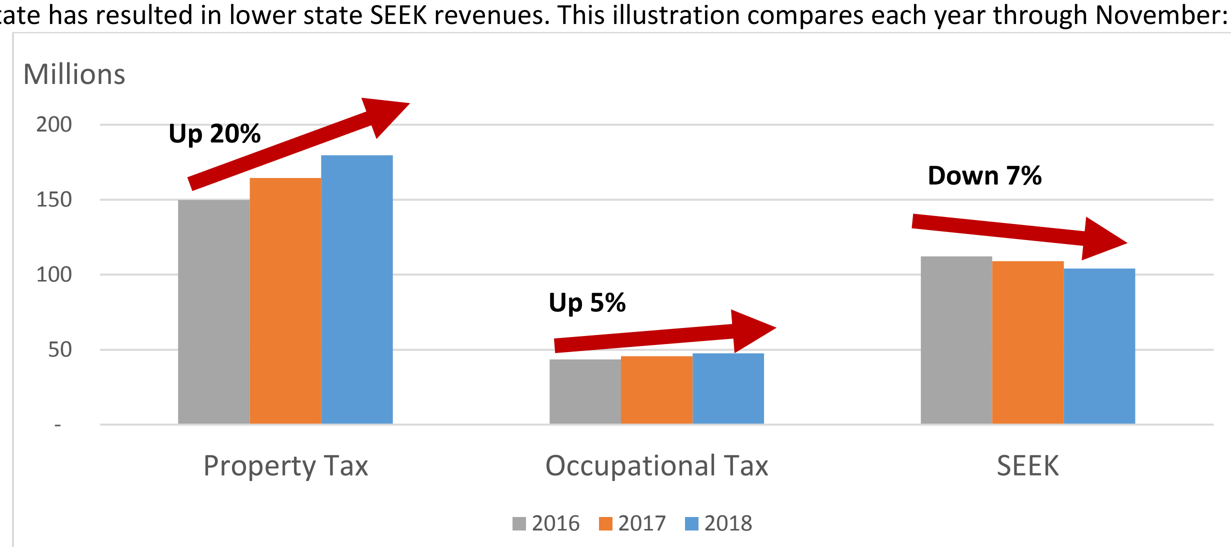
KTRS			CERS	
2014-15	3,675,381,169		2014-15	264,419,000
2015-16	4,301,069,425		2015-16	346,318,819
2016-17	5,422,750,549		2016-17	385,681,594

Budget update

- During November, we added $1,947,539 of additional budget allocations, with the majority of these being one-time allocations. The largest allocation of $1,181,800 was for certified extended time for ISAP to ensure that classified staff are not supervising students.
- We are currently working on the Draft Budget, which will be the beginning version of the 2018-19 budget. This preliminary budget version will reflect a number of estimates, such as average salaries rather than actual salaries.

Page 2

- Every year, property tax collections begin in early November. These property tax collections are our largest revenue source and represent the end of our lowest cash balances for the fiscal year. Between November and January, we receive about 50% of our total revenues each year.
- In Jefferson County, our assessments have been rising faster than other areas of the state, and our economy has been growing for a number of years. This has resulted in increasing occupational taxes and increasing property taxes without increasing the tax rate. Within the SEEK formula, assessments rising faster than other areas of the state has resulted in lower state SEEK revenues. This illustration compares each year through November:



Notes of Interest

- Other state revenues include estimated payments the state makes on our behalf for employee health insurance and employer match payments to the teachers' retirement system. These amounts reflect the amounts actually paid, rather than the unpaid liability that is discussed in the news.
- KSFCC (Kentucky School Facilities Construction Commission) Allocation is the debt service support that the state pays to finance renovations of school buildings. The increase in this revenue was a simple timing difference where the debt service payment dates on a refunding bond are a month earlier than the bond that was refunded.
- Most expense categories are lower in the 2017-2018 school year than previous years because the later school start date delayed the first full-employment payroll until September this year instead of late August. This will gradually correct itself over the course of the year.

Page 7

- Transportation Professional/Technical Services are negative due to reimbursements from grants for direct transportation services provided to the grant programs, such as preschool.

Page 12

- Capital Outlay receives two roughly equal revenue payments each year, in July and May. These are based on our average daily attendance.

Page 13 and 14

- Building Fund real estate tax collections began in November, following the same calendar as General Fund. We have now received all the property taxes into Building Fund for the year.