

Financial Statements, Supplementary  
Information and Reports Required  
by the Single Audit Act

2017

**Kenton County School District**

June 30, 2017



Strothman+Co

**KENTON COUNTY SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
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June 30, 2017**

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## **Independent Auditors' Report**

Members of the Board  
Kenton County School District  
Fort Wright, Kentucky

### **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 Kenton County School District (the "District") as of and for the year ended June 30, 2017 and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying 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.

### **Auditors' 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; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows of its proprietary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 13 and the budgetary comparison information on pages 48 through 49 and the pension liability and contributions information on pages 50 through 53 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 inquires 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 to 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 activity funds financial information on pages 54 through 66 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose 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 activity funds financial information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements, agency funds financial information, and the Schedule of Expenditures of Federal Awards are 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 14, 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.

*Strothman and Company*

Louisville, Kentucky  
November 14, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Kenton County School District  
Management Discussion and Analysis  
Fiscal Year Ended June 30, 2017  
Unaudited**

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As management of the Kenton County Board of Education ("Board"), the governing body for the Kenton County School District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit report.

**FINANCIAL HIGHLIGHTS**

- Kenton County Schools served 14,473 enrolled students during the 2016-17 fiscal year through 19 schools including 3 high schools, a technology academy, 4 middle schools and 11 elementary schools. More than half of the District's schools are operating at their student capacity.
- The 2017 Kentucky State Report Card academic scores classify the District as Distinguished. The Kentucky Department of Education did not label schools based on the 2017 data as the state accountability model is transitioning to a new accountability model. However, to honor the work and maintain continuity in the interim, the district utilized the same formula to assign designations to the schools and district. Using the same criteria as 2016, the district had 4 Schools of Distinction, 7 Distinguished schools and 5 Proficient.
- District facility activity during 2017 included completion of a third phase of renovation to the Scott High School building and grounds and continued progress on addition/renovation to the Ft. Wright Elementary School projected at \$20.4 million. A third Energy Conservation project involving several schools was also initiated near the end of the school year.
- In May 2017, the District issued Revenue Bonds with a par amount of \$5.125 million funding the Guaranteed Energy Performance project. The debt will be serviced by the district general and debt service funds.
- The Board approved a Lease & Security Agreement with the Kentucky Interlocal School Transportation Association ("KISTA") resulting in the issuance of \$1.4 million in bonds to finance the purchase of 15 school buses.
- Net Position at June 30, 2017 was \$39.5 million, including cash, receivables and capital assets reduced by outstanding debt and liabilities.
- Total Revenues were \$150.3 million for the year. General revenues accounted for \$130 million, 87 percent of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$19.6 million or 13 percent of total revenues. The District incurred \$145.1 million in total expenses.
- Governmental Fund Total Revenues were \$144.0 million with \$113.7 million accounted for in the General Fund. Local tax revenues increased to \$59.4 million while state SEEK revenues increased slightly from \$45.7 to \$ 45.8 million. State and federal grant revenues increased slightly in 2017.

Governmental Fund Expenditures totaled \$157.5 million during 2017. General Fund expenses amounted to \$114.4 million. The 2017 salary schedules reflected a 1% increase in addition to an annual experience increase while cost savings were experienced in facilities and transportation expenses.

- The General Fund ended the year with a reserve balance of \$15.3 million which represents 14% of the non-construction budget for the year. \$3.8 million of the Total Fund Balance is either restricted or committed to capital/construction projects or operating obligations. The Unassigned Fund Balance at the end of the year is \$11.3 million.



## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **District-wide Financial Statements**

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. This financial perspective is provided via the Statement of Net position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Net Position is one indication of financial health and position to support future operations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's property tax base and the condition of school facilities, also contribute to evaluating the District's overall financial position.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods.

The district-wide financial statements are divided into two categories, governmental activities and business-type activities. Governmental activities include functions of the District that are principally supported by property taxes and intergovernmental revenues and include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. Business-type activities are those that charge a fee to assist in covering the cost of the service. Food Service is the only business-type activity reported in these financial statements. The district-wide financial statements can be found on pages 14 and 15 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kentucky public school districts utilize a state mandated uniform system and chart of accounts with all financial transactions processed by the MUNIS administrative software. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include food service operations. The District's funds include General, Special Revenue, District Activity, Capital Outlay, Building, Construction, Debt Service, Proprietary and Food Service. School activity funds maintained at each school are reflected as Fiduciary funds in this report. The basic governmental fund financial statements can be found on pages 16 through 24 of this report.

### **Notes to Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found on pages 25 through 47 of this report.

**Kenton County School District  
Management Discussion and Analysis--Continued  
Fiscal Year Ended June 30, 2017  
Unaudited (Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2017 and 2016.

**Table 1  
Kenton County School District  
Net Position  
June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b><u>Assets</u></b>						
Current Assets	\$ 34,079,331	\$ 37,892,269	\$ 1,452,648	\$ 1,135,907	\$ 35,531,979	\$ 39,028,176
Noncurrent Assets	226,297,512	218,975,696	807,675	942,766	227,105,187	219,918,462
Total Assets	260,376,843	256,867,965	2,260,323	2,078,673	262,637,166	258,946,638
<b><u>Deferred Outflows of Resources</u></b>						
Bond Refunding Savings	7,476,515	8,545,956			7,476,515	8,545,956
CERS Pension Contributions	7,884,559	5,859,776	931,146	708,007	8,815,705	6,567,783
Total Deferred Outflows	15,361,074	14,405,732	931,146	708,007	16,292,220	15,113,739
Total Assets and Deferred Outflows of Resources	<u>\$ 275,737,917</u>	<u>\$ 271,273,697</u>	<u>\$ 3,191,469</u>	<u>\$ 2,786,680</u>	<u>\$ 278,929,386</u>	<u>\$ 274,060,377</u>
<b><u>Liabilities</u></b>						
Current Liabilities	\$ 21,880,637	\$ 17,477,263	\$ 90,677	\$ 78,740	\$ 21,971,314	\$ 17,556,003
Noncurrent Liabilities	211,348,286	215,627,370	3,865,656	3,377,501	215,213,942	219,004,871
Total Liabilities	<u>\$ 233,228,923</u>	<u>\$ 233,104,633</u>	<u>\$ 3,956,333</u>	<u>\$ 3,456,241</u>	<u>\$ 237,185,256</u>	<u>\$ 236,560,874</u>
<b><u>Deferred Inflows of Resources</u></b>						
CERS Pension Contributions	\$ 1,905,754	\$ 2,699,802	\$ 257,321	\$ 360,952	\$ 2,163,075	\$ 3,060,754
<b><u>Net Position</u></b>						
Invested in Capital Assets, Net of Related Debt	\$ 33,352,129	\$ 19,639,432	\$ 807,675	\$ 942,766	\$ 34,159,804	\$ 20,582,198
Nonspendable - inventories	177,713	185,272			177,713	185,272
Restricted	13,706,468	20,420,135	(1,829,860)	(1,973,279)	11,876,608	18,446,856
Unrestricted	(6,633,070)	(4,775,577)			(6,633,070)	(4,775,577)
Total Net Position	<u>\$ 40,603,240</u>	<u>\$ 35,469,262</u>	<u>\$ (1,022,185)</u>	<u>\$ (1,030,513)</u>	<u>\$ 39,581,055</u>	<u>\$ 34,438,749</u>
Total Liabilities and Net Position	<u>\$ 275,737,917</u>	<u>\$ 271,273,697</u>	<u>\$ 3,191,469</u>	<u>\$ 2,786,680</u>	<u>\$ 278,929,386</u>	<u>\$ 274,060,377</u>

**Kenton County School District  
Management Discussion and Analysis--Continued  
Fiscal Year Ended June 30, 2017  
Unaudited (Continued)**

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Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$39,581,055 as of June 30, 2017. The District's financial position is the product of many financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Total net position increased 15%, \$5.1 million, during 2017. Governmental net position increased \$5.1 million due primarily to increases in tax revenue, grant revenue and bond sale cash held for construction. However, costs also increased by \$485,828 with salary increases and construction expenditures.

The District's property tax base remains strong and increased by \$193 million providing a stable source of operating revenue. All three major tax revenues (real estate, motor vehicle and utility) experienced increases during 2017. KY SEEK revenue increased slightly and resulted in additional revenue to the Building Fund. The General Fund SEEK revenue decreased with a slight reduction in student average daily attendance. School building and facility additions and improvements continue each year in accordance with the District's Facility Plan.

### **Capital Assets**

The largest portion of the District's net position resides in its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that 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.

The capital construction effort at Scott High School is continuing. Phase III of the work is now complete. It is expected to take six phases of construction to complete the master renovation plan that was prepared and approved by the Board of Education. The next phase of construction (Phase IV) is currently under design and should be bid by February 2018. The next phase of construction will involve the construction of a new fine arts department, English classrooms, social study classrooms, special education classrooms, and a multiple purpose classroom. The proposed geothermal well field to serve this next phase of construction will be installed on property purchased directly adjacent to the school. The projected budget for the next phase of construction is \$11,495,000.

Construction work continues at the Ft. Wright Elementary School. The construction schedule for this work is 22 months and will be ready to open in the fall of 2018. The school is currently utilizing 10 temporary classrooms in order to facilitate the construction process. This renovation is a complete reconstruction of all existing spaces as well as the construction of two additions and the installation of a second floor classroom wing being erected on top of an existing one story structure. This school will have 10 additional classrooms available when the project is complete.

Another significant construction project approved in 2016 – 2017 fiscal year and expected to complete in October 2017 is the Guaranteed Energy Performance Project. The project cost \$5,145,000 and was awarded to CMTA Energy Solutions. The scope of work involved the replacement of lighting in every school building with new LED bulbs and ballast. This project also included the installation of new roof coatings at Taylor Mill Elementary and Beechgrove Elementary Schools. The most significant scope of work involved the installation of new mechanical systems and new windows at Beechgrove. This project is expected to generate \$5,888,864 savings in utility cost and operational savings over the next twenty years. The savings generated will service the annual debt service for the bonds sold to finance the project. The terms of the bonds are twenty years.

Two additional capital construction projects are in the planning stages as construction applications are now approved locally and with the Kentucky Department of Education. Design work is now underway to construct a new secure vestibule entrance at Hinsdale Elementary. This work involves the construction of a new administrative suite and secure entrance addition onto the school. The project budget is \$983,102. The bidding process is expected to begin in early January 2018. Demolition of the former Twenhofel Middle School is also scheduled for 2018. The scope of work involved includes the removal of environmental materials in the old school facility and excavation of

**Kenton County School District  
Management Discussion and Analysis--Continued  
Fiscal Year Ended June 30, 2017  
Unaudited (Continued)**

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the site. The current site is being utilized by the transportation department. The proposed construction includes the development of two parking lots and site lighting for transportation service. The proposed budget for this project is \$1,000,000. This work will also go out for bidding purposes in early January and demolition/construction will begin in the spring.

The District continues to invest in the technology infrastructure to fully support web based instruction in all of the schools. An upgrade to the network switches throughout the District is planned for Summer, 2017 which will increase or enhance the speed and reliability of both wired and wireless devices throughout the school district. This upgrade will also be replacing technology that is no longer in production and therefore extremely difficult in finding replacement parts. Total cost is projected at \$744,670 with plans to utilize KETS and General Fund resources. The equipment qualifies for the federal ERate rebate program as well.

Fifteen new buses were purchased through the Kentucky Intermodal School Transportation System bond program. Approved by the Board in November 2016, the new buses were ordered with delivery occurring in late May and June 2017. All buses are reflected in the Capital Assets Schedule as of June 30, 2017.

**Debt**

At June 30, 2017, the District had \$184.4 million in outstanding bonds. The bonds are being paid from the Debt Service Fund. A portion of this debt, \$27.0 million is serviced by the Kentucky School Facility Construction Commission. See Note E – Bonded Debt in the Notes to Financial Statements.

In May 2017 the Board issued revenue bonds with a par amount of \$5.125 million for the Guaranteed Energy Performance Project. The debt will be serviced by the District through the General Fund and Debt Service Fund.

Participation in the KISTA bus lease/purchase program was approved by the Board and bonds were issued in March 2017 for the purchase of fifteen new buses for the District fleet. The total amount of bonds issued was \$1,446,203. The entire lease/bond debt of \$1,647,618 is reflected in liabilities at June 30, 2017 and will be serviced by the General Fund.

**Statement of Activities (Changes In Net Position)**

The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 2 presents a summary of revenue and expense for the fiscal years ended June 30, 2017 and 2016.

**GOVERNMENTAL ACTIVITY**

Governmental Revenues were \$2.7 million higher than 2016 with increases in general property tax revenue (\$2.3 million) and capital grants and contribution revenue (\$1.1 million). Total expenses were approximately the same as 2016 with reductions in interest, utilities and diesel costs. The 2017 fiscal year ended by adding \$5.1 million to net position from current year activities.

**BUSINESS-TYPE ACTIVITY**

The only business-type activity of the District is the food service operation. This program had revenues of \$6.2 million and expenditures of \$6.2 million for fiscal year 2017.

The Food Service Program continues to implement changes in food nutrition requirements. Federal operating grant and school lunch charge revenues remained steady while operating expenses were held consistent with last year amounts. The food service operation is self-operating and funded without assistance from the General Fund. The business activity receives no support from tax revenues. In accordance with Implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions*, includes provisions for deferred outflows and inflows related to the state net pension liability.

**Kenton County School District  
Management Discussion and Analysis--Continued  
Fiscal Year Ended June 30, 2017  
Unaudited (Continued)**

**Table 2  
Kenton County School District  
Changes In Net Position  
June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b><u>Revenues:</u></b>						
<b>Program Revenues:</b>						
Operating grants and contributions	\$ 6,955,288	\$ 6,736,618	\$ 3,539,562	\$ 3,480,442	\$ 10,494,850	\$ 10,217,060
Capital grants and contributions	5,574,200	4,437,949	364,193	495,360	5,938,393	4,933,309
Charges for services	1,207,150	1,123,102	1,924,944	1,838,572	3,132,094	2,961,674
<b>Total Program Revenues</b>	<b>13,736,638</b>	<b>12,297,669</b>	<b>5,828,699</b>	<b>5,814,374</b>	<b>19,565,337</b>	<b>18,112,043</b>
<b>General Revenues:</b>						
Taxes	59,401,951	57,120,347			59,401,951	57,120,347
Grants and entitlements	69,164,088	69,228,552	395,098		69,559,186	69,228,552
Earnings on investments	279,208	133,546	5,609	1,409	284,817	134,955
Miscellaneous	1,488,494	2,608,003			1,488,494	2,608,003
<b>Total General Revenues</b>	<b>130,333,741</b>	<b>129,090,448</b>	<b>400,707</b>	<b>1,409</b>	<b>130,734,448</b>	<b>129,091,857</b>
<b>Total Revenues</b>	<b>144,070,379</b>	<b>141,388,117</b>	<b>6,229,406</b>	<b>5,815,783</b>	<b>150,299,785</b>	<b>147,203,900</b>
<b><u>Expenses:</u></b>						
Instructional	78,339,182	77,898,547			78,339,182	77,898,547
Student Support	7,781,080	7,888,539			7,781,080	7,888,539
Instructional Support	4,469,256	4,155,462			4,469,256	4,155,462
District Administration	2,439,408	2,293,851			2,439,408	2,293,851
School Administration	8,591,682	8,431,467			8,591,682	8,431,467
Business Support	1,736,845	1,685,313			1,736,845	1,685,313
Plant Operations	16,320,958	15,482,249			16,320,958	15,482,249
Student transportation	11,906,920	12,415,258			11,906,920	12,415,258
Community Support	1,005,044	974,591			1,005,044	974,591
Interest - Long term debt	6,346,026	7,669,340			6,346,026	7,669,340
Food Service Operations			6,208,483	5,756,754	6,208,483	5,756,754
Other			12,595	20,280	12,595	20,280
<b>Total Expenses</b>	<b>138,936,401</b>	<b>138,894,617</b>	<b>6,221,078</b>	<b>5,777,034</b>	<b>145,157,479</b>	<b>144,671,651</b>
<b>Change in Net Position</b>	<b>\$ 5,133,978</b>	<b>\$ 2,493,500</b>	<b>\$ 8,328</b>	<b>\$ 38,749</b>	<b>\$ 5,142,306</b>	<b>\$ 2,532,249</b>

**Kenton County School District  
Management Discussion and Analysis--Continued  
Fiscal Year Ended June 30, 2017  
Unaudited (Continued)**

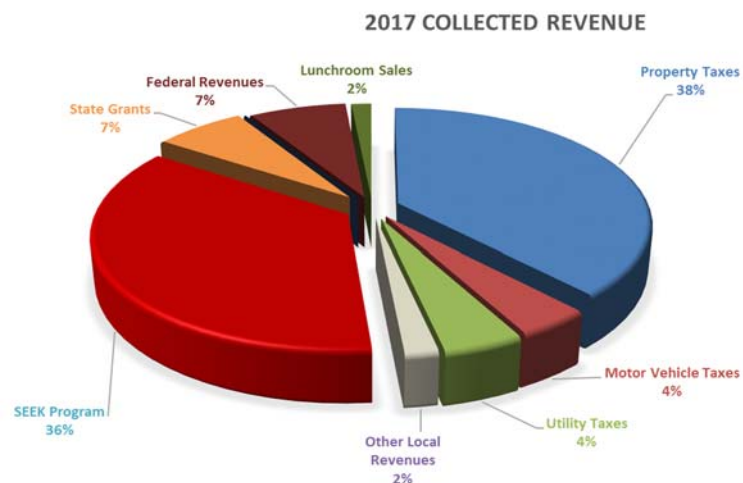
**THE DISTRICT'S FUNDS**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund financial statements are included on pages 16 – 24. The District accounts include eight different funds with the General Fund reflecting the most activity. Total governmental fund revenues, including on-behalf payments, were \$144 million with expenditures of \$156.5 million. Table 3 reflects the 2017 and 2016 fund revenues by type. Chart 1 reflects the percentage for each collected revenue type.

**Table 3  
Kenton County School District  
Revenues  
June 30, 2017 and June 30, 2016**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b><u>Local Sources:</u></b>						
Property Taxes	\$ 48,584,018	\$ 46,590,595			\$ 48,584,018	\$ 46,590,595
Motor Vehicle Taxes	5,189,866	4,918,374			5,189,866	4,918,374
Utility Taxes	5,628,067	5,611,378			5,628,067	5,611,378
Other Local Revenues	2,330,857	2,229,621	\$ 28,738	\$ 1,409	2,359,595	2,231,030
<b><u>State Sources:</u></b>						
SEEK Program	45,809,698	45,728,239			45,809,698	45,728,239
State Grants	8,601,581	5,708,484	56,810	74,804	8,658,391	5,783,288
Other State Revenues						
Federal Revenues	5,742,180	5,655,682	3,482,752	3,136,498	9,224,932	8,792,180
Lunchroom Sales			1,896,206	1,794,483	1,896,206	1,794,483
Other Revenues	428,498	253,417	369,802	436,539	798,300	689,956
<b>Collected Revenue</b>	<b>122,314,765</b>	<b>116,695,790</b>	<b>5,834,308</b>	<b>5,443,733</b>	<b>128,149,073</b>	<b>122,139,523</b>
State On-Behalf	21,755,614	23,186,288	395,098	372,049	22,150,712	23,558,337
<b>Total Revenue</b>	<b>\$ 144,070,379</b>	<b>\$ 139,882,078</b>	<b>\$ 6,229,406</b>	<b>\$ 5,815,782</b>	<b>\$ 150,299,785</b>	<b>\$ 145,697,860</b>

**Chart 1  
2017 Collected Fund Revenues**





**Kenton County School District  
Management Discussion and Analysis--Continued  
Fiscal Year Ended June 30, 2017  
Unaudited (Continued)**

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General Fund revenues increased to \$113.7 million and included a local property tax rate increase in 2017 and higher Motor Vehicle tax collections. KY SEEK revenue decreased only slightly from 2016 while interest income on cash balances rose to \$163,872. Other revenue items reflected in the General Fund are a \$805,918 transfer from the Capital Outlay Fund and capital lease proceeds of \$1,403,195.

General Fund 2017 expenditures totaled \$114.4 million, an increase of \$3.3 million over 2016. Lease and debt payments were higher in 2017 and will continue to rise with energy project bond obligations and new bus lease purchases. The 2017 salary schedules included a 1% increase for each position as well as the experience step increase of approximately 1.3%. Salary and benefits costs represent approximately 85% of the General Fund expenditures each year. The District is committed to hiring and retaining the most qualified personnel. The current compensation schedule is very competitive with other Northern Kentucky districts as well as Ohio and Indiana. This has been effective in attracting highly qualified applicants and retaining staff that have been trained by the District.

Mild winter weather resulted in decreased snow removal, utility and facility maintenance costs. Fifteen new buses were purchased using the KISTA bus lease/purchase program and will be placed in service beginning the next school year. Replacement of the aging bus fleet will help lower bus maintenance costs in future years and provide reliable fleet vehicles.

The General Fund ended the year with a fund balance at June 30, 2017 of \$15.3 million. The General Fund receives approximately 98% of annual cash revenue from local taxes and state SEEK revenue which can vary with the local economic environment and state budget issues. The fund balance will be critical in maintaining instructional programs and facilities next year as state funding priorities could shift given the current state pension funding deficiencies.

The Construction Fund balance decreased to \$13 million reflecting the completion of the Scott Phase 3 project. The Ft. Wright School renovation project continues to progress and the newest Energy Performance project activity has already begun.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the overall budget. A tentative budget is adopted by the Board by the end of May for the following year. A working budget is adopted by the end of September for each fiscal year utilizing new school year enrollment, tax assessments and rates and salaries for new employees/positions.

The most significant budgeted fund is the General Fund. By law the budget must have a minimum 2% contingency based budgets for all non-construction funds. The Board adopted a working budget for 2017 with \$10.4 million in contingency (10.7%). The beginning fund balance for the fiscal year was \$14.5 million. The 2017 General Fund budget is included in the Supplementary Information section of this report. It should be noted that state on-behalf revenues and expenditures of \$21.7 million are not budgeted but are included in the actual results column of the report.

For the General Fund, total budgeted revenues and other financing sources were \$91.3 million and actual revenues, excluding on-behalf payments, were \$94.2 million. Local tax revenue collections were higher than budgeted amounts for the year.

General Fund budgeted expenditures, excluding contingency, were \$93.5 million while actual expenditures, excluding on-behalf totaled \$95 million. The favorable variances in actual expenditures resulted in a \$15.2 million fund balance at the end of the year versus a budgeted ending fund balance of \$10.4 million.

During the course of fiscal 2017, the Board amended its General Fund budget within expenditure types as needed. The Board uses a site-based budget. The budgeting systems are designed to control total site budgets, but provide flexibility for site management.

### **On-Behalf Payments**

The District recorded on-behalf payments in the General Fund in 2017 totaling \$21.7 million as required by KDE. On-behalf payments represent amounts paid on behalf of the Kenton County School District by the Commonwealth of Kentucky for employee health insurance, Teachers' Retirement and Vocational Education. These revenues and expenditures are not budgeted but are required to be reflected in the annual financial fund reports as a revenue and expenditure. As a result, it should be noted that large variances between budgeted and actual amounts for the General Fund are the result of this inconsistency.

### **CURRENT ISSUES**

Local taxes provide approximately 49% of annual fund revenue and are critical to the General Fund. Both property and motor vehicle assessed values experienced an increase for the 2017 tax year. The real estate market and business/industry activity in the County remain critical factors in sustaining local tax revenues.

SEEK revenues account for another 38% of fund revenue but have not kept pace with increased operating costs and state mandated salary increases over the past several years. The 2017 SEEK per pupil base revenue of \$3,981 did not increase from the previous year and remain closer to the 1990 funding amount provided by the state. Rising property values will add to local revenue streams but continue to reduce the state SEEK contribution. And while additional education spending was included in the state biennium budget passed by the General Assembly, the additional SEEK revenue will not fund the state mandated salary increases in 2016 or previous years.

State operating grants provide funding for specialized instructional and safety programs. Funding for these programs is vulnerable as fluctuations in state revenue prompt state budget cuts during the current fiscal year. For example, the Kentucky Department of Education is expected to experience a 17.4% budget reduction in fiscal year 2018 and will result in reductions in state education grant awards to school districts throughout the Commonwealth.

The financial position of the state's pension plans is an important issue that will affect the District's financial obligations in the near future. Both the Teachers' Retirement and County Employees Retirement Systems are underfunded at this time. The legislature is expected to propose a viable long-term solution for the deficiency as this is a major issue for 2018 legislative sessions. The future of the pension system for all State employees is now under debate among legislators and it appears that restructuring is inevitable. Future developments to address the underfunding may involve increased pension contribution rates for employees and/or employers as well as changes to state funding. The risk of losing experienced staff members due to retirement is possible. The District has always paid its required contribution as determined by the plans. In accordance with the requirements Governmental Accounting Standards Board Statement 68, the District has recorded its proportionate share of certain financial aspects of the pension plans in which its employees participate.

Another looming budgetary concern is a prospective rate increase currently filed with the State Utility Commission by Duke Energy. The local utility provider is seeking between 15% and 17% rate increase. This percentage increase could mean as much as an additional \$280,000 in annual utility expenditures. The Kenton County School District authorized funding in the amount of \$9,000 for the Kentucky School Boards Association to represent the District interest in mitigating our exposure to any such rate increase. At this point it is uncertain as to the financial impact on the 2017 – 2018 Budget. It is certain the recent energy conservation renovation projects completed over the summer of 2017 will hedge against any approved rate hikes assessed by Duke Energy.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Dr. Henry Webb, Superintendent, or Ms. Susan Bentle, Treasurer, at 859-344-8888, or by mail at 1055 Eaton Drive, Fort Wright, Kentucky 41017.

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

**Kenton County School District**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>TOTAL</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 27,966,672	\$ 1,115,663	\$ 29,082,335
Investments	3,000,000		3,000,000
Accounts receivable	2,934,947	47,272	2,982,219
Inventories	177,713	289,713	467,426
Land and other nondepreciable assets	21,285,132		21,285,132
Capital assets, net of accumulated depreciation	205,012,380	807,675	205,820,055
<b>Total Assets</b>	<b>\$ 260,376,844</b>	<b>\$ 2,260,323</b>	<b>\$ 262,637,167</b>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	\$ 7,476,515		\$ 7,476,515
Deferred outflows from CERS pension contributions	7,884,559	\$ 931,146.00	8,815,705
<b>Total Deferred Outflows</b>	<b>\$ 15,361,074</b>	<b>\$ 931,146</b>	<b>\$ 16,292,220</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,538,313	\$ 18,433	\$ 5,556,746
Accrued interest payable	1,241,144		1,241,144
Unearned revenue	614,575	72,244	686,819
Net Pension Liability - CERS	31,534,373	3,797,126	35,331,499
Current maturities of			
school building revenue bonds	13,670,000		13,670,000
capital lease obligations	707,759		707,759
multi-employer insurance trust	108,846		108,846
Long-term maturities of			
school building revenue bonds	173,116,099		173,116,099
capital lease obligations	4,442,187		4,442,187
multi-employer insurance trust	108,846		108,846
compensated absences	2,146,782	68,530	2,215,312
<b>Total Liabilities</b>	<b>\$ 233,228,924</b>	<b>\$ 3,956,333</b>	<b>\$ 237,185,257</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from CERS pension contributions	\$ 1,905,754	\$ 257,321	\$ 2,163,075
<b>Net Position</b>			
Net investment in capital assets	\$ 34,361,467	\$ 807,675	\$ 35,169,142
Nonspendable fund balance - inventories	177,713		177,713
Restricted for			
Capital projects and construction	12,024,516		12,024,516
Grants and awards	33,583		33,583
District activities	639,031		639,031
Food service		(1,829,860)	(1,829,860)
Unrestricted	(6,633,070)		(6,633,070)
<b>Total Net Position</b>	<b>\$ 40,603,240</b>	<b>\$ (1,022,185)</b>	<b>\$ 39,581,055</b>

See Accompanying Notes to Financial Statements

Kenton County School District  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs		Total District-wide Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities								
Instruction	\$ 77,818,442	\$ 207,205	\$ 6,887,077			\$ (70,724,160)	\$ (70,724,160)	
Support services:								
Student	7,781,080					(7,781,080)	(7,781,080)	
Instructional staff	4,469,256					(4,469,256)	(4,469,256)	
District administrative	2,439,408					(2,439,408)	(2,439,408)	
School administrative	8,591,682					(8,591,682)	(8,591,682)	
Business support services	1,736,846					(1,736,846)	(1,736,846)	
Plant operation and maintenance	16,320,958	53,126				(16,267,832)	(16,267,832)	
Transportation	11,906,919	871,185				(11,035,734)	(11,035,734)	
Community services	1,005,043		68,211			(936,832)	(936,832)	
Other instructional	520,740				\$ 5,574,200	(520,740)	(520,740)	
Facilities acquisition & construction						5,574,200	5,574,200	
Interest	6,346,026					(6,346,026)	(6,346,026)	
Total governmental activities	138,936,400	1,131,516	6,955,288		5,574,200	(125,275,396)	(125,275,396)	
Business-type activities								
School food services	6,208,483	1,924,944	3,539,562		364,193	\$ (379,784)	(379,784)	
Total business-type activities	6,208,483	1,924,944	3,539,562		364,193	(379,784)	(379,784)	
Total activities	\$ 145,144,883	\$ 3,056,460	\$ 10,494,850		\$ 5,938,393	\$ (379,784)	\$ (125,655,180)	
General revenues:								
Taxes								
						\$ 53,773,884	\$ 53,773,884	
						5,628,067	5,628,067	
State sources								
						41,651,193	41,651,193	
						21,755,614	22,150,712	
						5,757,281	5,757,281	
						279,208	284,817	
						55,725	43,130	
						1,508,403	1,508,403	
						130,409,375	130,797,487	
						\$ 5,133,979	\$ 5,142,307	
						35,469,262	34,438,749	
						\$ 40,603,241	\$ 39,581,056	

See Accompanying Notes to Financial Statements



## **FUND FINANCIAL STATEMENTS**

## **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**Kenton County School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Capital Outlay Fund	Building Fund	District Activity Fund (Nonmajor)	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 12,711,151		\$ 14,601,467		\$ 2,048		\$ 652,006	\$ 27,966,672
Investments	3,000,000							3,000,000
Accounts and grants receivable	1,964,574	\$ 970,373						2,934,947
Inventory	177,713							177,713
Total Assets	<u>\$ 17,853,438</u>	<u>\$ 970,373</u>	<u>\$ 14,601,467</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ -</u>	<u>\$ 652,006</u>	<u>\$ 34,079,332</u>
<b>Liabilities</b>								
Accounts payable	\$ 2,576,897	\$ 369,443	\$ 2,578,999				\$ 12,974	\$ 5,538,313
Unearned revenue	13,645	600,930						614,575
Total Liabilities	<u>\$ 2,590,542</u>	<u>\$ 970,373</u>	<u>\$ 2,578,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,974</u>	<u>\$ 6,152,888</u>
<b>Fund Balances</b>								
Nonspendable	\$ 177,713							\$ 177,713
Restricted	33,583		\$ 12,022,468		\$ 2,048		\$ 627,396	12,685,495
Committed	1,558,787							1,558,787
Assigned	2,224,087						11,635	2,235,722
Unassigned	11,268,726							11,268,726
Total Fund Balances	<u>\$ 15,262,896</u>	<u>\$ -</u>	<u>\$ 12,022,468</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ -</u>	<u>\$ 639,031</u>	<u>\$ 27,926,443</u>
Total Liabilities and Fund Balances	<u>\$ 17,853,438</u>	<u>\$ 970,373</u>	<u>\$ 14,601,467</u>	<u>\$ -</u>	<u>\$ 2,048</u>	<u>\$ -</u>	<u>\$ 652,005</u>	<u>\$ 34,079,331</u>

See Accompanying Notes to Financial Statements

**Kenton County School District  
Reconciliation of Total Governmental Fund Balance  
to Net Position of Governmental Activities  
June 30, 2017**

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<b>Total Governmental Fund Balances</b>	<b>\$ 27,926,443</b>
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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 as assets in the governmental fund balance sheet.	226,297,512
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Deferred savings from refunding bonds are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.	7,476,515
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Deferred Outflows and Inflows from CERS Pension are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.	5,978,805
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Long-term liabilities, including bonds payable, are not due and payable in the government funds balance sheet. Long-term liabilities at year-end consist of:

Bonds Payable	(191,936,045)
Accrued Interest - Bonds Payable	(1,241,144)
Compensated Absences	(2,146,781)
Multi-employer insurance trust liability	(217,692)
Net Pension Liability	<u>(31,534,373)</u>

<b>Net Position of Governmental Activities</b>	<b><u>\$ 40,603,240</u></b>
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See Accompanying Notes to Financial Statements

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund (Nonmajor)	Capital Outlay Fund (Nonmajor)	Building Fund (Nonmajor)	District Activity Fund (Nonmajor)	Total Governmental Funds
<b>Revenues</b>								
Local sources								
Property taxes	\$ 35,442,455					\$ 13,141,563		\$ 48,584,018
Motor vehicle taxes	5,189,866							5,189,866
Utilities taxes	5,628,067							5,628,067
Tuition and fees	207,205							207,205
Transportation revenue	871,185							871,185
Other local revenues	409,358						\$ 774,898	1,184,256
Grants from local agencies and donors		\$ 68,211						68,211
State sources								
SEEK program	43,079,798				\$ 1,301,295			44,381,093
FSPK program						1,428,605		1,428,605
Other state revenues	22,302,655	5,210,240		\$ 2,844,300				30,357,195
Federal sources - indirect	283,708	5,458,472						5,742,180
Interest income on investments	163,872		\$ 115,336					279,208
Other sources	149,290							149,290
<b>Total Revenues</b>	<b>113,727,459</b>	<b>10,736,923</b>	<b>115,336</b>	<b>2,844,300</b>	<b>1,301,295</b>	<b>14,570,168</b>	<b>774,898</b>	<b>144,070,379</b>
<b>Expenditures</b>								
Instruction	67,892,242	7,531,444					640,728	76,064,414
Student support services	7,499,424	320,749					14,388	7,834,561
Instructional staff support services	3,496,954	1,038,208					50,135	4,585,297
District administrative support services	2,463,325							2,463,325
School administrative support services	8,407,483	257,311						8,664,794
Business support services	1,819,938							1,819,938
Plant operations and maintenance	11,596,713						9,899	11,606,612
Transportation	10,567,976	268,875					7,042	10,843,893
Community services	4,718	1,026,057						1,030,775
Educational specific		520,740						520,740
Building renovations			12,996,235					12,996,235

Continued

Kenton County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Capital Outlay Fund	Building Fund	District Activity Fund (Nonmajor)	Total Governmental Funds
Expenditures (Continued)								
Debt service								
Principal	566,833			13,130,000				13,696,833
Interest	94,874			5,350,819				5,445,693
Total Expenditures	114,410,480	10,963,384	12,996,235	18,480,819	-	-	722,192	157,573,110
Excess (deficit) of revenues over expenditures	(683,021)	(226,461)	(12,880,899)	(15,636,519)	1,301,295	14,570,168	52,706	(13,502,731)
Other financing sources (uses)								
Proceeds from issuance of bonds	1,403,195		5,125,000					6,528,195
Refunded school building revenue bonds								
Premium on bonds sold								
Payments to bond escrow agent				15,636,519				16,762,523
Transfers in	852,731	273,273			(1,300,482)	(14,570,168)		(16,762,523)
Transfers out	(845,061)	(46,812)						
Total other financing sources (uses)	1,410,865	226,461	5,125,000	15,636,519	(1,300,482)	(14,570,168)	-	6,528,195
Net change in fund balances	727,844		(7,755,899)		813		52,706	(6,974,536)
Fund balances, beginning of year	14,535,052		19,778,367		1,235		586,325	34,900,979
Fund balances, end of year	\$ 15,262,896	\$ -	\$ 12,022,468	\$ -	\$ 2,048	\$ -	\$ 639,031	\$ 27,926,443

See Accompanying Notes to Financial Statements



**Kenton County School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

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Net Change in Fund Balances - Total Governmental Funds	\$ (6,974,536)
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*Amounts reported for governmental activities in the statement of activities are different because:*

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year as well as differences in gains and losses on capital asset sales	7,321,816
Bond proceeds are recorded as revenues in the fund financial statements but are additions to liabilities in the statement of net position.	(6,571,203)
Capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	13,696,833
Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position	(62,473)
Bond premiums are not reported as a part of long-term debt in the fund financial statements but are recorded in the statement of net position	274,589
Capitalized savings from bond refundings are not reported in the fund financial statements but must be amortized over the remaining life of the bonds in the statement of net position.	(1,069,441)
Net Pension Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position	(1,336,073)
Noncurrent accrued sick leave is not reported as a liability in the fund financial statements but is recorded in the statement of net position	(322,836)
Multi-employer insurance trust liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position	<div style="border-top: 1px solid black; display: inline-block;">177,302</div>

Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 5,133,978</div>
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See Accompanying Notes to Financial Statements

## **PROPRIETARY FUND FINANCIAL STATEMENTS**

**Kenton County School District**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2017**

	<u><b>Food Service</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,115,663
Accounts receivable	47,272
Inventories	<u>289,713</u>
<b>        Total Current Assets</b>	1,452,648
<b>Noncurrent Assets</b>	
Capital assets	3,122,419
Less: Accumulated Depreciation	<u>(2,314,744)</u>
<b>        Total Noncurrent Assets</b>	807,675
<b>Deferred Outflows of Resources</b>	
Deferred Outflows from CERS	
Pension Contributions	<u>931,146</u>
<b>        Total Assets</b>	<u><u>\$ 3,191,469</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 18,433
Unearned Revenue	72,244
Long-term maturities of compensated absences	68,530
Net Pension Liability	<u>3,797,126</u>
<b>        Total Liabilities</b>	3,956,333
<b>Deferred Inflows of Resources</b>	
Deferred Inflows from CERS Pension Contributions	257,321
<b>Net Position</b>	
Net investment in capital assets	807,675
Restricted	<u>(1,829,860)</u>
<b>        Total Net Position</b>	<u>(1,022,185)</u>
<b>        Total Liabilities &amp; Net Position</b>	<u><u>\$ 3,191,469</u></u>

See Accompanying Notes to Financial Statements

**Kenton County School District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	<u><b>Food Service</b></u>
<b>Operating revenues</b>	
Lunchroom sales	\$ 1,896,206
Other operating revenues	<u>28,738</u>
<b>Total operating revenues</b>	1,924,944
<b>Operating expenses</b>	
Salaries and wages	3,229,753
Contract services	159,547
Materials and supplies	2,562,954
Depreciation	155,635
Other expenses	<u>100,594</u>
<b>Total operating expenses</b>	<u>6,208,483</u>
<b>Operating loss</b>	(4,283,539)
<b>Non-operating revenues</b>	
<b>(expenses)</b>	
Federal grants	3,482,752
Donated commodities	364,193
On-behalf revenues	395,098
State grants	56,810
Investment income	5,609
Loss on disposal of fixed assets	<u>(12,595)</u>
<b>Total non-operating revenues</b>	<u>4,291,867</u>
<b>Net change in Net Position</b>	8,328
<b>Net Position, beginning of year</b>	<u>(1,030,513)</u>
<b>Net Position, end of year</b>	<u><u>\$ (1,022,185)</u></u>

See Accompanying Notes to Financial Statements

**Kenton County School District**  
**Statement of Cash Flows – Proprietary Fund**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

**Cash Flows from Operating Activities**

Cash received from:	
Lunchroom sales	\$ 1,897,072
Other activities	28,738
Cash paid to/for:	
Employees	(2,673,270)
Supplies	(2,502,428)
	<u>(3,249,888)</u>
Net Cash Used by Operating Activities	(3,249,888)

**Cash Flows from Capital and Related Financing Activities**

Purchases of capital assets	(33,140)
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**Cash Flows from Investing Activities**

Investment income	5,609
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**Cash Flows from Noncapital Financing Activities**

Cash received from non-operating revenues	<u>3,885,477</u>
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<b>Net Increase in Cash and Cash Equivalents</b>	608,058
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<b>Balances - beginning of year</b>	<u>507,605</u>
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<b>Balances - end of year</b>	<u><u>\$ 1,115,663</u></u>
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**Reconciliation of Operating Loss to Net Cash Provided  
by Operating Activities**

Operating loss	\$ (4,283,539)
Adjustments to reconcile operating income to net cash used by operating activities:	
Commodities used	364,193
On-behalf payments	395,098
Depreciation	155,635
Change in assets and liabilities:	
Accounts receivable	1,548
Inventory	(56,145)
Accounts payable	12,619
Deferred revenue	(682)
Accrued sick leave	(849)
CERS pension deferrals and net liability	162,234

<b>Net Cash Used by Operating Activities</b>	<u><u>\$ (3,249,888)</u></u>
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**SCHEDULE OF NON-CASH TRANSACTIONS**

Donated commodities received from federal government	\$ 364,193
On-behalf payments	\$ 395,098

See Accompanying Notes to Financial Statements

## **FIDUCIARY FUNDS FINANCIAL STATEMENT**



**Kenton County School District  
Statement of Fiduciary Net Position  
June 30, 2017**

	<u><b>Agency Fund</b></u>
Assets	
Cash and Cash Equivalents	\$ 927,039
Accounts Receivable	<u>595</u>
Total Assets	<u><u>\$ 927,634</u></u>
Liabilities	
Accounts Payable	\$ 8,104
Due To Student Groups	<u>919,530</u>
Total Liabilities	<u><u>\$ 927,634</u></u>

See Accompanying Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

**Note A--Nature of Organization and Operations**

The Kenton County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Kenton County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Kenton County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Kenton County School District Finance Corporation--The Board authorized the establishment of the Kenton County School District Finance Corporation (the "Corporation") (a non-profit, non-stock, public corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Kenton County Board of Education also comprise the Corporation's Board of Directors.

**Note B--Summary of Significant Accounting Policies**

**Basis of Presentation**

District-wide Financial Statements--The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the District's financial activities, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the Proprietary Fund Financial Statements but differs from the manner in which Governmental Fund Financial Statements are prepared. Governmental Fund Financial Statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide financial statements and the statements for governmental funds.

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Presentation--Continued**

The District-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements--The financial transactions of the District are reported in individual funds in the fund financial statements. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

Proprietary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow of the proprietary activities.

Fiduciary Funds are reported using the current financial resources measurement focus. Agency funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

In the fund financial statements, governmental funds and agency funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when paid.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

Continued

**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Presentation--Continued**

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

**I. Governmental Fund Types**

**Major Funds**

- A. The General Fund is the primary operating fund of the District. It accounts for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project period as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

**Nonmajor Funds**

- A. The Support Education Excellence in Kentucky ("SEEK") Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
- B. The Facility Support Program of Kentucky Fund ("FSPK") accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- C. District Activity Funds are used to account for revenue and expenditures related to co-curricular and extra-curricular student activities. The funds have been restricted by the Board for specific purposes.

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Presentation--Continued**

II. Proprietary Funds Types (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture ("USDA"). The Food Service fund is a major fund of the District.

III. Fiduciary Fund Type (Agency Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Publication, *Uniform Program of Accounting for School Activity Funds*.

Basis of Accounting and Financial Statement Presentation--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 standard-setting body for government accounting and financial reporting.

The District adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which codified all applicable GASB, Financial Accounting Standards Board ("FASB"), and Accounting Principles Board opinions dated according to the title of the statement.

Cash and Cash Equivalents--The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Accounts Receivable--Receivables consist of all revenues earned at year-end and likely received within 90 days from end of the fiscal period. Major receivable amounts consist of tax revenue earned through June 30, 2017 as well as federal and state grant reimbursement revenue.

Investments--In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Inventories--Government Fund inventory consists of expendable transportation supplies and materials held for consumption and are stated at the lower of cost or market. Inventory accounted for in the Proprietary Fund consists of donated and purchased foods held for resale. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture. All other supplies and materials are charged to expenses/expenditures when purchased. The Proprietary Fund inventories use the specific identification method and the Government Fund inventories use the first-in, first-out method.

Bond Issue Costs--Prior to July 1, 2013, costs associated with the issuance of bond obligations were capitalized and amortized over the related bond term on the statements of net position and activities. Effective July 1, 2013, the District adopted the GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the District expenses bond issue costs as incurred.

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Accounting and Financial Statement Presentation--Continued**

Capital Assets--Governmental fund capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported as expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the governmental funds balance sheet. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the proprietary fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 Years
Land improvements	20 Years
Technology equipment	5 Years
Vehicles	5 - 10 Years
Audio-visual equipment	15 Years
Food service equipment	10 - 12 Years
Furniture and fixtures	7 Years
Other	10 Years

Deferred Savings on Bond Refundings--Deferred savings on bond refunding represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Balances--On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Continued

**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Accounting and Financial Statement Presentation--Continued**

Accrued Liabilities and Long-Term Obligations--All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables and accrued liabilities from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Accumulated Unpaid Sick Leave Benefits--Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Pensions--For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System, Non-Hazardous ("CERS") and Teachers' Retirement System ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity Classifications--In the district-wide financial statements, equity is classified as net position and displayed in the following three components:

- Net Investment in Capital Assets – Capital Assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of the capital assets.
- Restricted Net Position – Net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Government Fund Balance Reserves--The District follows GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Continued



**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Accounting and Financial Statement Presentation--Continued**

Nonspendable Fund Balance--Amounts that are not in a 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 Board, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes the action to remove or change the constraint.

Assigned Fund Balance--Amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned Fund Balance--Amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances-- are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Revenues - Exchange and Non-Exchange Transactions--Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Grant Revenue--Unearned grant revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Accounting and Financial Statement Presentation--Continued**

Operating Revenues and Expenses--Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

Expenses/Expenditures--On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Donated Commodities--The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

Taxes--Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the County. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The property tax rates assessed for the year ended June 30, 2017 were \$0.621 per \$100 valuation for real property and \$0.621 per \$100 valuation for tangible personal property. Motor vehicle tax was \$0.635 for \$100 valuation of motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from furnishing, within the County, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Budgetary Process--The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Interfund Activity--Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Continued

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note B--Summary of Significant Accounting Policies--Continued**

**Basis of Accounting and Financial Statement Presentation--Continued**

Recently Issued Accounting Standards--In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement requires reporting of the entity's OPEB liability on the face of the financial statements and more extensive note disclosures and required supplementary information about OPEB liabilities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. Items 1 and 3 were effective for reporting periods beginning after June 15, 2016. Item 2 is effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Items 1 and 3 of the Statement were adopted during the current year and did not have a significant impact on the financial statements.

**Note C--Cash, Cash Equivalents and Investments**

District funds are required to be deposited and invested under the terms of a depository contract pursuant to Kentucky Revised Statutes ("KRS") 160.570 and 702 Kentucky Administrative Regulations ("KAR") 3:090. The depository bank holds for safekeeping with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash equivalents are funds temporarily invested in securities with an original maturity of 90 days or less.

Cash and cash equivalents at June 30, 2017 consisted of the following:

	<b><u>Bank Balance</u></b>	<b><u>Book Balance</u></b>
First Financial Bank	\$32,712,894	\$29,999,366
Fifth Third Bank	10,008	10,008
		<u>\$30,009,374</u>
<u>Amounts per financial statements:</u>		
Governmental funds		\$27,966,672
Proprietary funds		1,115,663
Fiduciary funds		927,039
Total		<u><u>\$30,009,374</u></u>

Continued

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note C--Cash, Cash Equivalents and Investments--Continued**

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities and highly rated commercial paper instruments. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name. District policy limits investment in non U.S. government backed securities to no more than twenty percent of the total amount invested at any one time. Fiduciary funds utilize certificate of deposit instruments in Kenton County financial institutions at various interest rates and maturity dates. These amounts are included in the Cash and Cash Equivalents amounts on the fiduciary financial statements.

Kentucky statutes authorize the District to invest in the following:

1. Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
2. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
3. Any savings and loan associations insured by an agency of the United States Government up to the amount insured;
4. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge securities having a current quoted market value at least equal to any uninsured deposits.

As of June 30, 2017, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Maturity Date</u>	<u>Yield</u>
Government	U.S. Agency Note	\$2,000,000	\$2,000,000	AA+	23-Nov-21	2.074%
Government	U.S. Agency Note	\$1,000,000	\$1,000,000	AA+	13-Jul-20	1.240%

Fair Value Measurement - The District's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflected prices quoted in active markets.

Level 2 – Investments reflected priced that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

**Investments by Fair Value Level:**

	<u>Fair Value 6/30/2017</u>	<u>Quoted Prices in Active Markets for Identical Assets - Level 1</u>
Government		
U.S. Agency Notes	\$ 3,000,000	\$ 3,000,000
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note D -- Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<b>Balance</b> <b>June 30, 2016</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance</b> <b>June 30, 2017</b>
<u>Governmental activities</u>				
Cost				
Land	\$ 6,272,879	\$ 55,000		\$ 6,327,879
Construction in progress	18,968,861	13,136,001	\$ 17,147,609	14,957,253
Land improvements	4,489,628	186,638		4,676,266
Buildings & building improvements	268,310,003	16,388,696		284,698,699
Technology equipment	11,054,216	1,247,891	649,908	11,652,199
Vehicles	13,428,825	1,617,342	309,271	14,736,896
General equipment	2,704,804	875,396	142,241	3,437,959
Total assets at historical cost	<u>\$ 325,229,216</u>	<u>\$ 33,506,964</u>	<u>\$ 18,249,029</u>	<u>\$ 340,487,151</u>
	<b>Balance</b> <b>June 30, 2016</b>	<b>Depreciation</b>	<b>Dispositions</b>	<b>Balance</b> <b>June 30, 2017</b>
Accumulated depreciation				
Land improvements	\$ 2,619,986	\$ 122,978		\$ 2,742,964
Buildings & building improvements	86,772,314	6,704,498		93,476,812
Technology equipment	7,297,077	1,020,797	\$ 624,402	7,693,472
Vehicles	7,799,132	945,705	295,081	8,449,756
General equipment	1,765,011	173,187	111,563	1,826,635
Total Accumulated depreciation	<u>\$ 106,253,520</u>	<u>\$ 8,967,165</u>	<u>\$ 1,031,046</u>	<u>\$ 114,189,639</u>
Governmental Activities				
Depreciable capital assets	\$ 193,733,956			\$ 205,012,380
Non-depreciable capital assets	<u>25,241,740</u>			<u>21,285,132</u>
Capital Assets, net of accumulated depreciation	<u>\$ 218,975,696</u>			<u>\$ 226,297,512</u>
	<b>Balance</b> <b>June 30, 2016</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance</b> <b>June 30, 2017</b>
<u>Business-Type activities</u>				
Cost				
Food service equipment	\$ 3,103,688	\$ 27,046	\$ 109,758	\$ 3,020,976
Vehicles	74,488			74,488
Technology equipment	21,721	6,094	860	26,955
Total assets at historical cost	<u>\$ 3,199,897</u>	<u>\$ 33,140</u>	<u>\$ 110,618</u>	<u>\$ 3,122,419</u>
	<b>Balance</b> <b>June 30, 2016</b>	<b>Depreciation</b>	<b>Dispositions</b>	<b>Balance</b> <b>June 30, 2017</b>
Accumulated depreciation				
Food service equipment	\$ 2,185,556	\$ 143,454	\$ 100,392	\$ 2,228,618
Vehicles	68,783	4,564		73,347
Technology equipment	2,792	7,617	(2,370)	12,779
Total accumulated depreciation	<u>\$ 2,257,131</u>	<u>\$ 155,635</u>	<u>\$ 98,022</u>	<u>\$ 2,314,744</u>
Business-Type activities				
Capital Assets, net of accumulated depreciation	<u>\$ 942,766</u>			<u>\$ 807,675</u>

Continued

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note D--Capital Assets--Continued**

Depreciation expense for the year ended June 30, 2017 for governmental activities by function is summarized below:

Instruction	\$ 3,415,028
Instructional staff support services	18,842
District administration support services	43,311
Business support services	15,647
Plant operation and maintenance	4,554,136
Transportation	919,961
Community services	240
Total Depreciation Expense	<u>\$ 8,967,165</u>

**Note E--Bonded Debt**

The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Purpose of Issue	Original Issue	Interest Rate	Final Maturity	Amount Outstanding
2006C Revenue Bonds	Improvements at Dixie Heights HS	\$ 8,220,000	3.625-4.250%	10/1/2017	\$ 235,000
2009 Revenue Bonds	New middle school	29,400,000	3.5-4.25%	2/1/2019	1,380,000
2009B Revenue Bonds	Refinance 1999 bond obligations	3,635,000	2.0-3.5%	2/1/2019	1,085,000
2009C Revenue Bonds	Refinance 2000 bond obligations	6,355,000	1.2-3.6%	8/1/2020	3,000,000
2010 Refinancing Bonds	Improvements at Scott High School and Refinance 2002 bond obligations	19,855,000	0.5-2.5%	4/1/2022	9,950,000
2011 Revenue Bonds	Improvements at Scott High School	9,105,000	2.5-4.5%	5/1/2031	7,905,000
2012R Revenue Bonds	Refinance 2004 bond obligations	43,530,000	2.5%-6.5%	6/1/2024	29,670,000
2013R Revenue Bonds	Refinance 2005 bond obligations	30,545,000	2.0-3.0%	2/1/2025	27,505,000
2013 Revenue Bonds	Scott High School Renovations	12,005,000	2.0-3.125%	5/1/2033	10,585,000
2008 Conservation Bonds	Energy Conservation Improvements	3,880,000	2.5-4.25%	10/1/2025	2,470,000
2014 Conservation Bonds	Energy Conservation Improvements	4,170,000	1.0-4.0%	2/1/2034	3,660,000
2015A Refinancing Bonds	Refinance 2009D bond obligations	8,895,000	2.0-3.0%	9/1/2029	8,200,000
2015B Refinancing Bonds	Refinance 2006A, 2006B & 2006C bond obligations	14,445,000	2.0-3.0%	10/1/2026	13,710,000
2015C Revenue Bonds	Scott High School Renovations	17,320,000	3.0-3.625%	5/1/2035	16,095,000
2016R Refinancing Bonds	Refinance 2009 bond obligations	25,190,000	2.0-4.0%	2/1/2029	24,965,000
2016 Revenue Bonds	Ft. Wright School Renovations	19,400,000	2.0-3.25%	4/1/2036	18,820,000
2017 Conservation Bonds	Energy Conservation Improvements	5,125,000	2.0-3.55%	5/1/2037	5,125,000
Total					184,360,000
Unamortized Bond Premium					2,426,099
Bonds Payable, Net					<u>\$ 186,786,099</u>

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

**Note E--Bonded Debt--Continued**

Bonds payable activity for the year ended June 30, 2017 was as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due in</b>
	<b>June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2017</b>	<b>One Year</b>
2005R Refinance Bonds	\$ 2,280,000		\$ (2,280,000)		
2006C Revenue Bonds	460,000		(225,000)	\$ 235,000	\$ 235,000
2009 Revenue Bonds	2,030,000		(650,000)	1,380,000	675,000
2009B Revenue Bonds	1,465,000		(380,000)	1,085,000	390,000
2009C Revenue Bonds	3,605,000		(605,000)	3,000,000	710,000
2010R Revenue Bonds	11,820,000		(1,870,000)	9,950,000	1,910,000
2011 Revenue Bonds	8,115,000		(210,000)	7,905,000	215,000
2012R Revenue Bonds	32,310,000		(2,640,000)	29,670,000	4,015,000
2013R Revenue Bonds	28,710,000		(1,205,000)	27,505,000	2,280,000
2013 Revenue Bonds	10,925,000		(340,000)	10,585,000	360,000
2008 Energy Bonds	2,645,000		(175,000)	2,470,000	185,000
2014 Energy Bonds	3,830,000		(170,000)	3,660,000	175,000
2015A Refinancing Bonds	8,535,000		(335,000)	8,200,000	330,000
2015B Refinancing Bonds	14,340,000		(630,000)	13,710,000	565,000
2015C Revenue Bonds	16,705,000		(610,000)	16,095,000	630,000
2016R Refinancing Bonds	25,190,000		(225,000)	24,965,000	150,000
2016 Revenue Bonds	19,400,000		(580,000)	18,820,000	565,000
2017 Conservation Bonds		\$ 5,125,000		5,125,000	280,000
	<u>\$ 192,365,000</u>	<u>\$ 5,125,000</u>	<u>\$ (13,130,000)</u>	<u>\$ 184,360,000</u>	<u>\$ 13,670,000</u>

The District, through the General Fund (including utility taxes) and the SEEK Capital Outlay Fund is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Kenton County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission ("KSFCC"). The KSFCC was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the KSFCC for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2017 the total bond principal and interest due was \$184,360,000 and \$42,284,348, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the KSFCC, at June 30, 2017 for debt service (principal and interest) are as follows:

Continued

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note E--Bonded Debt--Continued**

	<b>Kenton County Board of Education</b>		<b>Kentucky School Facility Construction Commission</b>		<b>Total</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 11,570,289	\$ 4,493,961	\$ 2,099,711	\$ 744,186	\$ 13,670,000	\$ 5,238,147
2019	11,669,041	4,226,212	2,150,959	691,475	13,820,000	4,917,687
2020	11,970,733	3,932,098	2,084,267	638,820	14,055,000	4,570,918
2021	12,258,628	3,638,165	1,826,372	594,145	14,085,000	4,232,310
2022	12,562,917	3,345,758	1,847,083	552,657	14,410,000	3,898,415
2023-2027	59,562,206	11,455,606	7,557,794	2,039,246	67,120,000	13,494,852
2028-2032	29,166,445	3,831,242	5,483,555	1,124,408	34,650,000	4,955,650
2033-2037	8,602,180	669,394	3,947,820	306,975	12,550,000	976,369
	<u>\$157,362,439</u>	<u>\$35,592,436</u>	<u>\$26,997,561</u>	<u>\$6,691,912</u>	<u>\$184,360,000</u>	<u>\$42,284,348</u>
Plus Unamortized Premiums					2,426,099	
Total School Revenue Bonds					<u>\$186,786,099</u>	

**Note F--Capital Lease Obligations**

The Company leases several buses under long-term capital leases. Future minimum lease payments are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 831,213
2019	787,912
2020	760,919
2021	639,475
2022	639,492
2023-2027	<u>2,067,582</u>
Total	5,726,593
Less amounts representing interest	<u>(576,647)</u>
Present Value of Minimum Lease Payments	5,149,946
Capital lease obligations, due within one year	<u>(707,759)</u>
<b>Capital lease obligations, due after one year</b>	<u><u>\$ 4,442,187</u></u>
Leased property under capital leases at June 30, 2017 consists of:	
Equipment	\$ 6,508,828
Less accumulated depreciation	<u>(1,494,812)</u>
Net property under capital lease	<u><u>\$ 5,014,016</u></u>



**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note G--Commitments Under Operating Leases**

The District entered into a five-year operating lease for office space on July 1, 2017. The annual lease payments at inception were \$148,368. The District entered into a five-year operating lease for office space on June 1, 2016. The lease term was extended to June 1, 2021 per the terms in the original agreement and the annual payments were increased by \$5,148 per year in accordance with the terms of the lease. The annual lease payments at inception were \$102,996. Both leases contain an open-ended option to renew.

Minimum future lease payments as of June 30, 2017, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 256,512
2019	256,512
2020	256,512
2021	256,512
2022	<u>148,368</u>
Total	<u>\$1,174,416</u>

**Note H--On-Behalf Payments**

For the year ended June 30, 2017, total payments of \$24,599,914 were made for life insurance, health insurance, Teacher's Retirement System matching, administrative and technology fees by the Commonwealth of Kentucky (the "Commonwealth") on behalf of the District. This amount also includes the KSFCC debt service payments contributed by the Commonwealth. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense accounts on the District-wide statement of activities and in the governmental funds statement of revenues, expenditures and changes in fund balances. In addition, for the year ended June 30, 2017, total payments of \$395,098 for the items noted above were made by the Commonwealth on behalf of the District for the proprietary fund.

**Note I--Retirement Plans**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System Non-Hazardous ("CERS") covers employees whose position does not require a college degree or teaching certification. The Teachers' Retirement System ("TRS") covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous**

*Plan description*--Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

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**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note I--Retirement Plans--Continued**

*Benefits provided*--CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions*--Required contributions by the employee are based on the tier:

	<b>Required Contribution</b>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**General information about the Teachers' Retirement System**

*Plan description*--Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the TRS - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at [http://www.TRS.ky.gov/05\\_publications/index.htm](http://www.TRS.ky.gov/05_publications/index.htm).

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note I--Retirement Plans--Continued**

*Benefits provided*--For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions*--Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Medical Insurance Plan**

*Plan description*--In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

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**Note I--Retirement Plans--Continued**

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Funding policy*--In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 35,331,499
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>574,248,216</u>
	<u>\$ 609,579,715</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 0.71759% percent.

Continued

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note I--Retirement Plans--Continued**

For the year ended June 30, 2017, the District recognized pension expense of \$ 5,025,671 related to CERS and \$11,695,933 related to TRS. The District also recognized revenue of \$9,448,752 for TRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 154,249	
Changes of assumptions	1,871,674	
Net difference between projected and actual earnings on pension plan investments	3,321,522	\$ 1,626,000
Changes in proportion and differences between District contributions and proportionate share of contributions	103,131	537,075
District contributions subsequent to the measurement date	<u>3,365,129</u>	
Total	<u><u>\$ 8,815,705</u></u>	<u><u>\$ 2,163,075</u></u>

An amount of \$3,365,129 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2018	\$ 549,975
2019	549,975
2020	549,975
2021	1,091,975
2022	545,601

*Actuarial assumptions*--The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>TRS</u>
Inflation	3.25%	3.50%
Projected Salary increases	4.00%	4.00 – 8.20%
Investment rate of return, net of investment expense and inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

Continued

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note I--Retirement Plans--Continued**

For TRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

*Discount rate*--For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

**Kenton County School District  
Notes to Financial Statements--Continued  
Year Ended June 30, 2017**

**Note I--Retirement Plans--Continued**

For TRS, the discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	44,028,636	35,331,499	27,876,123
TRS	3.20%	4.20%	5.20%
District's proportionate share of net pension liability	-	-	-

*Pension plan fiduciary net position*--Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

**Note J--Contingencies**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

KSBIT Insurance Assessment

The District received final assessments from the Kentucky School Board Insurance Trust Worker's Compensation and Property & Liability Funds. The assessments represent the District's member share of loss deficits in the self-insurance pools. The assessments will be paid over the next two years and are included in current and long term liabilities in the Statement of Net Position. Current litigation related to the KSBIT liability on \$8 million in surplus notes has not been resolved at this time. The financial impact of the pending litigation to the District cannot be determined at this time.

**Kenton County School District**  
**Notes to Financial Statements--Continued**  
**Year Ended June 30, 2017**

**Note K--Insurance and Related Activities**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

**Note L--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. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District purchases workers' compensation insurance from Kentucky Employers' Mutual Insurance Company. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note M--Deficit Operating/Fund Balances**

There are no funds of the District that currently have a deficit fund balance. However, one fund experienced operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

**Note N--COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**Note O--Transfer of Funds**

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special revenue	KETS General Fund Match	\$ 273,273
Operating	General	Debt service	Debt service	571,788
Operating	Capital Outlay	Debt service	Debt service	494,564
Operating	Capital Outlay	General Fund	Capital Funds Transfer	805,918
Operating	Building	Debt service	Debt service	14,570,168
Operating	Special Revenue	General Fund	Indirect Cost	46,812
Total				<u>\$ 16,762,523</u>



**Kenton County School District**  
**Notes to Financial Statements -- Continued**  
**Year Ended June 30, 2017**

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**Note P--Subsequent Events**

In preparing these financial statements, management of the Board has evaluated events and transactions for potential recognition or disclosure through November 15, 2017, the date the financial statements were available to be issued.

**Note Q--Commitments**

The Construction Fund cash balance at June 30, 2017 was \$ 14,601,467. The District has contract and materials purchase commitments on active construction projects in the following amounts:

Twenhofel Bus Garage - Phase I	\$ 24,580
Energy Savings Project	1,530,665
Fort Wright Elementary School Renovation	2,078,745
Whites Tower Mobile Unit	<u>8,500</u>
<b>Total Construction Commitments</b>	<b><u><u>\$ 3,642,490</u></u></b>

## REQUIRED SUPPLEMENTARY INFORMATION

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
From local sources				
Property taxes	\$ 33,620,598	\$ 34,937,648	\$ 35,442,455	\$ 504,807
Motor vehicle taxes	4,735,000	4,945,000	5,189,866	244,866
Utilities taxes	6,200,000	5,600,000	5,628,067	28,067
Tuition and fees	894,000	912,500	878,566	(33,934)
Earnings on investments	40,032	40,032	163,872	123,840
Other local revenues	471,000	586,000	702,747	116,747
State sources				
SEEK	43,264,250	43,063,577	43,079,798	16,221
On-behalf revenues	-	-	21,755,614	21,755,614
Restricted state revenues	471,500	481,500	547,041	65,541
Federal - indirect	210,000	250,000	283,708	33,708
<b>Total Revenues</b>	<b>89,906,380</b>	<b>90,816,257</b>	<b>113,671,734</b>	<b>22,855,477</b>
<b>Expenditures</b>				
Instruction	53,633,431	54,090,235	67,892,242	(13,802,007)
Support services:				
Student	6,302,010	6,306,486	7,499,424	(1,192,938)
Instruction staff	3,304,957	2,973,782	3,496,954	(523,172)
District administration	2,356,510	2,408,631	2,463,325	(54,694)
School administration	6,546,958	6,537,868	8,407,483	(1,869,615)
Business	1,361,743	1,389,733	1,819,938	(430,205)
Plant operation and maintenance	10,255,045	10,842,211	11,596,713	(754,502)
Student transportation	9,182,077	9,098,565	10,567,976	(1,469,411)
Community service activities	7,218	2,718	4,718	(2,000)
Debt service	647,714	647,714	661,707	(13,993)
Contingency	5,239,270	10,407,375		10,407,375
<b>Total Expenditures</b>	<b>98,836,933</b>	<b>104,705,318</b>	<b>114,410,480</b>	<b>(9,705,162)</b>
Excess (deficit) of revenues over expenditures	(8,930,553)	(13,889,061)	(738,746)	13,150,315
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of fixed assets	15,000	42,980	55,725	12,745
Proceeds from bond sale (leases)			1,403,195	1,403,195
Operating transfers in	50,000	470,528	852,731	382,203
Operating transfers out	(886,788)	(886,788)	(845,061)	41,727
<b>Total Other Financing Sources (Uses)</b>	<b>(821,788)</b>	<b>(373,280)</b>	<b>1,466,590</b>	<b>1,839,870</b>
Net Change in Fund Balance	(9,752,341)	(14,262,341)	727,844	\$ 14,990,185
<b>Fund Balance, July 1, 2016</b>			<b>14,535,052</b>	
<b>Fund Balance, June 30, 2017</b>	<b>\$ (9,752,341)</b>	<b>\$ (14,262,341)</b>	<b>\$ 15,262,896</b>	

See Independent Auditors' Report

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Special Revenue Fund**  
**Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Other local revenues		\$ 55,755	\$ 68,211	\$ 12,456
State sources				
Restricted state revenues	\$ 4,915,888	5,173,111	5,210,240	37,129
Federal - indirect	5,575,305	5,785,752	5,458,472	(327,280)
<b>Total Revenues</b>	<b>10,491,193</b>	<b>11,014,618</b>	<b>10,736,923</b>	<b>(277,695)</b>
<b>Expenditures</b>				
Instruction	7,047,521	7,973,208	7,531,444	441,764
Support services:				
Student	314,660	332,347	320,749	11,598
Instruction staff	804,696	776,403	1,038,208	(261,805)
School administration	228,860	244,363	257,311	(12,948)
Student transportation	395,710	316,872	268,875	47,997
Community service activities	1,582,450	1,035,041	1,026,057	8,984
Education Specific	432,296	512,930	520,740	(7,810)
<b>Total Expenditures</b>	<b>10,806,193</b>	<b>11,191,164</b>	<b>10,963,384</b>	<b>227,780</b>
Excess (deficit) of revenues over expenditures	(315,000)	(176,546)	(226,461)	49,915
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	315,000	231,546	273,273	
Operating transfers out		(55,000)	(46,812)	
<b>Total Other Financing Sources (Uses)</b>	<b>315,000</b>	<b>176,546</b>	<b>226,461</b>	
Net Change in Fund Balance				
<b>Fund Balance, July 1, 2016</b>				
<b>Fund Balance, June 30, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

See Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability

\*\*County Employees Retirement System Non-Hazardous

**Kenton County Board of Education**

June 30, 2017

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
District's proportion of the net pension liability	0.7483600%	0.7137440%	0.7175922%
District's proportionate share of the net pension liability	\$ 24,280,000	\$ 30,687,590	\$ 35,331,499
District's covered employee payroll	\$ 16,656,667	\$ 16,968,535	\$ 17,847,065
Plan fiduciary net position as a percentage of the total pension liability	66.801030%	59.970000%	55.500000%

\*\* Schedule is intended to show information for ten years. Additional years  
will be displayed as they become available.

Schedule of the District's Proportionate Share of the Net Pension Liability

\*\*Teachers Retirement System

**Kenton County Board of Education**

June 30, 2017

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
District's proportion of the net pension liability	None	None	None
District's proportionate share of the net pension liability	\$0	\$0	\$0
Commonwealth's proportion of the net pension liability associated with the District	1.9568%	1.9559%	1.9466%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>\$ 402,114,109</u>	<u>\$ 455,140,342</u>	<u>\$ 574,248,216</u>
Total	<u>\$ 402,114,109</u>	<u>\$ 455,140,342</u>	<u>\$ 574,248,216</u>
District's covered employee payroll	\$ 57,147,377	\$ 61,049,646	\$ 61,542,779
District's proportionate share of the net pension liability	None	None	None
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered payroll	703.64%	745.52%	933.09%
Plan fiduciary net position as a percentage of the total pension liability	45.5907%	55.3000%	54.6000%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of the District Contributions

\*\*County Employees Retirement System Non-Hazardous

**Kenton County Board of Education**

June 30, 2017

Last Ten Fiscal Years \*\*

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Contractually required contributions	\$ 2,944,080	\$ 2,943,161	\$ 3,365,129
Contributions in relation to the contractually required contributions	<u>2,944,080</u>	<u>2,943,161</u>	<u>3,365,129</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,656,667	\$ 16,968,535	\$ 17,847,065
Contributions as a percentage of covered-employee payroll	17.675%	17.345%	18.855%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

Schedule of the District Contributions

\*\*Teachers Retirement System

**Kenton County Board of Education**

June 30, 2017

Last Ten Fiscal Years \*\*

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Contractually required contributions	\$ 1,285,651	\$ 2,252,504	\$ 2,238,476
Contributions in relation to the contractually required contributions	<u>1,285,651</u>	<u>2,252,504</u>	<u>2,238,476</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,147,377	\$ 61,049,646	\$ 61,542,779
Contributions as a percentage of covered-employee payroll	2.2497%	3.6896%	3.6373%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report



## **OTHER SUPPLEMENTARY INFORMATION**

## **ACTIVITY FUNDS FINANCIAL INFORMATION**

Kenton County School District  
Combining Statement of Fiduciary Net Position  
June 30, 2017

	Kenton County Academies of Innovation and Technology					Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School
Assets	Dixie Heights High School	Scott High School	Simon Kenton High School					
Cash	\$70,679	\$99,972	\$262,584		\$251	\$38,221	\$110,581	\$40,470
Accounts Receivable			\$595					
<b>Total Assets</b>	<b>\$70,679</b>	<b>\$99,972</b>	<b>\$263,179</b>		<b>\$251</b>	<b>\$38,221</b>	<b>\$110,581</b>	<b>\$40,470</b>
<b>Liabilities</b>								
Accounts Payable				\$7,008				
Due to Student Groups	\$70,679	\$99,972	\$256,171		\$251	\$38,221	\$110,581	\$40,470
<b>Total Liabilities</b>	<b>\$70,679</b>	<b>\$99,972</b>	<b>\$263,179</b>		<b>\$251</b>	<b>\$38,221</b>	<b>\$110,581</b>	<b>\$40,470</b>

Continued

Kenton County School District  
Combining Statement of Fiduciary Net Position  
June 30, 2017

	Summit View Academy	Northern Kentucky Youth Development Center	Beechgrove Elementary	J.A. Caywood Elementary	Fort Wright Elementary	Kenton Elementary	Piner Elementary
<b>Assets</b>							
Cash	\$93,059	\$526	\$43,562	\$10,629	\$10,982	\$23,504	\$28,880
Accounts Receivable							
<b>Total Assets</b>	<u>\$93,059</u>	<u>\$526</u>	<u>\$43,562</u>	<u>\$10,629</u>	<u>\$10,982</u>	<u>\$23,504</u>	<u>\$28,880</u>
<b>Liabilities</b>							
Accounts Payable					\$536		
Due to Student Groups	<u>\$93,059</u>	<u>\$526</u>	<u>\$43,562</u>	<u>\$10,629</u>	<u>\$10,446</u>	<u>\$23,504</u>	<u>\$28,880</u>
<b>Total Liabilities</b>	<u>\$93,059</u>	<u>\$526</u>	<u>\$43,562</u>	<u>\$10,629</u>	<u>\$10,982</u>	<u>\$23,504</u>	<u>\$28,880</u>

Continued

Kenton County School District  
Combining Statement of Fiduciary Net Position  
June 30, 2017

	R.C. Hinsdale Elementary	River Ridge Elementary	Ryland Heights Elementary	Summit View Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
<b>Assets</b>							
Cash	\$4,451	\$19,813	\$11,654	\$0	\$36,793	\$20,428	\$927,039
Accounts Receivable							\$595
<b>Total Assets</b>	<u>\$4,451</u>	<u>\$19,813</u>	<u>\$11,654</u>	<u>\$0</u>	<u>\$36,793</u>	<u>\$20,428</u>	<u>\$927,634</u>
<b>Liabilities</b>							
Accounts Payable						\$560	\$8,104
Due to Student Groups	<u>\$4,451</u>	<u>\$19,813</u>	<u>\$11,654</u>	<u>\$0</u>	<u>\$36,793</u>	<u>\$19,868</u>	<u>\$919,530</u>
<b>Total Liabilities</b>	<u>\$4,451</u>	<u>\$19,813</u>	<u>\$11,654</u>	<u>\$0</u>	<u>\$36,793</u>	<u>\$20,428</u>	<u>\$927,634</u>

See Independent Auditors' Report

**Kenton County School District**  
**Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds**  
**Year Ended June 30, 2017**

	Kenton County Academies of Innovation and Technology					
	Dixie Heights High School	Scott High School	Simon Kenton High School	Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School
Revenues from student activities	\$ 340,614	\$ 248,417	\$ 684,315	\$ 156,596	\$ 211,033	\$ 98,536
Non-instructional expenses	352,278	250,623	710,889	152,841	199,894	89,115
Excess (deficit) of revenue over expenditures	(11,664)	(2,206)	(26,574)	3,755	11,139	9,421
Due to student groups, June 30, 2016	82,343	102,178	282,745	34,466	99,442	31,049
Due to student groups, June 30, 2017	\$ 70,679	\$ 99,972	\$ 256,171	\$ 38,221	\$ 110,581	\$ 40,470

Continued

**Kenton County School District**  
**Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds**  
**Year Ended June 30, 2017**

		<b>Northern</b>					
		<b>Kentucky Youth</b>	<b>Beechgrove</b>	<b>J.A. Caywood</b>	<b>Fort Wright</b>	<b>Kenton</b>	<b>Piner</b>
	<b>Summit View</b>	<b>Development</b>	<b>Elementary</b>	<b>Elementary</b>	<b>Elementary</b>	<b>Elementary</b>	<b>Elementary</b>
	<b>Academy</b>	<b>Center</b>					
Revenues from student activities	\$ 255,779		\$ 74,160	\$ 46,656	\$ 32,134	\$ 70,679	\$ 63,979
Non-instructional expenses	230,001		62,249	49,919	34,493	86,002	65,853
Excess (deficit) of revenue over expenditures	25,778		11,911	(3,263)	(2,359)	(15,323)	(1,874)
Due to student groups, June 30, 2016	67,281	\$ 526	31,651	13,892	12,805	38,827	30,754
Due to student groups, June 30, 2017	\$ 93,059	\$ 526	\$ 43,562	\$ 10,629	\$ 10,446	\$ 23,504	\$ 28,880

Continued

Kenton County School District  
**Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds**  
Year Ended June 30, 2017

	R.C. Hinsdale Elementary	River Ridge Elementary	Ryland Heights Elementary	Summit View Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
Revenues from student activities	\$ 73,649	\$ 82,584	\$ 59,770		\$ 51,552	\$ 44,828	\$ 2,596,200
Non-instructional expenses	77,916	79,331	61,656	233	53,794	42,903	2,602,083
Excess (deficit) of revenue over expenditures	(4,267)	3,253	(1,886)	(233)	(2,242)	1,925	(5,883)
Due to student groups, June 30, 2016	8,718	16,560	13,540	233	39,035	17,943	925,413
Due to student groups, June 30, 2017	\$ 4,451	\$ 19,813	\$ 11,654	-	\$ 36,793	\$ 19,868	\$ 919,530

See Accompanying Notes to Financial Statements



**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -**  
**Dixie Heights High School**  
**Year Ended June 30, 2017**

<b>Activity</b>	<b>Due To Student Group June 30, 2016</b>	<b>Recpt/JV</b>	<b>Disb/JV</b>	<b>Transfers, Net</b>	<b>Due To Student Group June 30, 2017</b>
Academic Team	\$ 339	\$ 635	\$ (715)		\$ 259
AMC Competition	25	325	(450)	100	-
Art Club		39	(31)		8
Athletics, General	3	175,700	(170,446)		5,257
Band		338	(305)		33
BETA Club	617	440	(710)	105	452
Bowling Fund Raising	22				22
Boys Golf Fund Raising	2				2
Brandon Stamm Mem Scholarship		1,600	(1,600)		-
CBI - Community Based Edu	218	374	(465)		127
Cheerleading Fund Raising	148		(1,180)	1,053	21
Choir Club	426	4,805	(5,076)	(44)	111
Craft Club	1		(1)		-
Dalton Phillips Scholarship		500			500
Dixie's Big Give		490	(490)		-
Drama Club	3,007	3,412	(4,634)		1,785
Drug Free Club	127		(41)	(30)	56
Faculty	605	1,079	(1,250)		434
Faculty Flower Fund		316	(240)		76
FBLA Club		476	(387)		89
FEA Club	6				6
Fees	(5)	55,002	(54,997)		-
Football Fund Raising	167	17	(158)		26
Forensics Team		3,502	(3,352)		150
Fuel Up To Play 60 Grant	72			(72)	-
Gaming Club	46				46
German NHS	126	105	(106)		125
Girls BK Fund Raising	36				36
Girls Soccer Fund Raising	425				425
Ham Radio Tech Club	279				279
IMPACT Club	4,171				4,171
Janie Fund	233	370	(225)		378
Jr Class Dance/Activities	4,289	20,230	(12,078)	105	12,546
Lacrosse Fund Raising	248	124	(372)		-
Mock Trial Team	456	1,280	(1,619)		117
NHS Club	423	2,107	(2,361)		169

Continued

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -**  
**Dixie Heights High School**  
**Year Ended June 30, 2017**

<b>Activity</b>	<b>Due To Student Group June 30, 2016</b>	<b>Recpt/JV</b>	<b>Disb/JV</b>	<b>Transfers, Net</b>	<b>Due To Student Group June 30, 2017</b>
Nurse/Med Aware/Staff/Stu	1		(1)		-
Odyssey of the Mind Team	9	7,474	(7,375)		108
other Dist/Stu Act Income		517	(517)		-
S.T.L.P. Club	697				697
Scott Scholarship	750	12,221	(12,433)		538
Social Norms Club	32			72	104
Softball Fundraising	221	681	(828)		74
Spanish NHS	164	1,450	(696)		918
Sr Class Dance/Activities	1,784	18,390	(19,732)	345	787
Student Council	9,838	11,248	(13,414)	(445)	7,227
Student Enrichment	47,914	11,312	(31,053)	(1,239)	26,934
Volleyball Fund Raising	170				170
Yearbook Club	1,756	3,335	(857)		4,234
Youth Service Center	2,495	720	(2,083)	50	1,182
<b>Totals</b>	<b>\$ 82,343</b>	<b>\$ 340,614</b>	<b>\$ (352,278)</b>	<b>\$ -</b>	<b>\$ 70,679</b>

See Independent Auditors' Report

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -**  
**Scott High School**  
**Year Ended June 30, 2017**

<b>Activity</b>	<b>Due To Student Group June 30, 2016</b>	<b>Recpt/JV</b>	<b>Disb/JV</b>	<b>Transfers, Net</b>	<b>Due To Student Group June 30, 2017</b>
Academic Team	\$ 465	\$ 1,508	\$ (1,840)	\$ 98	\$ 231
Athletics	7,946	103,105	(106,176)	31	4,906
Athletics/Concession	1,675				1,675
Awareness Acceptance Al.	10				10
Band	2		(2)		-
Fastpitch	2,100	5,348	(6,401)		1,047
Football	879	643	(1,311)		211
Boys	7,241	5,181	(4,496)		7,926
Volleyball	793	38			831
Girls Soccer	6,342	1,298	(2,382)		5,258
Boys Golf	1,220				1,220
Cross Country	3,614	1,977	(3,765)		1,826
Girls Golf	150	5			155
Cheerleading	480		(448)	(32)	-
Wrestling	2				2
Girls Basketball	1,847	11,390	(10,815)		2,422
Swimming & Diving	369	1,866	(1,536)		699
Boys Tennis	877				877
Boys Track	8	443	(149)		302
Girls Tennis	96				96
Bowling	766		(640)		126
Girls Track	717				717
Dance Team	1,091	344	(511)		924
Archery	640	2,409	(2,540)		509
Class of 2016	1,026		(1,026)		-
Class of 2017	5,513	9,145	(12,108)	1,775	4,325
Class of 2018	2,480	16,287	(8,535)	1,500	11,732
Class of 2019	450		(629)	1,000	821
Class of 2020		150	(124)	1,385	1,411
CBI	254	1,932	(1,961)		225
Creative Writing Club	564				564
Drama	2,990	5,375	(6,267)		2,098
Fund 21/Ath. Admissions		20,584	(19,931)		653
Fund 21/Student Fees	15	9,895	(9,880)		30
Fund 21/Other Student Act.		4,131	(4,131)		-
Family Assistance	1,628	320	(52)		1,896
Fellowship Christian Students	14				14

Continued

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -**  
**Scott High School**  
**Year Ended June 30, 2017**

<b>Activity</b>	<b>Due To Student Group June 30, 2016</b>	<b>Recpt/JV</b>	<b>Disb/JV</b>	<b>Transfers, Net</b>	<b>Due To Student Group June 30, 2017</b>
Flower Fund	5	85			90
Forensics		1,242	(904)		338
French Honor Society	838		(587)		251
German Club	288				288
German National Honor Society	316	420	(695)		41
Janie Fund	261	370			631
Key Club	894	262	(696)		460
Junior Statesman	2,864	5,673	(6,565)		1,972
Math Club	15				15
National Art HS	352	224	(36)		540
National Honor Society	462	360	(543)		279
Philosophy Club	7			(7)	-
Field Trips	3,326	1,474	(1,218)		3,582
Scott Student Support	5,371	5,608	(14,400)	3,743	322
Scott Swimming Pool		147	(147)		-
SHS Scholarship Fund	20,186	11,683	(9,000)		22,869
SHS Teacher Scholarship	1,229				1,229
NHHS	315	249	(447)		117
Student Council	7,783	16,715	(5,985)	(9,493)	9,020
STLP	297				297
Summer School	805	125	(805)		125
Teacher Support	2,300	406	(939)		1,767
Totals	\$ 102,178	\$ 248,417	\$ (250,623)	\$ -	\$ 99,972

See Independent Auditors' Report

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -**  
**Simon Kenton High School**  
**Year Ended June 30, 2017**

<b>Activity</b>	<b>Due To Student Group June 30, 2016</b>	<b>Recpt/JV</b>	<b>Disb/JV</b>	<b>Transfers, Net</b>	<b>Due To Student Group June 30, 2017</b>
Academic Team		\$ 2,220	\$ (4,084)	\$ 1,864	-
Art Club		269	(176)	(83)	\$ 10
Athletic	\$ 12,872	140,520	(143,032)	(16)	10,344
Spirit Shop	6,221	4,478	(2,440)	227	8,486
Bridge Club		162			162
Choir Club		3,656	(2,508)		1,148
Class of 2020			(32)	786	754
Class of 2017	882	39,225	(46,016)	5,909	-
Class of 2018	881	440	(472)	102	951
Class of 2019	654	2,994	(1,573)	(709)	1,366
Community Based Class	4,819	1,610	(3,134)	(162)	3,133
Community Based Transport	1,253				1,253
Drama Club	4,894	4,084	(6,015)	(185)	2,778
Energy Wise	2,777				2,777
Entrepreneurship	425		(425)		-
Farmers Market	233	280	40		553
FCA		173	(112)	(61)	-
Field Trips	2,036	10,488	(10,179)	25	2,370
Fine Arts Support Fund	5,288		(2,200)	58	3,146
Fire Fund	27,100				27,100
French Club	14	389	(363)	(32)	8
Freshman Academy	6,946	5,490	(5,349)	(87)	7,000
Pioneer Pride	1,539	2,451	(1,793)	(50)	2,147
FBLA	141	1,514	(1,761)	106	-
Future Farmers of America	1,120	15,605	(15,758)	30	997
General (Faculty Fund)	3,570	1,616	(1,054)		4,132
Greenhouse	7,704		(563)		7,141
Janie Fund	(1)	370	(114)		255
Knit/Crochet Club		25			25
NHS	1,931	3,959	(3,830)	(25)	2,035
Pioneer Publishing	1		(1)		-
Odyssey of the Mind		1,700	(2,200)	500	-
Science Club		194	(259)	65	-
Robert Roden Scholarship	400				400
Scholarship	18,263	3,400	(5,150)		16,513
Scott Scholarship	36,306	11,682	(14,000)		33,988
School Fees	(1)	1			-
Homecoming	10,213	15,080	(6,275)	(3,293)	15,725

Continued

**Kenton County School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -**  
**Simon Kenton High School**  
**Year Ended June 30, 2017**

<b>Activity</b>	<b>Due To Student Group June 30, 2016</b>	<b>Recpt/JV</b>	<b>Disb/JV</b>	<b>Transfers, Net</b>	<b>Due To Student Group June 30, 2017</b>
Spanish Club		279	(238)	(18)	23
Summer School	558		(155)		403
Student Incentives	11,526	14,299	(9,617)	(8,518)	7,690
AP Testing Fund	19,999	12,276	(2,455)	(10,000)	19,820
Val's VIP's	304	155	(200)		259
Yearbook	6,267		(798)	(25)	5,444
Youth Service Center	6,875	2,053	(3,481)	(245)	5,202
Archery Team	5,075	3,627	(2,443)		6,259
Baseball	6,105	38,640	(41,342)		3,403
Bass Fishing Team	328	3,328	(2,595)		1,061
Bowling Team	5,031	632	(1,246)	(25)	4,392
Basketball - Boys	9,542	46,956	(46,058)		10,440
Basketball - Girls	4,203	26,664	(27,414)	50	3,503
Cheerleading	12,073	69,664	(79,096)	(25)	2,616
Cross Country	189	5,033	(4,788)		434
Dance Team	649				649
Doc Morris		7,778	(7,778)		-
Football	8,466	44,726	(49,380)		3,812
Golf - Boys		2,475	(2,541)	66	-
Golf - Girls	237	1,000	(500)	(12)	725
Hall of Fame	18,849	7,035	(8,215)		17,669
Soccer - Boys	3,139		(2,008)		1,131
Soccer - Girls	224	1,179	(1,153)		250
Softball	111	8,150	(5,573)	(25)	2,663
Swimming	1,526	2,939	(3,312)	(25)	1,128
Tennis - Boys & Girls	481	3,685	(4,025)	4	145
Tennis - Girls					-
Adaptive Track	350				350
Track - Boys & Girls	158	12,129	(12,284)		3
Fund 21-Ath Admissions		17,449	(17,449)		-
Fund 21-Other Dist -Stu Ac	1,999	53,028	(68,824)	13,797	-
Fund 21-Other Ath Act		25,061	(25,093)	32	-
Totals	\$ 282,745	\$ 684,315	\$ (710,889)	\$ -	\$ 256,171

See Independent Auditors' Report

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Kenton County School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553	7760005		\$ 680,382
National School Lunch Program	10.555	7750002		2,751,477
National School Lunch Program - Food Commodities	10.555	7750002		364,193
Summer Food Service Program	10.559	7740023		<u>50,893</u>
<b>Total Child Nutrition Cluster</b>				<u>3,846,945</u>
<b>Total U.S. Department of Agriculture passed through Kentucky Department of Education</b>				<u><b>3,846,945</b></u>
<b>U.S. Department of Education</b>				
Title I Grants to Local Educational Agencies	84.010	3100002 - 15		3,749
Title I Grants to Local Educational Agencies	84.010	3100002 - 16		173,287
Title I Grants to Local Educational Agencies	84.010	3100002 - 17		<u>1,775,089</u>
<b>Program Total</b>				<u>1,952,125</u>
Career and Technical Education - Basic Grants to States	84.048	4621132 - 16		5,914
Career and Technical Education - Basic Grants to States	84.048	4621132 - 17		<u>127,409</u>
<b>Program Total</b>				<u>133,323</u>
Title I State Agency Program for Neglected and Delinquent Children & Youth	84.013	313C		16,175

Continued



**Kenton County School District**  
**Schedule of Expenditures of Federal Awards--Continued**  
**Year Ended June 30, 2017**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>Special Education Cluster (IDEA)</b>				
Special Education Preschool Grants (IDEA Preschool)	84.173	3800002 -16		22,830
Special Education Preschool Grants (IDEA Preschool)	84.173	3800002 -17		130,359
Special Education - Grants to States (IDEA, Part B)	84.027	3810002 - 16		211,885
Special Education - Grants to States (IDEA, Part B)	84.027	3810002 - 17		2,569,717
<b>Total Special Education Cluster (IDEA)</b>				<b>2,934,791</b>
Supporting Effective Instruction State Grants	84.367	3230002 - 16		8,778
Supporting Effective Instruction State Grants	84.367	3230002 - 17		347,536
<b>Program Total</b>				<b>356,314</b>
English Language Acquisition State Grants	84.365	3300002 - 16		11,652
English Language Acquisition State Grants	84.365	3300002 - 17		54,090
<b>Program Total</b>				<b>65,742</b>
<b>Total U.S. Department of Education passed through Kentucky Department of Education</b>				<b>5,458,470</b>
<b>Total Federal Expenditures</b>			<b>\$ -</b>	<b>\$ 9,305,415</b>

See Notes to Schedule of Expenditures  
of Federal Awards and Independent Auditors' Report

**Kenton County School District**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2017**

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**Note A – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Kenton County School District and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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").

**Note B – Food Distribution**

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. During the fiscal year ended June 30, 2017 the District received \$364,193 in donated food commodities.

**Note C – Indirect Cost Rate**

The District has not elected to use the 10% de minimis indirect costs rate as allowed under the Uniform Guidance.

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

**INDEPENDENT AUDITORS' 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**



**Independent Auditors' 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**

Members of the Board  
Kenton County School District  
Fort Wright, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenton County School District (the "District") as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 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 audit 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.

## 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*.

We noted certain other matters that we reported to management of the District.

In addition, the results of our tests disclosed no material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

## 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.

*Strothman and Company*

Louisville, Kentucky  
November 14, 2017

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



**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance**

Members of the Board  
Kenton County School District  
Fort Wright, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Kenton County 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 each of its major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the Summary of Audit Results Section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs 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 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"); and the Kentucky Public School Districts' Audit Contract and Requirements prescribed by the Kentucky State Committee for School District Audits. 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 each major federal program. However, our audit does not provide a legal determination of the District's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 each 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 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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 14, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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.

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.

*Strothman and Company*

Louisville, Kentucky  
November 14, 2017

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Schedule of Findings and Questioned Costs

**Kenton County School District**

Year Ended June 30, 2017

**Section I – Summary of Audit Results**

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Kenton County School District (the "District").
2. No significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The program tested as major program is as follows:

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>
<b>U.S. Department of Education</b>	
Title I Grants to Local Educational Agencies	84.010

8. The threshold used for distinguishing Types A programs was \$300,000.
9. The District qualified to be audited as a low-risk auditee.

Schedule of Findings and Questioned Costs--Continued

**Kenton County School District**

Year Ended June 30, 2017

**Section II--Findings – Financial Statement Audit**

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**Section III--Findings and Questioned Costs – Major Federal Programs Audit**

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with the Uniform Guidance.

## **SCHEDULE OF PRIOR AUDIT FINDINGS**

Schedule of Prior Audit Findings

**Kenton County School District**

Year Ended June 30, 2017

**Section II--Findings – Financial Statement Audit**

There were no findings related to the financial statements which were required to be reported in accordance with *Government Auditing Standards*.

**Section III--Findings and Questioned Costs – Major Federal Programs Audit**

There were no findings or questioned costs related to the major federal programs which were required to be reported in accordance with the Uniform Guidance.