



Kenton County School District | *It's about ALL kids.*

**THE KENTON COUNTY BOARD OF
EDUCATION**

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Dr. Henry Webb, Superintendent of Schools

KCSD ISSUE PAPER

DATE:

November 20, 2018

AGENDA ITEM:

Receive June 30, 2018 Annual Financial Audit Report

APPLICABLE BOARD POLICY:

4.9 Audits

HISTORY/BACKGROUND:

The 2017-18 annual financial audit was conducted by Strothman & Co. for the purposes of rendering an opinion on the financial statements of the Board for the year ended June, 30, 2018. The auditors have expressed an unmodified (clean) opinion with regard to the fairness of the Board's financial statements and compliance with state and federal programs. The audit report includes an array of financial statements reporting the Board fund balances, basis of accounting, investments, bonded indebtedness, insurance coverage and compliance with state and federal statutes and regulations. Comments and responses to items identified during the audit of the school activity funds are also included.

Representatives from Strothman & Co. are present to answer questions about the audit process and reports.

FISCAL/BUDGETARY IMPACT:

None

RECOMMENDATION:

CONTACT PERSON:

Susan Bentle

Principal

District Administrator

Superintendent

Kenton County Board of Education

Board Members: Carl Wicklund, Chairperson Karen L. Collins, Vice Chairperson Joshua Crabtree, Esq. Carla Egan Jessica Jehn
"The Kenton County Board of Education provides Equal Education & Employment Opportunities."

**KENTON COUNTY SCHOOL DISTRICT
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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, 2018 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, 2018, 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.

Change in Accounting Principle – Adoption of GASB Accounting Standard

As discussed in Note S to the financial statements, the District adopted Government Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective as of July 1, 2017. The implementation of this accounting standard resulted in a restatement of prior year net position. Our opinion is not modified with respect to this matter.

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 59 through 60 and the pension liability and contributions information on pages 61 through 68 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 69 through 79 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, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Strothman and Company

Louisville, Kentucky
November 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2018. 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 14,622 enrolled students during the 2017-18 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.
- District facility activity during 2018 included continued progress on addition/renovation to the Ft. Wright Elementary School projected at \$20.4 million and the start of a fourth phase of renovation to the Scott High School building and grounds. Other projects approved during the fiscal year include a new Transportation Garage/Office and school entrance renovation for several schools.
- April, 2018 the obligation on a 2008 Bond Issue was refinanced for the remaining 10 years on the debt with a projected \$189,960 interest savings over the remaining term of the bonds.
- In May 2018, the District issued Revenue Bonds with a par amount of \$13.945 million funding the Scott High School, Transportation Garage and school entrance renovation projects. The debt will be serviced by district general and debt service funds as well as Kentucky School Facilities Construction funds.
- The Board approved a Lease & Security Agreement with the Kentucky Interlocal School Transportation Association ("KISTA") resulting in the issuance of \$1.425 million in bonds to finance the purchase of 15 school buses.
- Total Revenues were \$164 million for the year. General revenues accounted for \$145 million, 88 percent of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$18.9 million or 12 percent of total revenues. The District incurred \$161.4 million in total expenses.
- Governmental Fund Total Revenues were \$157.9 million with \$127.9 million accounted for in the General Fund. Local tax revenues increased to \$62 million while state SEEK revenues decreased from \$45.8 to \$44.2 million. Federal grant revenues increased slightly in 2018 while state grant allocations were reduced during the school year.
- Governmental Fund Expenditures totaled \$161.4 million during 2018. General Fund expenses amounted to \$129 million. The 2018 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 \$16.3 million which represents 15% of the non-construction budget for the year. \$4.5 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 \$11.6 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 58 of this report.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
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, 2018 and 2017.

**Table 1
Kenton County School District
Net Position
June 30, 2018 and 2017 (restated)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Assets</u>						
Current Assets	\$ 34,895,108	\$ 34,079,331	\$ 1,864,061	\$ 1,452,648	\$ 36,759,169	\$ 35,531,979
Noncurrent Assets	233,223,103	226,297,512	683,556	807,675	233,906,659	227,105,187
Total Assets	268,118,211	260,376,843	2,547,617	2,260,323	270,665,828	262,637,166
<u>Deferred Outflows of Resources</u>						
Bond Refunding Savings	6,333,962	7,476,515			6,333,962	7,476,515
Pension & OPEB Contributions	18,506,403	9,637,041	1,928,635	935,186	20,435,038	10,572,227
Total Deferred Outflows	24,840,365	17,113,556	1,928,635	935,186	26,769,000	18,048,742
Total Assets and Deferred Outflows of Resources	<u>\$ 292,958,576</u>	<u>\$ 277,490,399</u>	<u>\$ 4,476,252</u>	<u>\$ 3,195,509</u>	<u>\$ 297,434,828</u>	<u>\$ 280,685,908</u>
<u>Liabilities</u>						
Current Liabilities	\$ 21,526,468	\$ 21,880,637	\$ 98,198	\$ 90,677	\$ 21,624,666	\$ 21,971,314
Noncurrent Liabilities	268,054,404	257,770,264	6,084,729	5,162,348	274,139,133	262,932,612
Total Liabilities	<u>\$ 289,580,872</u>	<u>\$ 279,650,901</u>	<u>\$ 6,182,927</u>	<u>\$ 5,253,025</u>	<u>\$ 295,763,799</u>	<u>\$ 284,903,926</u>
<u>Deferred Inflows of Resources</u>						
CERS Pension Contributions	\$ 4,858,928	\$ 1,905,754	\$ 507,244	\$ 257,321	\$ 5,366,172	\$ 2,163,075
<u>Net Position</u>						
Invested in Capital Assets, Net of Related Debt	\$ 40,358,563	\$ 33,352,129	\$ 683,556	\$ 807,675	\$ 41,042,119	\$ 34,159,804
Nonspendable - inventories	146,948	177,713			146,948	177,713
Restricted	13,180,539	13,706,468	(2,897,475)	(3,122,512)	10,283,064	10,583,956
Unrestricted	(55,167,274)	(51,302,566)			(55,167,274)	(51,302,566)
Total Net Position	<u>\$ (1,481,224)</u>	<u>\$ (4,066,256)</u>	<u>\$ (2,213,919)</u>	<u>\$ (2,314,837)</u>	<u>\$ (3,695,143)</u>	<u>\$ (6,381,093)</u>
Total Liabilities and Net Position, as restated	<u>\$ 292,958,576</u>	<u>\$ 277,490,399</u>	<u>\$ 4,476,252</u>	<u>\$ 3,195,509</u>	<u>\$ 297,434,828</u>	<u>\$ 280,685,908</u>

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
Unaudited (Continued)**

Implementation of Government Accounting Standards Board Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than OPEBs*, required restatement of the 2017 balance of the District-Wide Statement of Net Position. Net position of the governmental activities was decreased by \$44,669,496 to recognize a Net postemployment benefits other than OPEBs Liability for the KY County Employee and Teachers' Retirement System pension plans. This provision also required a similar reduction to the 2017 Net Position for the Proprietary Fund in the amount of \$1,292,651. The total net adjustment to implement GASB Statement No 75 was a decrease of \$45,962,147 to the Net Position. This adjustment is reflected as a restatement of the 2017 Net Position balances reflected on the Comparative Statement of Net Position, Table 1. See Note S in the notes to financial statements.

Due to state pension plan liabilities now reflected on the District's balance sheet, Net Position may not be the best indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$ 3,695,143 as of June 30, 2018. Instead, a better financial gauge may be net change in net position. Total net position increased \$2.7 million, during 2018. Governmental net position increased \$2.6 million due primarily to increases in tax revenue, technology rebates and on-behalf revenues by the state. However, costs also increased by \$16.8 million in salary, benefit, pension expenses and on-behalf expenditures. 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.

The District's property tax base remains strong and increased by \$145 million providing a stable source of operating revenue. Two major tax revenues (real estate and motor vehicle) experienced increases during 2018. KY SEEK revenue decreased slightly in the General and Building Funds due to 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 complete renovation of Ft. Wright Elementary school was finished in August 2018 for the opening of the 2018 – 2019 school year. The renovations involve the construction of ten additional classrooms which added significant student capacity for the overcrowded school. The renovation program was comprehensive and involved the replacement of roofing systems and all major mechanical systems. This significant investment will serve the students in Kenton County well for the next thirty years.

The renovation process continues at Scott High School which is the facility identified in the district facility plan with the greatest needs. Phase IV construction began in May 2018 and is slated to be finished by August 2019. This phase of construction involves the renovation of the former science classrooms on the second floor into English and social study classrooms. The first floor renovations involve the construction of a new band and choral room, new special education suite, a multiple purpose classroom, and an exterior courtyard.

The construction of a new office suite and secure vestibule designed entrance is underway at Hinsdale Elementary. This new security entrance will replace the current entrance to improve access to the facility. The construction is expected to be finished by December of 2018.

The first phase of work for the construction of a new bus garage facility was completed in September 2018. This initial phase involved the demolition of the former Twenhofel Middle School and grading of the former school site. The construction project also included the development of two bus parking lots and drive circulation lanes which will serve the current transportation operations. Site lighting was also included throughout the campus. This first phase of work established a future construction project to build a new transportation and facility maintenance office building.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
Unaudited (Continued)**

The District Facility Planning Committee prepared and approved an amendment to the current facility plan. The local Board of Education and State Board of Education also approved the same amendment for construction and upgrade of all facilities to reflect the latest advancements in security technology. The District hired an architect and engineer to prepare a district wide assessment of all facilities for any perceived security concerns. The District plans to design and bid out this work in the spring of 2019.

Fifteen new buses were purchased through the Kentucky Intermodal School Transportation System bond program. The order included four 30 passenger special needs and eleven 72 passenger units to replace units that were over ten years old. Approved by the Board in November, 2017, the new buses were delivered in June, 2018, and all are reflected in the Capital Assets Schedule as of June 30, 2018.

Debt

At June 30, 2018, the District had \$184.6 million in outstanding bonds. The bonds are being paid from the Debt Service Fund. A portion of this debt, \$25.5 million is serviced by the Kentucky School Facility Construction Commission. See Note E – Bonded Debt in the Notes to Financial Statements.

The Board approved school building refunding revenue bonds in the amount of \$2,280,000 for the purpose of refinancing existing 2008 Series Energy Conservation Bonds. The bonds sold on November 1, 2017 with present value savings to be realized over the remaining life of the debt of approximately \$170,000. The debt will be serviced by the District through the General Fund.

In May 2018 the Board issued revenue bonds with a par amount of \$13.945 million to fund three current projects identified in the District Facility Plan. \$12 million is dedicated to the Scott High School Phase IV Project, \$1 million will fund Phase I - Transportation Garage and \$867,557 is dedicated to the school entrance renovation project. The debt will be serviced by both the District and the Kentucky School Facilities Construction Commission.

Participation in the KISTA bus lease/purchase program was approved by the Board and bonds were issued in March 2018 for the purchase of fifteen new buses for the District fleet. The total amount of bonds issued was \$1,425,166. The entire lease/bond debt of \$1,650,470 is reflected in liabilities at June 30, 2018 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, 2018 and 2017.

GOVERNMENTAL ACTIVITY

Governmental Revenues were \$13.9 million higher than 2017 with increases in General Revenue state on-behalf contributions (\$10.9 million), property tax revenue (\$2.6 million) and federal rebate revenue (\$1 million). Program revenues were \$600,000 lower in 2018 due to reductions in state grants and charges for services. Total expenses reflected a total increase of \$16.4 million in salary, benefit and pension expense and on-behalf expenditures. The 2018 fiscal year ended by adding \$2.7 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 \$6.15 million and expenditures of \$6.0 million during fiscal year 2018.

The Food Service Program continues to offer students excellent nutrition through a variety of breakfast and lunch meal choices. Meals are prepared and served each school day and several weeks during summer instructional programs. Federal operating grant and school lunch charge revenues remained steady while operating expenses were slightly lower than 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.

Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
Unaudited (Continued)

In accordance with Implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions*, and Government Accounting Standards Board Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than OPEBs*, food service financial results include provisions for deferred outflows and inflows related to both the state net pension and postemployment benefits other than OPEBs liabilities.

Table 2
Kenton County School District
Changes In Net Position
June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Operating grants and contributions	\$ 6,793,017	\$ 6,955,288	\$ 3,499,740	\$ 3,539,562	\$ 10,292,757	\$ 10,494,850
Capital grants and contributions	5,381,583	5,574,200	361,773	364,193	5,743,356	5,938,393
Charges for services	1,014,784	1,207,150	1,836,620	1,924,944	2,851,404	3,132,094
Total Program Revenues	13,189,384	13,736,638	5,698,133	5,828,699	18,887,517	19,565,337
General Revenues:						
Taxes	62,040,773	59,401,951			62,040,773	59,401,951
Grants and entitlements	79,614,474	69,164,088	423,381	395,098	80,037,855	69,559,186
Earnings on investments	583,511	279,208	16,277	5,609	599,788	284,817
Miscellaneous	2,498,853	1,488,494	21,083		2,519,936	1,488,494
Total General Revenues	144,737,611	130,333,741	460,741	400,707	145,198,352	130,734,448
Total Revenues	157,926,995	144,070,379	6,158,874	6,229,406	164,085,869	150,299,785
Expenses:						
Instructional	87,779,546	78,339,182			87,779,546	78,339,182
Student Support	9,700,399	7,781,080			9,700,399	7,781,080
Instructional Support	5,365,888	4,469,256			5,365,888	4,469,256
District Administration	2,001,272	2,439,408			2,001,272	2,439,408
School Administration	9,896,706	8,591,682			9,896,706	8,591,682
Business Support	2,629,572	1,736,845			2,629,572	1,736,845
Plant Operations	17,804,146	16,320,958			17,804,146	16,320,958
Student transportation	12,636,651	11,906,920			12,636,651	11,906,920
Community Support	1,015,823	1,005,044			1,015,823	1,005,044
Interest - Long term debt	6,511,960	6,346,026			6,511,960	6,346,026
Food Service Operations			6,057,956	6,208,483	6,057,956	6,208,483
Other				12,595		12,595
Total Expenses	155,341,963	138,936,401	6,057,956	6,221,078	161,399,919	145,157,479
Change in Net Position	\$ 2,585,032	\$ 5,133,978	\$ 100,918	\$ 8,328	\$ 2,685,950	\$ 5,142,306

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
Unaudited (Continued)**

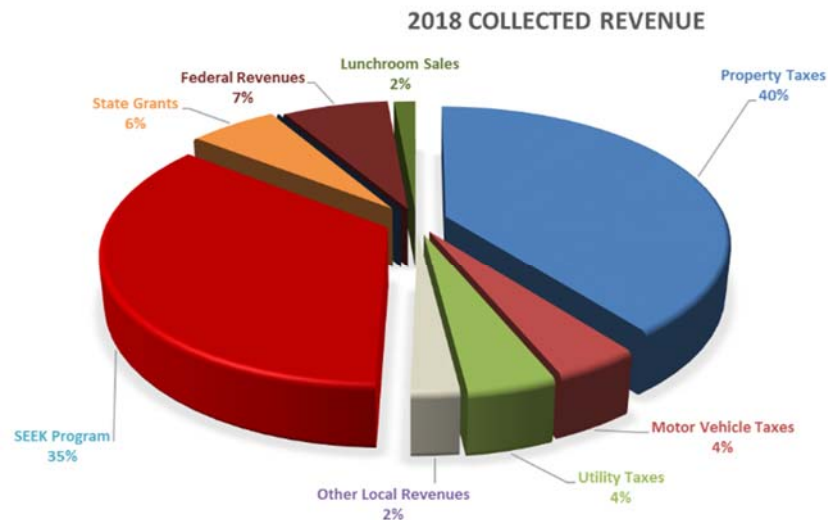
THE DISTRICT'S FUNDS

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 \$157.7 million with expenditures of \$171.7 million. Table 3 reflects the 2018 and 2017 fund revenues by type. Chart 1 reflects the percentage for each collected revenue type.

**Table 3
Kenton County School District
Revenues
June 30, 2018 and June 30, 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Local Sources:</u>						
Property Taxes	\$ 51,072,094	\$ 48,584,018			\$ 51,072,094	\$ 48,584,018
Motor Vehicle Taxes	5,366,858	5,189,866			5,366,858	5,189,866
Utility Taxes	5,601,821	5,628,067			5,601,821	5,628,067
Other Local Revenues	2,993,611	2,330,857	\$ 37,360	\$ 28,738	3,030,971	2,359,595
<u>State Sources:</u>						
SEEK Program	45,478,631	45,809,698			45,478,631	45,809,698
State Grants	8,043,126	8,601,581	59,063	56,810	8,102,189	8,658,391
Other State Revenues						
Federal Revenues	5,735,302	5,742,180	3,440,677	3,482,752	9,175,979	9,224,932
Lunchroom Sales			1,836,620	1,896,206	1,836,620	1,896,206
Other Revenues	718,447	428,498	361,773	369,802	1,080,220	798,300
Collected Revenue	125,009,890	122,314,765	5,735,493	5,834,308	130,745,383	128,149,073
State On-Behalf	32,712,032	21,755,614	423,381	395,098	33,135,413	22,150,712
Total Revenues	\$ 157,721,922	\$ 144,070,379	\$ 6,158,874	\$ 6,229,406	\$ 163,880,796	\$ 150,299,785

**Chart 1
2018 Collected Fund
Revenues**



**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
Unaudited (Continued)**

General Fund revenues increased to \$127.8 million from \$113.7 in 2017 primarily due to a \$10.9 million increase in the 2018 state pension on-behalf allocation. A local property tax rate increase in 2018 and higher Motor Vehicle tax collections added \$2.4 million revenue in 2018. KY SEEK revenue decreased only slightly from 2017 while interest income on cash balances rose to \$485,578. Other revenue items reflected in the General Fund include \$852,286 transfer from the Capital Outlay Fund and capital lease proceeds of \$1,425,166.

General Fund 2018 expenditures totaled \$127.9 million, an increase of \$13.5 million over 2017 again primarily due to a \$10.9 million increase in the 2018 state pension on-behalf allocation. Lease and debt payments were higher in 2018 and will continue to rise with energy project bond obligations and new bus lease purchases. The 2018 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 who have been trained by the District.

Mild winter weather resulted in average 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, 2018 of \$16.3 million. The General Fund receives approximately 95% 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 is \$12.5 million reflecting the completion of the Scott Phase 3 project and receipt of bond issue cash of \$13.9 million. The Ft. Wright School renovation project is substantially complete and three new capital project initiatives have 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 2018 with \$11.8 million in contingency (11.5%). The beginning fund balance for the fiscal year was \$15 million. The 2018 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 \$32.7 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 \$93.3 million and actual revenues, excluding on-behalf payments were \$97.5 million. Local tax revenue collections, state SEEK, interest income and federal ERATE rebate revenues were all higher than budgeted amounts for the year.

General Fund budgeted expenditures, excluding contingency, were \$96.6 million while actual expenditures, excluding on-behalf totaled \$96.5 million. The favorable variances in actual revenue and expenditures resulted in a \$16.3 million fund balance at the end of the year versus a budgeted ending fund balance of \$11.8 million.

During the course of fiscal 2018, 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.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2018
Unaudited (Continued)**

On-Behalf Payments

The District recorded on-behalf payments in the General Fund in 2018 totaling \$32.7 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 50% of annual fund revenue and are critical to the General Fund. Both property and motor vehicle assessed values experienced an increase for the 2018 tax year. The real estate market and business/industry activity in the County remain critical factors in sustaining local tax revenues. The district is relying more each year on local property tax revenue to fund improvements and new initiatives that are critical in the current educational environment.

SEEK revenues account for another 36% of fund revenue but have not kept pace with increased operating costs and state mandated salary increases over the past several years. The 2018 SEEK per pupil base revenue of \$3,981 did not increase from the previous year and remains 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. The General Assembly did increase the per pupil SEEK amount to \$4,000 in the 2018 biennium budget for future school years but also reduced financial support for preschool, transportation, teacher professional development and instructional resources.

State operating grants provide funding for specialized instructional and safety programs. Funding for these programs is vulnerable as fluctuations in state revenue prompted state budget cuts during the current fiscal year. For example, the Kentucky Department of Education experienced a 2018 budget reduction in January, 2018, which resulted in a \$250,000 reduction in state grant funding for the district six months after the beginning of the fiscal year.

The financial position of the state's pension plans continues to 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 General Assembly passed pension legislation in the 2018 biennium but the legislative process is currently under litigation by the KY Supreme Court. 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 of Governmental Accounting Standards Board Statements 68 and 75, the District has recorded its proportionate share of certain financial aspects of the pension plans in which its employees participate.

In July 2018, the Kenton County Board of Education authorized the district to move forward with full day kindergarten. This major advancement in educational services is expected to increase annual labor and operational cost by \$1.7 million. These additional costs are reflected in the 2018 – 2019 general fund budget. The district finally has the capacity within current facilities to accommodate a full day program. There were eight districts in the State (including Kenton) out of 172 that do not conduct full day kindergarten. This is a priority for the advancement of academic progress for students in Kenton County.

The Board of Education also approved a collaboration initiative with the Boone County Board of Education for the development of the Ignite Institute. The program is a partnership designed to inspire STEAM learning and elevate educational opportunities for all students in the Northern Kentucky region. This new program will allow the district to merge the educational opportunities currently afforded to high school students at the Kenton County Academies of Innovation and Technology (KCAIT) with Boone County and establish a full day program. This new program will be offered in the facility formerly owned by Toyota "Roebbling Innovation Center" (and donated to Boone County Schools) which is located on the Kenton County and Boone County line. The new program will include Bio-Medical/Health Sciences, Engineering, Construction Technology, IT/Computer Science, Logistics, Design, and Education.

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, 2018

	Governmental Activities	Business-type Activities	TOTAL
Assets			
Cash and cash equivalents	\$ 29,119,134	\$ 1,489,903	\$ 30,609,037
Investments	3,000,000		3,000,000
Accounts Receivable	2,629,026	79,067	2,708,093
Inventories	146,948	295,091	442,039
Land and other nondepreciable assets	34,453,623		34,453,623
Capital assets, net of accumulated depreciation	198,769,480	683,556	199,453,036
Total Assets	\$ 268,118,211	\$ 2,547,617	\$ 270,665,828
Deferred Outflows of Resources			
Deferred savings from refunding bonds	\$ 6,333,962		\$ 6,333,962
Deferred Outflows from Pension Contributions	13,039,747	\$ 1,503,803	14,543,550
Deferred Outflows from OPEB Contributions	5,466,656	424,832	5,891,488
Total Deferred Outflows	\$ 24,840,365	\$ 1,928,635	\$ 26,769,000
Liabilities			
Accounts Payable	\$ 4,841,057	\$ 16,584	\$ 4,857,641
Accrued interest payable	1,309,006		1,309,006
Unearned Revenue	578,214	81,614	659,828
Net Pension Liability	38,353,041	4,423,047	42,776,088
Net OPEB Liability	49,646,423	1,603,198	51,249,621
Current maturities of			
school building revenue bonds	13,855,000		13,855,000
capital lease obligations	834,345		834,345
multi-employer insurance trust	108,846		108,846
compensated absences			
Long-term maturities of			
school building revenue bonds	173,142,187		173,142,187
capital lease obligations	5,033,008		5,033,008
compensated absences	1,879,745	58,484	1,938,229
Total Liabilities	\$ 289,580,872	\$ 6,182,927	\$ 295,763,799
Deferred Inflows of Resources			
Deferred Inflows from Pension Contributions	\$ 3,699,336	\$ 426,624	\$ 4,125,960
Deferred Inflows from OPEB Contributions	1,159,592	80,620	1,240,212
Total Deferred Inflows	\$ 4,858,928	\$ 507,244	\$ 5,366,172
Net Position			
Net investment in capital assets	\$ 40,358,563	\$ 683,556	\$ 41,042,119
Nonspendable fund balance - inventories	146,948		146,948
Restricted for			
Capital projects and construction	12,509,806		12,509,806
Grants and awards	31,702		31,702
District Activities	639,031		639,031
Food Service		(2,897,475)	(2,897,475)
Unrestricted (Deficit)	(55,167,274)		(55,167,274)
Total Net Position	\$ (1,481,224)	\$ (2,213,919)	\$ (3,695,143)

See Accompanying Notes to Financial Statements

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	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
<u>Functions/Programs</u>							
Governmental activities							
Instruction	\$ 87,680,934	\$ 192,117	\$ 6,714,757		\$ (80,774,060)		\$ (80,774,060)
Support Services:							
Student	9,700,399				(9,700,399)		(9,700,399)
Instructional staff	5,365,888				(5,365,888)		(5,365,888)
District administrative	2,001,272				(2,001,272)		(2,001,272)
School administrative	9,896,706				(9,896,706)		(9,896,706)
Business support services	2,629,572				(2,629,572)		(2,629,572)
Plant operation and maintenance	17,804,146	30,954			(17,773,192)		(17,773,192)
Transportation	12,636,651	791,713			(11,844,938)		(11,844,938)
Community services	1,015,823		78,260		(937,563)		(937,563)
Other instructional	98,612				(98,612)		(98,612)
Facilities acquisition & construction	-			\$ 5,381,583	5,381,583		5,381,583
Interest	6,511,960				(6,511,960)		(6,511,960)
Total governmental activities	155,341,963	1,014,784	6,793,017	5,381,583	(142,152,579)		(142,152,579)
Business-type activities							
School food services	6,057,956	1,836,620	3,499,740	361,773		\$ (359,823)	(359,823)
Total business-type activities	6,057,956	1,836,620	3,499,740	361,773		(359,823)	(359,823)
Total activities	\$ 161,399,919	\$ 2,851,404	\$ 10,292,757	\$ 5,743,356	\$ (142,152,579)	\$ (359,823)	\$ (142,512,402)
<u>General revenues:</u>							
Taxes							
Property taxes							
Utility taxes							
State sources							
SEEK program revenues							
On behalf revenues							
Other state revenues and grants							
Interest and investment earnings							
Gain/(Loss) on disposition of capital assets							
Miscellaneous							
Total general revenues							
Change in net position							
Net position, beginning of year, as restated							
Net position, end of year							

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

KENTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Funds	Capital Outlay Fund (Nonmajor)	Building Fund (Nonmajor)	District Activity Fund (Nonmajor)	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 13,241,353		\$ 15,204,041		\$ 2,048		\$ 671,692	\$ 29,119,134
Investments	3,000,000							3,000,000
Inventory	146,948							146,948
Accounts and grants receivable	1,568,605	\$ 1,060,421						2,629,026
Total Assets	<u>\$ 17,956,906</u>	<u>\$ 1,060,421</u>	<u>\$ 15,204,041</u>	<u>\$</u>	<u>\$ 2,048</u>	<u>\$</u>	<u>\$ 671,692</u>	<u>\$ 34,895,108</u>
Liabilities								
Accounts Payable	1,632,180	498,182	2,696,283				14,412	4,841,057
Unearned Revenue	<u>15,975</u>	<u>562,239</u>						<u>578,214</u>
Total Liabilities	1,648,155	1,060,421	2,696,283				14,412	5,419,271
Fund Balances								
NonSpendable	146,948							146,948
Restricted	31,702		12,507,758		2,048		657,280	13,198,788
Committed	1,447,738							1,447,738
Assigned	3,081,710							3,081,710
Unassigned	<u>11,600,653</u>							<u>11,600,653</u>
Total Fund Balances	<u>16,308,751</u>		<u>12,507,758</u>		<u>2,048</u>		<u>657,280</u>	<u>29,475,837</u>
Total Liabilities and Fund Balances	<u>\$ 17,956,906</u>	<u>\$ 1,060,421</u>	<u>\$ 15,204,041</u>	<u>\$</u>	<u>\$ 2,048</u>	<u>\$</u>	<u>\$ 671,692</u>	<u>\$ 34,895,108</u>

See Accompanying Notes to Financial Statements

**KENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018**

Total Governmental Fund Balances	\$ 29,475,837
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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.	233,223,103
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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.	6,333,962
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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.	9,340,411
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Deferred Outflows and Inflows from CERS OPEB are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.	4,307,064
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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 & Leases Payable	(192,864,540)
Accrued Interest - Bonds Payable	(1,309,006)
Compensated Absences	(1,879,745)
Multi-employer insurance trust liability	(108,846)
Net Pension Liability	(38,353,041)
Net OPEB Liability	(49,646,423)
	(284,161,601)

Net Position of Governmental Activities	\$ (1,481,224)
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KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Capital Outlay Fund (Nonmajor)	Building Fund (Nonmajor)	District Activity Fund (Nonmajor)	Total Governmental Funds
Revenues								
Local sources								
Property taxes	\$ 37,660,747					\$ 13,411,347		\$ 51,072,094
Motor Vehicle taxes	5,366,858							5,366,858
Utilities taxes	5,601,821							5,601,821
Tuition and fees	192,117							192,117
Transportation Revenue	791,713							791,713
Other local revenues	1,221,736						\$ 709,785	1,931,521
Grants from local agencies and donors		\$ 78,260						78,260
State sources								
SEEK program	42,940,946				\$ 1,299,953			44,240,899
FSPK program						1,237,732		1,237,732
KSFCC allocation				\$ 2,843,898				2,843,898
Other state revenues	33,228,337	4,682,923						37,911,260
Federal sources - indirect	258,277	5,477,025						5,735,302
Interest Income on Investments	485,578		\$ 97,933					583,511
Other sources	134,936							134,936
Total Revenues	127,883,066	10,238,208	97,933	2,843,898	1,299,953	14,649,079	709,785	157,721,922
Expenditures								
Instruction	77,239,075	7,146,166					613,948	84,999,189
Student support services	9,135,420	360,480					7,835	9,503,735
Instructional staff support services	3,991,504	1,375,983					50,262	5,417,749
District administrative support services	1,974,544							1,974,544
School administrative support services	9,492,417	273,920						9,766,337
Business support services	2,508,354							2,508,354
Plant operations and maintenance	11,930,981						12,820	11,943,801
Transportation	10,823,462	159,124					6,671	10,989,257
Community services	1,598	1,046,720						1,048,318
Educational Specific		95,551						95,551
Building renovations			13,557,643					13,557,643

Continued

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Continued from Previous Page

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Capital Outlay Fund (Nonmajor)	Building Fund (Nonmajor)	District Activity Fund (Nonmajor)	Total Governmental Funds
Expenditures (Continued)								
Debt Service								
Principal	707,759			13,675,000				14,382,759
Interest	123,454			5,232,003				5,355,457
Bond Issuance Costs				158,554				158,554
Total Expenditures	<u>127,928,568</u>	<u>10,457,944</u>	<u>13,557,643</u>	<u>19,065,557</u>			<u>691,536</u>	<u>171,701,248</u>
Excess (deficit) of revenues over expenditures	(45,502)	(219,736)	(13,459,710)	(16,221,659)	1,299,953	14,649,079	18,249	(13,979,326)
Other financing sources (uses)								
Proceeds from Issuance of Bonds	1,425,166		13,945,000	2,280,000				17,650,166
Premium on Bonds Sold				200,073				200,073
Payments to bond Escrow Agent				(2,321,519)				(2,321,519)
Transfers in	905,540	272,990		16,063,105				17,241,635
Transfers out	<u>(1,239,349)</u>	<u>(53,254)</u>			<u>(1,299,953)</u>	<u>(14,649,079)</u>		<u>(17,241,635)</u>
Total other financing sources (uses)	<u>1,091,357</u>	<u>219,736</u>	<u>13,945,000</u>	<u>16,221,659</u>	<u>(1,299,953)</u>	<u>(14,649,079)</u>		<u>15,528,720</u>
Net change in fund balances	1,045,855		485,290				18,249	1,549,394
Fund balances, beginning of year	<u>15,262,896</u>		<u>12,022,468</u>		<u>2,048</u>		<u>639,031</u>	<u>27,926,443</u>
Fund balances, end of year	<u>\$ 16,308,751</u>	<u>\$</u>	<u>\$ 12,507,758</u>	<u>\$</u>	<u>\$ 2,048</u>	<u>\$</u>	<u>\$ 657,280</u>	<u>\$ 29,475,837</u>

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	1,549,394
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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		6,925,591
Bond proceeds are recorded as revenues in the fund financial statements but are additions to liabilities in the statement of net position.		(17,645,166)
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.		16,662,759
Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position		(67,862)
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		53,912
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.		(1,142,553)
Net Pension Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		(2,827,348)
Net Pension Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		(1,299,577)
Noncurrent accrued sick leave is not reported as a liability in the fund financial statements but is recorded in the statement of net position		267,036
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		108,846

Change in Net Position of Governmental Activities	\$	2,585,032
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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, 2018

	<u>Food Service</u>
Assets	
Cash and cash equivalents	\$ 1,489,903
Accounts Receivable	79,066
Inventories	<u>295,091</u>
Total Current Assets	<u>1,864,060</u>
Noncurrent Assets	
Capital assets	3,104,380
Less: Accumulated Depreciation	<u>(2,420,824)</u>
Total Noncurrent Assets	<u>683,556</u>
Deferred Outflows of Resources	
CERS Pension Contributions	1,503,803
CERS OPEB Contributions	<u>424,832</u>
Total Deferred Outflows	<u>1,928,635</u>
Total Assets	<u><u>\$ 4,476,251</u></u>
Liabilities	
Accounts Payable	\$ 16,583
Unearned Revenue	81,614
Long-term maturities of compensated absences	58,484
Net Pension Liability	4,423,047
Net OPEB Liability	<u>1,603,198</u>
Total Liabilities	<u>6,182,926</u>
Deferred Inflows of Resources	
Deferred Inflows from CERS Pension Contributions	426,624
Deferred Inflows from CERS OPEB Contributions	<u>80,620</u>
Total Deferred Inflows	<u>507,244</u>
Net Position	
Net investment in capital assets	683,556
Restricted	<u>(2,897,475)</u>
Total Net Position	<u>(2,213,919)</u>
Total Liabilities & Net Position	<u><u>\$ 4,476,251</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, 2018

	Food Service
Operating revenues	
Lunchroom sales	\$ 1,791,466
Other operating revenues	45,154
Total operating revenues	<u>1,836,620</u>
Operating expenses	
Salaries and wages	3,187,332
Contract Services	214,543
Materials and supplies	2,382,171
Depreciation	159,433
Other Expenses	114,477
Total operating expenses	<u>6,057,956</u>
Operating loss	(4,221,336)
Non-operating revenues	
Federal grants	3,440,677
Donated commodities	361,773
On-behalf revenues	423,381
State grants	59,063
Investment income	16,277
Gain on disposal of fixed assets	21,083
Total non-operating revenues	<u>4,322,254</u>
Net change in Net Position	100,918
Net Position, beginning of year	<u>(2,314,837)</u>
Net Position, end of year	<u><u>\$ (2,213,919)</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, 2018

Cash Flows from Operating Activities

Cash Received From:	
Lunchroom Sales	\$ 1,769,042
Other Activities	45,154
Cash Paid To/For:	
Employees	(2,585,096)
Supplies	(2,356,646)
	<u>(3,127,546)</u>
Net cash used in operating activities	(3,127,546)

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(14,231)
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Cash Flows from Investing Activities

Investment income	16,277
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Cash Flows from Noncapital Financing Activities

Cash received from non-operating revenues	<u>3,499,740</u>
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Net Increase in Cash and Cash Equivalents	374,240
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Balances - beginning of year	<u>1,115,663</u>
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Balances - end of year	<u><u>\$ 1,489,903</u></u>
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**Reconciliation of Operating Loss to Net Cash Used
by Operating Activities**

Operating Loss	\$ (4,221,336)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Commodities Used	361,773
On-behalf payments	423,381
Depreciation	159,433
Change in Assets and Liabilities:	
Accounts Receivable	(31,795)
Inventory	(5,378)
Accounts payable	(1,850)
Deferred Revenue	9,370
Accrued sick leave	(10,046)
CERS Pension Deferrals and Net Liability	222,567
CERS OPEB Deferrals and Net Liability	(33,665)

Net Cash Used by Operating Activities	<u><u>\$ (3,127,546)</u></u>
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SCHEDULE OF NON-CASH TRANSACTIONS

Donated commodities received from federal government	\$ 361,773
On-behalf payments	\$ 423,381

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS FINANCIAL STATEMENT

**Kenton County School District
Statement of Fiduciary Net Position
June 30, 2018**

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	\$ 991,126
Accounts Receivable	<u>600</u>
Total Assets	<u><u>\$ 991,726</u></u>
Liabilities	
Accounts Payable	\$ 13,043
Due To Student Groups	<u>978,683</u>
Total Liabilities	<u><u>\$ 991,726</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, 2018**

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 Fund is 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, 2018**

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, 2018 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- Costs associated with the issuance of bond obligations are recorded in accordance with 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, 2018

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.

Postemployment Benefits Other Than Pensions (OPEBs)--For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System, Non-Hazardous ("CERS") and Teachers' Retirement System of the State of Kentucky ("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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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".

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

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

Basis of Accounting and Financial Statement Presentation--Continued

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:

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--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.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

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

Basis of Accounting and Financial Statement Presentation--Continued

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.

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, 2018 were \$0.638 per \$100 valuation for real property and \$0.638 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, 2018**

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

Basis of Accounting and Financial Statement Presentation--Continued

Recently Issued Accounting Standards--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 and were adopted in a prior period. Item 2 was adopted during the current period 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, 2018 consisted of the following:

	Bank Balance	Book Balance
First Financial Bank	<u>\$33,850,700</u>	<u>\$31,600,163</u>
<u>Amounts Per Financial Statements:</u>		
Governmental funds		\$29,119,134
Proprietary funds		1,489,903
Fiduciary funds		991,126
Total		<u>\$31,600,163</u>

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.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

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

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, 2018, 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	1.500%
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 6/30/2018</u>	<u>Quoted Prices in Active Markets for Identical Assets - Level 1</u>
Government		
U.S. Agency Notes	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note D--Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Dispositions	Balance June 30, 2018
<u>Governmental activities</u>				
Cost				
Land	\$ 6,327,879	\$ 9,459		\$ 6,337,338
Construction in progress	14,957,253	13,423,863	\$ 264,831	28,116,285
Land improvements	4,676,266	252,618	86,150	4,842,734
Buildings & building improvements	284,698,699	484,109	1,480,862	283,701,946
Technology equipment	11,652,199	1,701,622	2,113,750	11,240,071
Vehicles	14,736,896	1,419,453	790,227	15,366,122
General equipment	3,437,959	295,816	168,865	3,564,910
Total assets at historical cost	<u>\$ 340,487,151</u>	<u>\$ 17,586,940</u>	<u>\$ 4,904,685</u>	<u>\$ 353,169,406</u>
	Balance June 30, 2017	Depreciation	Dispositions	Balance June 30, 2018
Accumulated depreciation				
Land improvements	\$ 2,742,964	\$ 129,661	\$ 86,150	\$ 2,786,475
Buildings & building improvements	93,476,812	7,326,227	915,560	99,887,479
Technology equipment	7,693,472	1,100,410	2,003,860	6,790,022
Vehicles	8,449,756	972,745	790,227	8,632,274
General equipment	1,826,635	188,178	164,760	1,850,053
Total Accumulated depreciation	<u>\$ 114,189,639</u>	<u>\$ 9,717,221</u>	<u>\$ 3,960,557</u>	<u>\$ 119,946,303</u>
Governmental Activities				
Depreciable capital assets	\$ 205,012,380			\$ 198,769,480
Non-depreciable capital assets	<u>21,285,132</u>			<u>34,453,623</u>
Capital Assets, net of accumulated depreciation	<u>\$ 226,297,512</u>			<u>\$ 233,223,103</u>
	Balance June 30, 2017	Additions	Dispositions	Balance June 30, 2018
<u>Business-Type activities</u>				
Cost				
Food service equipment	\$ 3,020,976	\$ 12,834	\$ 25,674	\$ 3,008,136
Vehicles	74,488			74,488
Technology equipment	26,955	1,397	6,596	21,756
Total assets at historical cost	<u>\$ 3,122,419</u>	<u>\$ 14,231</u>	<u>\$ 32,270</u>	<u>\$ 3,104,380</u>
	Balance June 30, 2017	Depreciation	Dispositions	Balance June 30, 2018
Accumulated depreciation				
Food service equipment	\$ 2,228,618	\$ 151,373	\$ 47,045	\$ 2,332,946
Vehicles	73,347	1,141		74,488
Technology equipment	12,779	6,919	6,308	13,390
Total accumulated depreciation	<u>\$ 2,314,744</u>	<u>\$ 159,433</u>	<u>\$ 53,353</u>	<u>\$ 2,420,824</u>
Business-Type activities				
Capital Assets, net of accumulated depreciation	<u>\$ 807,675</u>			<u>\$ 683,556</u>

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note D--Capital Assets--Continued

Depreciation expense for the year ended June 30, 2018 for governmental activities by function is summarized below:

Instruction	\$ 3,350,704
Student Support Services	530
Instructional staff support services	4,199
District administration support services	41,873
School Admin Support	15,623
Business support services	13,729
Plant operation and maintenance	5,341,660
Transportation	948,615
Community services	288
Total Depreciation Expense	<u>\$ 9,717,221</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
2009 Revenue Bonds	New middle school	29,400,000	3.5-4.25%	2/1/2019	\$ 705,000
2009B Revenue Bonds	Refinance 1999 bond obligations	3,635,000	2.0-3.5%	2/1/2019	695,000
2009C Revenue Bonds	Refinance 2000 bond obligations	6,355,000	1.2-3.6%	8/1/2020	2,290,000
2010 Refinancing Bonds	Improvements at Scott High School and Refinance 2002 bond obligations	19,855,000	0.5-2.5%	4/1/2022	8,040,000
2011 Revenue Bonds	Improvements at Scott High School	9,105,000	2.5-4.5%	5/1/2031	7,690,000
2012R Revenue Bonds	Refinance 2004 bond obligations	43,530,000	2.5%-6.5%	6/1/2024	25,655,000
2013R Revenue Bonds	Refinance 2005 bond obligations	30,545,000	2.0-3.0%	2/1/2025	25,225,000
2013 Revenue Bonds	Scott High School Renovations	12,005,000	2.0-3.125%	5/1/2033	10,225,000
2014 Conservation Bonds	Energy Conservation Improvements	4,170,000	1.0-4.0%	2/1/2034	3,485,000
2015A Refinancing Bonds	Refinance 2009D bond obligations	8,895,000	2.0-3.0%	9/1/2029	7,870,000
2015B Refinancing Bonds	Refinance 2006A, 2006B & 2006C bond obligations	14,445,000	2.0-3.0%	10/1/2026	13,145,000
2015C Revenue Bonds	Scott High School Renovations	17,320,000	3.0-3.625%	5/1/2035	15,465,000
2016R Refinancing Bonds	Refinance 2009 bond obligations	25,190,000	2.0-4.0%	2/1/2029	24,815,000
2016 Revenue Bonds	Ft. Wright School Renovations	19,400,000	2.0-3.25%	4/1/2036	18,255,000
2017 Conservation Bonds	Energy Conservation Improvements	5,125,000	2.0-3.55%	5/1/2037	4,845,000
2017R Refinancing Bonds	Refinance 2008 Conservation bonds	2,280,000	3.00%	4/1/2028	2,275,000
2018 Revenue Bonds	Scott High School Renovations, Transportation Bus Garage & School Entry Renovations	13,945,000	2.0-4.0%	4/1/2038	13,945,000
Total					184,625,000
Unamortized Bond Premium					2,372,187
Bonds Payable, Net					<u>\$ 186,997,187</u>

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

Note E--Bonded Debt--Continued

Bonds payable activity for the year ended June 30, 2018 was as follows:

	Balance 30-Jun-17	Increases	Decreases	Balance 30-Jun-18	Amounts Due in One Year
2006C Revenue Bonds	\$ 235,000		\$ (235,000)		
2009 Revenue Bonds	1,380,000		(675,000)	\$ 705,000	\$ 705,000
2009B Revenue Bonds	1,085,000		(390,000)	695,000	400,000
2009C Revenue Bonds	3,000,000		(710,000)	2,290,000	740,000
2010R Revenue Bonds	9,950,000		(1,910,000)	8,040,000	1,950,000
2011 Revenue Bonds	7,905,000		(215,000)	7,690,000	220,000
2012R Revenue Bonds	29,670,000		(4,015,000)	25,655,000	4,095,000
2013R Revenue Bonds	27,505,000		(2,280,000)	25,225,000	2,345,000
2013 Revenue Bonds	10,585,000		(360,000)	10,225,000	360,000
2008 Energy Bonds	2,470,000		(2,470,000)		
2014 Energy Bonds	3,660,000		(175,000)	3,485,000	175,000
2015A Refinancing Bonds	8,200,000		(330,000)	7,870,000	340,000
2015B Refinancing Bonds	13,710,000		(565,000)	13,145,000	810,000
2015C Revenue Bonds	16,095,000		(630,000)	15,465,000	655,000
2016R Refinancing Bonds	24,965,000		(150,000)	24,815,000	150,000
2016 Revenue Bonds	18,820,000		(565,000)	18,255,000	580,000
2017 Energy Bonds	5,125,000		(280,000)	4,845,000	105,000
2017R Refinancing Bonds		\$ 2,280,000	(5,000)	2,275,000	200,000
2018 Revenue Bonds		13,945,000		13,945,000	25,000
	<u>\$ 184,360,000</u>	<u>\$ 16,225,000</u>	<u>\$ (15,960,000)</u>	<u>\$ 184,625,000</u>	<u>\$ 13,855,000</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, 2018 the total bond principal and interest due was \$184,625,000 and \$43,826,374, 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, 2018 for debt service (principal and interest) are as follows:

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

Note E--Bonded Debt--Continued

	Kenton County Board of Education		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 11,680,488	\$ 4,630,993	\$ 2,174,512	\$ 708,643	\$ 13,855,000	\$ 5,339,636
2020	11,977,559	4,359,801	2,107,441	656,367	14,085,000	5,016,168
2021	12,264,990	4,067,681	1,850,010	611,229	14,115,000	4,678,910
2022	12,568,808	3,777,147	1,871,192	569,268	14,440,000	4,346,415
2023	12,890,677	3,454,497	1,919,323	519,031	14,810,000	3,973,528
2024-2028	58,034,379	11,854,270	6,900,621	1,898,753	64,935,000	13,753,023
2029-2033	28,145,066	4,426,158	5,679,934	1,007,023	33,825,000	5,433,181
2034-2038	11,576,710	1,082,152	2,983,290	203,361	14,560,000	1,285,513
	<u>\$159,138,677</u>	<u>\$37,652,699</u>	<u>\$25,486,323</u>	<u>\$6,173,675</u>	<u>\$184,625,000</u>	<u>\$43,826,374</u>
Plus Unamortized Premiums					<u>2,372,187</u>	
Total School Revenue Bonds					<u>\$186,997,187</u>	

Note F--Capital Lease Obligations

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

Years Ending June 30	Amount
2019	\$ 978,416
2020	951,043
2021	805,620
2022	805,460
2023	782,287
2024-2028	<u>2,223,024</u>
Total	6,545,850
Less amounts representing interest	<u>678,497</u>
Present Value of Minimum Lease Payments	5,867,353
Capital lease obligations, due within one year	<u>(834,345)</u>
Capital lease obligations, due after one year	<u><u>\$ 5,033,008</u></u>
Leased assets under capital leases at June 30, 2018 consists of:	
School Buses	\$ 7,928,281
Less accumulated depreciation	<u>2,157,524</u>
Net property under capital lease	<u><u>\$ 5,770,757</u></u>

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

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 additional 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, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 256,512
2020	256,512
2021	256,512
2022	<u>148,368</u>
Total	<u>\$ 917,904</u>

Note H--On-Behalf Payments

For the year ended June 30, 2018, total payments of \$35,979,311 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, 2018, total payments of \$423,381 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>.

Continued

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

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.

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

	<u>Required Contribution</u>
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 <https://trs.ky.gov>.

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.

Continued

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

Note I--Retirement Plans--Continued

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.

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.

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

At June 30, 2018, 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	\$ 42,776,088
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>526,022,122</u>
	<u>\$ 568,798,210</u>

Continued

Kenton County School District

Notes to Financial Statements--Continued Year Ended June 30, 2017

Note I--Retirement Plans--Continued

The net pension liability for each plan was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.730802% percent.

For the year ended June 30, 2018, the District recognized pension expense of \$ 5,700,213 related to CERS and \$20,969,244 related to TRS. The District also recognized revenue of \$18,689,254 for TRS support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,056	\$ 1,085,840
Changes of assumptions	7,893,347	
Net difference between projected and actual earnings on pension plan investments	3,387,815	2,858,724
Changes in proportion and differences between District contributions and proportionate share of contributions	486,413	181,396
District contributions subsequent to the measurement date	2,722,919	
Total	<u>\$ 14,543,550</u>	<u>\$ 4,125,960</u>

An amount of \$2,722,919 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2019	\$3,301,397
2020	3,422,350
2021	1,520,191
2022	(549,268)

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note I--Retirement Plans--Continued

Actuarial assumptions--The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
Inflation	3.25%	3.00%
Projected Salary increases	4.00%	3.50 – 7.30%
Investment rate of return, net of investment expense and inflation	6.25%	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 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 BB to 2025 set forward two years for males and one 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.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note I--Retirement Plans--Continued

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	42.00%	4.40%
Non U.S. Equity	20.00%	5.30%
Fixed Income	16.00%	1.50%
High Yield Bonds	9.00%	3.60%
Real Estate	5.00%	4.40%
Private Equity	6.00%	6.70%
Cash	2.00%	1.50%
Total	100.0%	

Discount rate--For CERS, the discount rate used to measure the total pension liability was 6.25%. 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 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 4.49%. 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 2038 plan year.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note I--Retirement Plans--Continued

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	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 53,949,893	\$ 42,776,088	\$ 33,429,284
TRS	3.49%	4.49%	5.49%
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--Post Employment Benefits Other than Pensions

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.

County Employee Retirement System Non-Hazardous OPEB Plan

Employees whose positions do not require a degree beyond a high school diploma are provided OPEBs through CERS, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement System, an agency of the Commonwealth. The plan provides health insurance benefits to plan members. 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>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the CERS plans:

Continued

Note J--Post Employment Benefits Other than Pensions--Continued

Medical Insurance Plan

Plan description – Kentucky Revised Statute (“KRS”) Section 61.645 requires CERS to provide post-employment healthcare benefits to eligible members and dependents. The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (“OPEB”) plans for members that cover all regular full-time members employed in non-hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. 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.

Benefits provided--CERS health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. 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.

To be eligible for medical benefits, the member must have retired either for service or disability. The CERS Non-hazardous Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. For medical insurance purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before July 1, 2003
	Medical Benefit	Based on yrs of service and type of service KRS pays a percentage of the monthly contribution rate
	Participation date	July 1, 2003 - August 31, 2008
	Medical Benefit	At least 10 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Medical Benefit	At least 15 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually
Tier 3	Participation date	After December 31, 2013
	Medical Benefit	September 1, 2008 - December 31, 2013 At least 15 years of service \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

Note J--Post Employment Benefits Other than Pensions--Continued

Contributions – Required contributions by the employee are based on the following tier:

	<u>Required Contribution</u>
Tier 1	None
Tier 2	1%
Tier 3	1%

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the Kenton County School District reported a liability of \$14,691,620 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.730802 percent.

The amount recognized by the District as its proportionate share of the OPEB liability was \$14,691,620 for employees participating in CERS as of June 30, 2018.

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,405,504. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 40,805
Changes of assumptions	\$ 3,196,804	
Net difference between projected and actual earnings on pension plan investments		694,318
Changes in proportion and differences between District contributions and proportionate share of contributions		34,089
District contributions subsequent to the measurement date	871,263	
Total	<u>\$ 4,068,067</u>	<u>\$ 769,212</u>

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$871,263 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30:	
2019	\$ 417,691
2020	417,691
2021	417,691
2022	417,691
2023	591,271
Thereafter	165,555

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Discount Rate	5.84%
Municipal Bond Index Rate	3.56%
Investment Rate of Return	7.50%
Projected Salary increases	4.00%
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized
Healthcare trend rates:	
Under 65	7.50% at 1/1/2019 decreasing to 5.0% over a period of 5 years
Ages 65 and Older	5.50% at 1/1/2019 decreasing to 5.0% over a period of 2 years
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

Discount rate--For CERS, the discount rate used to measure the total OPEB liability was 5.84%. 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 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of CERS proportionate share of net OPEB 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:

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS discount rate	4.84%	5.84%	6.84%
District's proportionate share of net OPEB liability	\$ 18,694,272	\$ 14,691,620	\$ 11,360,784

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 11,269,229	\$ 14,691,620	\$ 19,140,527

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Teachers' Retirement System OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes ("KRS"). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The State reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. 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, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the Kenton County School District reported a liability of \$36,558,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 1.025238 percent.

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 TRS OPEB liability	\$ 36,558,000
Commonwealth's proportionate share of the TRS net OPEB liability associated with the District	<u>29,863,000</u>
	<u>\$ 66,421,000</u>

The amount recognized by the District as its proportionate share of the OPEB liability was \$36,558,000 for employees participating in TRS as of June 30, 2018.

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,588,758 and revenue of \$1,452,395 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments		\$ 471,000
District contributions subsequent to the measurement date	<u>\$ 1,823,421</u>	
Total	<u>\$ 1,823,421</u>	<u>\$ 471,000</u>

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,823,421 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30:		
2019	\$	(118)
2020		(118)
2021		(118)
2022		(118)

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Discount Rate	8.00%
Municipal Bond Index Rate	3.56%
Investment Rate of Return	8.00%
Single Equivalent Interest Rate	8.00%
Real Wage Growth	0.50%
Projected Salary increases	4.00%
Healthcare trend rates:	
Under 65	7.75% for FY 2018 decreasing to 5.0% by FY 2024
Ages 65 and Older	5.75% for FY 2018 at 1/1/2019 decreasing to 5.0% by FY 2021
Medicare Part B Premiums	0.00% for FY 2018 increasing to 5.00% by FY 2030
Mortality	RP-2000 Combined Mortality Table, projected to 2025 with Scale BB (set forward 2 years for males and 1 year for females)

TRS mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	5.10%
Fixed Income	9.00%	1.20%
High Yield Bonds	10.00%	4.30%
Real Estate	4.50%	4.00%
Private Equity	5.50%	6.60%
Cash	1.00%	0.50%
Other Categories *	10.00%	3.30%
Total	100.0%	

* Modeled as 50% High Yield and 50% Bank Loans

Discount rate – For TRS, the discount rate used to measure the total OPEB liability was 8.00%. 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 8.0%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of net OPEB 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>
TRS Discount Rate	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 42,540,850	\$36,558,000	\$31,528,750

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 30,593,750	\$36,558,000	\$43,861,400

OPEB plan fiduciary net position--Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

TRS Life Insurance Plan

TRS administers a Life Insurance Plan for eligible active and retired members per Kentucky Revised Statute 161.655. The TRS Life Insurance Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. The plan is entirely funded by the state. Changes to the Plan may be made by the TRS Board of Trustees and the General Assembly.

Benefit provided – The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable to the member's estate or to a party designated by the member.

Contributions – Three hundredths of one percent (.03%) of the gross payroll of participating members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District were as follows:

State's proportionate share of the OPEB liability - Life Insurance	\$ 400,000
District's proportionate share of the net OPEB Liability - Life Insurance	<u>-</u>
	<u>\$ 400,000</u>

For the year ended June 30, 2018, the District recognized revenue of \$19,851 for support provided by the state. At June 30, 2018 the District did not have any net OPEB liability, deferred outflows or deferred inflows related to the collective net OPEB liability for life insurance Benefits.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.50%, net of OPEB Plan Investment Expense, including inflation
Projected Salary Increases	3.50 - 7.20%, including inflation
Inflation Rate	3.00%
Real wage growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB Plan Investment Expense, including inflation

Continued

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018

Note J--Post Employment Benefits Other than Pensions--Continued

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The long-term expected rate of return on OPEB 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 OPEB 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' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long- Term Expected Real Rate of Return
U.S. Large Cap Equity	38.40%	4.30%
U.S. Small Cap Equity	2.60%	4.80%
Developed Int'l Equity	15.80%	5.20%
Emerging Markets Equity	4.20%	5.40%
Fixed Income - Inv Grade	16.00%	1.20%
Real Estate	6.00%	4.00%
Private Equity	7.00%	6.60%
High Yield	2.00%	4.30%
Other Additional Categories**	6.00%	3.30%
Cash	2.00%	0.50%
Total	100.0%	

** Modeled as 50% High Yield and 50% Bank Loans.

Continued

Note J--Post Employment Benefits Other than Pensions--Continued

Discount rate – The discount rate used to measure the State’s total OPEB liability for life insurance was 7.5%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

Note K--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.

Note L--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.

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

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

There are no funds of the District that currently have a deficit fund balance.

Note O--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 P--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	\$ 272,990
Operating	General	Debt service	Debt service	966,359
Operating	Capital Outlay	Debt service	Debt service	447,667
Operating	Capital Outlay	General Fund	Capital Funds Transfer	852,286
Operating	Building	Debt service	Debt service	14,649,079
Operating	Special Revenue	General Fund	Indirect Cost	53,254
Total				<u>\$ 17,241,635</u>

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2018**

Note Q--Commitments

The Construction Fund cash balance at June 30, 2018 was \$ 15,204,041. The District has contract and materials purchase commitments on active construction projects in the following amounts:

Twenhofel Bus Garage - Phase I	\$ 199,140
Energy Savings Project	5,707
Fort Wright Elementary School Renovation	1,495,608
Secure Vestibules II	432,936
Scott High School Phase IV	3,360,683
Whites Tower Mobile Unit	<u>8,500</u>
Total Construction Commitments	<u>\$ 5,502,574</u>

Note R--Change in Accounting Principle and Related Changes to Certain Beginning Balances

Effective July 1, 2017, the District was required to adopt Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("OPEB"). This statement requires reporting of the District's OPEB liability on the face of the financial statements and more extensive note disclosures and required supplementary information about OPEB liabilities. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$45,962,147 reduction in beginning net position on the Statement of Activities.

NOTE S--Recent GASB Pronouncements

The GASB has issued several reporting standards that will become effective for fiscal year 2019 and later years' financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations ("AROs").

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments.

Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the objective of this Statement is to improve the information that is disclosed in the notes to the financial statements related to debt.

Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources management focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

Note T--Subsequent Events

In preparing these financial statements, management of the Board has evaluated events and transactions for potential recognition or disclosure through November 14, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual

General Fund

June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Property taxes	\$ 34,937,648	\$ 37,160,290	\$ 37,660,748	\$ 500,458
Motor vehicle taxes	4,945,000	5,200,000	5,366,858	166,858
Utilities taxes	5,600,000	5,650,000	5,601,821	(48,179)
Tuition and fees	895,000	837,500	812,991	(24,509)
Earnings on investments	40,032	120,032	485,578	365,546
Other local revenues	623,665	1,071,395	1,392,575	321,180
State sources				
SEEK	43,007,937	42,385,276	42,940,946	555,670
On-behalf revenues			32,712,032	32,712,032
Restricted state revenues	474,866	511,500	516,305	4,805
Federal - indirect	250,000	250,000	258,277	8,277
Total Revenues	90,774,148	93,185,993	127,748,131	34,562,138
Expenditures				
Instruction	53,824,849	54,071,136	77,239,075	(23,167,939)
Support services:				
Student	6,306,485	6,387,381	9,135,420	(2,748,039)
Instruction staff	2,968,282	2,888,410	3,991,504	(1,103,094)
District administration	2,432,632	2,608,941	1,974,544	634,397
School administration	6,537,088	6,720,666	9,492,417	(2,771,751)
Business	1,462,843	1,992,015	2,508,354	(516,339)
Plant operation and maintenance	10,380,277	10,765,791	11,930,981	(1,165,190)
Student transportation	9,098,565	9,077,040	10,823,462	(1,746,422)
Community service activities	2,718	2,718	1,598	1,120
Debt service	831,213	831,213	831,213	
Contingency	8,554,865	11,851,981		11,851,981
Total Expenditures	102,399,817	107,197,292	127,928,568	(20,731,276)
Excess (deficit) of revenues over expenditures	(11,625,669)	(14,011,299)	(180,437)	(13,830,862)
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets			20,032	20,032
Proceeds from Bond Sale (Leases)			1,425,166	1,425,166
Operating transfers in	144,700	180,514	1,020,443	839,929
Operating transfers out	(1,321,483)	(1,254,398)	(1,239,349)	15,049
Total Other Financing Sources (Uses)	(1,176,783)	(1,073,884)	1,226,292	2,300,176
Net Change in Fund Balance	(12,802,452)	(15,085,183)	1,045,855	
Fund Balance, July 1, 2017			15,262,896	
Fund Balance, June 30, 2018	\$ (12,802,452)	\$ (15,085,183)	\$ 16,308,751	

See Independent Auditors' Report

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Budget and Actual
Special Revenue Fund
June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Other local revenues		\$ 100,469	\$ 78,260	\$ (22,209)
State sources				
Restricted state revenues	\$ 4,819,237	4,535,996	4,682,923	146,927
Federal - indirect	5,759,736	5,820,853	5,477,025	(343,828)
Total Revenues	<u>10,578,973</u>	<u>10,457,318</u>	<u>10,238,208</u>	<u>(219,110)</u>
Expenditures				
Instruction	7,575,306	7,354,793	7,146,166	208,627
Support services:				
Student	332,347	360,322	360,480	(158)
Instruction staff	813,822	954,728	1,375,983	(421,255)
School administration	244,363	323,430	273,920	49,510
Business				
Plant operation and maintenance				
Student transportation	315,901	225,733	159,124	66,609
Community service activities	1,044,304	1,127,443	1,046,720	80,723
Education Specific	512,930	331,054	95,551	235,503
Contingency				
Total Expenditures	<u>10,838,973</u>	<u>10,677,503</u>	<u>10,457,944</u>	<u>219,559</u>
Excess (deficit) of revenues over expenditures	<u>(260,000)</u>	<u>(220,185)</u>	<u>(219,736)</u>	<u>(449)</u>
Other Financing Sources (Uses)				
Operating transfers in	315,000	272,990	272,990	
Operating transfers out	(55,000)	(52,805)	(53,254)	449
Total Other Financing Sources (Uses)	<u>260,000</u>	<u>220,185</u>	<u>219,736</u>	<u>449</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2017	<u> </u>	<u> </u>	<u> </u>	
Fund Balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See Independent Auditors' Report

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

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2018

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
District's proportion of the net pension liability	0.7483600%	0.7137440%	0.7175922%	0.730802%
District's proportionate share of the net pension liability	\$ 24,280,000	\$ 30,687,590	\$ 35,331,499	\$ 42,776,088
District's covered employee payroll	\$ 16,656,667	\$ 16,968,535	\$ 17,847,065	\$ 18,445,837
Plan fiduciary net position as a percentage of the total pension liability	66.801030%	59.970000%	55.500000%	53.300000%

** 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's Proportionate Share of the Net Pension Liability

**Teachers Retirement System

Kenton County School District

June 30, 2018

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
District's proportion of the net pension liability	None	None	None	None
District's proportionate share of the net pension liability	\$0	\$0	\$0	\$0
Commonwealth's proportion of the net pension liability associated with the District	1.9568%	1.9559%	1.9466%	1.9495%
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>	<u>\$ 526,022,122</u>
Total	<u><u>\$ 402,114,109</u></u>	<u><u>\$ 455,140,342</u></u>	<u><u>\$ 574,248,216</u></u>	<u><u>\$ 526,022,122</u></u>
District's covered employee payroll	\$ 57,147,377	\$ 61,049,646	\$ 61,542,779	\$ 62,415,878
District's proportionate share of the net pension liability	None	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%	842.77%
Plan fiduciary net position as a percentage of the total pension liability	45.5907%	55.3000%	54.6000%	39.8300%

** 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

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2018

Last Ten Fiscal Years **

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Contractually required contributions	\$ 2,944,080	\$ 2,943,161	\$ 3,365,129	\$ 2,722,919
Contributions in relation to the contractually required contributions	<u>2,944,080</u>	<u>2,943,161</u>	<u>3,365,129</u>	<u>2,722,919</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,656,667	\$ 16,968,535	\$ 17,847,065	\$ 18,445,837
Contributions as a percentage of covered-employee payroll	17.675%	17.345%	18.855%	14.762%

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

Schedule of the District Contributions
 **Teachers Retirement System

Kenton County School District

June 30, 2018

Last Ten Fiscal Years **

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Contractually required contributions	\$ 1,285,651	\$ 2,252,504	\$ 2,238,476	\$ 456,568
Contributions in relation to the contractually required contributions	<u>1,285,651</u>	<u>2,252,504</u>	<u>2,238,476</u>	<u>456,568</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,147,377	\$ 61,049,646	\$ 61,542,779	\$ 62,415,878
Contributions as a percentage of covered-employee payroll	2.2497%	3.6896%	3.6373%	0.7315%

** 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's Proportionate Share of the Net OPEB Liability

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2018

	<u>2017-18</u>
District's proportion of the net OPEB liability	0.730802%
District's proportionate share of the net OPEB liability	\$ 14,691,620
District's covered employee payroll	\$ 18,537,507
Plan fiduciary net position as a percentage of the total pension liability	52.40%

** 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's Proportionate Share of the Net OPEB Liability
 **Teachers Retirement System

Kenton County School District

June 30, 2018

	<u>2017-18</u>
District's proportion of the net OPEB liability	1.025238%
District's proportionate share of the net OPEB liability	\$ 36,558,000
Commonwealth's proportion of the net OPEB liability associated with the District	0.837475%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>\$ 29,863,000</u>
Total	<u><u>\$ 66,421,000</u></u>
District's covered employee payroll	\$ 62,415,878
District's proportionate share of the net OPEB liability	\$ 36,558,000
Commonwealth's proportionate share of the net OPEB liability as a percentage of the District's covered payroll	47.85%
Plan fiduciary net position as a percentage of the total pension liability	21.18%

** 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 OPEB Contributions

**County Employees Retirement System Non-Hazardous

Kenton County School District

June 30, 2018

Last Ten Fiscal Years **

	<u>2017-18</u>
Contractually required contributions	\$ 871,263
Contributions in relation to the contractually required contributions	<u>871,263</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 18,537,507
Contributions as a percentage of covered-employee payroll	4.700%

** 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 OPEB Contributions

**Teachers Retirement System

Kenton County School District

June 30, 2018

Last Ten Fiscal Years **

	<u>2017-18</u>
Contractually required contributions	\$ 1,823,422
Contributions in relation to the contractually required contributions	<u>1,823,422</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered payroll	\$ 60,780,735
Contributions as a percentage of covered-employee payroll	3.0000%

** 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, 2018

	Dixie Heights High School	Scott High School	Simon Kenton High School	Kenton County Academies of Innovation and Technology	Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School
Assets							
Cash	\$89,505	\$100,702	\$302,029	\$2,233	\$53,001	\$116,083	\$29,400
Accounts Receivable			600				
Total Assets	\$89,505	\$100,702	\$302,629	\$2,233	\$53,001	\$116,083	\$29,400
Liabilities							
Accounts Payable			\$11,944				
Due to Student Groups							
	\$89,505	\$100,702	290,685	\$2,233	\$53,001	\$116,083	\$29,400
Total Liabilities	\$89,505	\$100,702	\$302,629	\$2,233	\$53,001	\$116,083	\$29,400

Continued

Kenton County School District
Combining Statement of Fiduciary Net Position--Continued
June 30, 2018

	Summit View Academy	Northern Kentucky Youth Development Center	Beechgrove Elementary	J.A. Caywood Elementary	Fort Wright Elementary	Kenton Elementary	Piner Elementary
Assets							
Cash	\$91,211	\$346	\$21,246	\$9,725	\$8,844	\$21,390	\$28,058
Accounts Receivable							
Total Assets	\$91,211	\$346	\$21,246	\$9,725	\$8,844	\$21,390	\$28,058
Liabilities							
Accounts Payable					\$539		
Due to Student Groups							
	\$91,211	\$346	\$21,246	\$9,725	8,305	\$21,390	\$28,058
Total Liabilities	\$91,211	\$346	\$21,246	\$9,725	\$8,844	\$21,390	\$28,058

Continued

Kenton County School District
Combining Statement of Fiduciary Net Position--Continued
June 30, 2018

	R.C. Hinsdale Elementary	River Ridge Elementary	Ryland Heights Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
Assets						
Cash	\$15,170	\$30,464	\$15,638	\$34,761	\$21,320	\$991,126
Accounts Receivable						600
Total Assets	\$15,170	\$30,464	\$15,638	\$34,761	\$21,320	\$991,726
Liabilities						
Accounts Payable					\$560	\$13,043
Due to Student Groups						
	\$15,170	\$30,464	\$15,638	\$34,761	20,760	978,683
Total Liabilities	\$15,170	\$30,464	\$15,638	\$34,761	\$21,320	\$991,726

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, 2018

	Dixie Heights High School	Scott High School	Simon Kenton High School	Kenton County Academies of Innovation and Technology	Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School
Revenues from student activities	\$ 333,049	\$ 266,104	\$ 675,448	\$ 20,166	\$ 150,020	\$ 244,231	\$ 70,304
Non-instructional expenses	314,223	265,374	640,934	18,184	135,240	238,729	81,374
Excess (deficit) of revenue over expenditures	18,826	730	34,514	1,982	14,780	5,502	(11,070)
Due to student groups, June 30, 2017	70,679	99,972	256,171	251	38,221	110,581	40,470
Due to student groups, June 30, 2018	\$ 89,505	\$ 100,702	\$ 290,685	\$ 2,233	\$ 53,001	\$ 116,083	\$ 29,400

Continued

Kenton County School District
Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds--Continued
Year Ended June 30, 2018

	Summit View Academy	Northern Kentucky Youth Development Center	Beechgrove Elementary	J.A. Caywood Elementary	Fort Wright Elementary	Kenton Elementary	Piner Elementary
Revenues from student activities	\$ 244,459		\$ 66,553	\$ 49,006	\$ 31,817	\$ 64,585	\$ 75,614
Non-instructional expenses	246,307	\$ 180	88,869	49,910	33,958	66,699	76,436
Excess (deficit) of revenue over expenditures	(1,848)	(180)	(22,316)	(904)	(2,141)	(2,114)	(822)
Due to student groups, June 30, 2017	93,059	526	43,562	10,629	10,446	23,504	28,880
Due to student groups, June 30, 2018	\$ 91,211	\$ 346	\$ 21,246	\$ 9,725	\$ 8,305	\$ 21,390	\$ 28,058

Continued

Kenton County School District
Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds--Continued
Year Ended June 30, 2018

	R.C. Hinsdale Elementary	River Ridge Elementary	Ryland Heights Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
Revenues from student activities	\$ 65,615	\$ 98,044	\$ 80,800	\$ 42,964	\$ 45,187	\$ 2,623,966
Non-instructional expenses	54,896	87,393	76,816	44,996	44,295	2,564,814
Excess (deficit) of revenue over expenditures	10,719	10,651	3,984	(2,032)	892	59,152
Due to student groups, June 30, 2017	4,451	19,813	11,654	36,793	19,868	919,530
Due to student groups, June 30, 2018	\$ 15,170	\$ 30,464	\$ 15,638	\$ 34,761	\$ 20,760	\$ 978,682

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, 2018

Activity	Due To Student Group June 30, 2017	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2018
Academic Team	\$ 259	\$ 332	\$ (590)		\$ 1
Admissions					
Admissions - Athletic					
AMC Competition		940	(941)	\$ 1	
Art Club	8	74	(100)	325	\$ 307
Athletics, General	5,257	129,125	(118,705)	(530)	15,147
Band	33				33
BETA Club	452	535			987
Bowling Fund Raising	22				22
Boys Golf Fund Raising	2				2
Brandon Stamm Mem Scholarship		800	(800)		
CBI - Community Based Edu	127	59	(90)		96
Cheerleading Fund Raising	21				21
Choir Club	111	1,889	(1,805)		195
Dalton Phillips Scholarship	500	1,000	(1,500)		
Dixie's Big Give		669	(669)		
Donations		2,305	(2,305)		
Drama Club	1,785	14,953	(11,519)		5,219
Drug Free Club	56		(45)		11
Faculty	434	996	(614)		816
Faculty Flower Fund	76	287	(240)		123
FBLA Club	89	6,441	(7,251)	796	75
FEA Club	6				6
Fees		60,207	(60,207)		
Football Fund Raising	26				26
Forensics Team	150	3,398	(3,518)		30
Gaming Club	46	83	(120)		9
German NHS	125	75	(70)		130
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	378		(179)		199
JC Ruf Scholarship(ADDED)		5,043	(5,000)		43
Jr Class Dance/Activities	12,546	18,825	(16,535)		14,836

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, 2018

Activity	Due To Student Group June 30, 2017	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2018
Mock Trial Team	117	15,087	(15,204)		-
NHS Club	169	4,835	(3,964)		1,040
Odyssey of the Mind Team	108	735	(500)		343
Other Dist/Stu Act Income		410	(410)		
S.T.L.P. Club	697				697
Scott Scholarship	538	13,477	(14,015)		
Social Norms Club	104				104
Softball Fundraising	74			530	604
Spanish NHS	918	625	(439)		1,104
Sr Class Dance/Activities	787	18,065	(16,964)	540	2,428
Student Council	7,227	13,504	(14,061)	(325)	6,345
Student Enrichment	26,934	9,664	(11,092)	(797)	24,709
Volleyball Fund Raising	170				170
Yearbook Club	4,234	2,620	(3,941)	(500)	2,413
Youth Service Center	1,182	5,991	(830)	(40)	6,303
Totals	\$ 70,679	\$ 333,049	\$ (314,223)	\$ -	\$ 89,505

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, 2018

Activity	Due To Student Group June 30, 2017	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2018
Academic Team	\$ 231	\$ 1,468	\$ (1,138)		\$ 561
Athletics	4,906	91,318	(91,752)	\$ 1,202	5,674
Athletics/Concession	1,675				1,675
Awareness Acceptance Al.	10				10
Fastpitch	1,047	8,976	(8,744)		1,279
Football	211		(211)		
Boys	7,926	3,040	(3,843)		7,123
Volleyball	831				831
Girls Soccer	5,258	4,459	(3,574)		6,143
Boys Golf	1,220	5	(77)		1,148
Cross Country	1,826	3,069	(2,813)		2,082
Girls Golf	155	8	(77)		86
Wrestling	2			(2)	
Girls Basketball	2,422	10,407	(10,257)		2,572
Swimming & Diving	699	7,561	(5,041)	(1,200)	2,019
Boys Tennis	877				877
Boys Track	302	728	(25)		1,005
Girls Tennis	96				96
Bowling	126				126
Girls Track	717				717
Dance Team	924				924
Archery	509	4,434	(3,556)		1,387
Class of 2017	4,325		(4,325)		
Class of 2018	11,732	6,825	(13,748)	1,600	6,409
Class of 2019	821	17,577	(16,184)	2,000	4,214
Class of 2020	1,411	2,756	(4,154)	1,500	1,513
Class of 2021			(402)	1,600	1,198
CBI	225	2,732	(2,418)		539
Creative Writing Club	564				564
Drama	2,098	9,244	(8,173)		3,169
Fund 21/Ath. Admissions	653	22,941	(23,594)		
Fund 21/Student Fees	30	10,957	(10,987)		
Fund 21/Donations		125	(125)		
Fund 21/Other Student Act.		2,969	(2,969)		
Family Assistance	1,896	36	(472)		1,460
Fellowship Christian Students	14	116	(116)		14

Continued

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -
Scott High School--Continued
Year Ended June 30, 2018

Activity	Due To Student Group June 30, 2017	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2018
Flower Fund	90	15	(70)		35
Forensics	338	937	(701)		574
French Honor Society	251				251
German Club	288	320	(803)	293	98
German National Honor Society	41				41
Janie Fund	631				631
Key Club	460	52	(510)		2
Junior Statesman	1,972	6,787	(7,414)		1,345
Math Club	15				15
Military Academy		723	(613)		110
National Art HS	540	70	(30)		580
National Honor Society	279	480	(119)		640
Public Relations Club		1,702	(468)	(1,234)	(0)
Field Trips	3,582	1,515	(1,363)		3,734
Scott Student Support	322	11,030	(12,976)	4,386	2,762
Scott Swimming Pool		1,898	(1,898)		-
SHS Scholarship Fund	22,869	13,477	(13,475)		22,871
SHS Teacher Scholarship	1,229				1,229
NHHS	117	410	(169)	(293)	65
Student Council	9,020	13,665	(5,815)	(9,852)	7,018
STLP	297				297
Summer School	125	175			300
Teacher Support	1,767	1,097	(175)		2,689
Totals	\$ 99,972	\$ 266,104	\$ (265,374)	\$ -	\$ 100,702

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, 2018

Activity	Due To Student Group June 30, 2017	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2018
Academic Team		\$ 810	\$ (2,752)	\$ 1,942	
Art Club	\$ 10	287	(33)		\$ 264
Athletic	10,344	156,921	(153,337)	4,909	18,837
Spirit Shop	8,486	3,604	(7,152)	(806)	4,132
Bridge Club	162	2,643	(1,643)	(25)	1,137
Choir Club	1,148	8,161	(8,352)	(100)	857
Class of 2020	754	4,793	(2,940)	(832)	1,775
Class of 2021		22	(32)	807	797
Class of 2018	951	40,455	(47,889)	6,483	
Class of 2019	1,366	78	(119)		1,325
Community Based Class	3,133	2,080	(2,132)		3,081
Community Based Transport	1,253				1,253
Deb Fehler Memorial		425			425
Drama Club	2,778	4,360	(3,815)		3,323
Energy Wise	2,777			(2,777)	
Entrepreneurship					
Farmers Market	553		(500)	(53)	
Field Trips	2,370	7,779	(7,850)		2,299
Fine Arts Support Fund	3,146	1,010	(1,515)		2,641
Fire Fund	27,100				27,100
French Club	8	41			49
Freshman Academy	7,000	4,460	(3,930)	(100)	7,430
Pioneer Pride	2,147	3,302	(1,977)	(965)	2,507
FBLA		1,617	(1,459)	(106)	52
Future Farmers of America	997	18,740	(15,207)	25	4,555
General (Faculty Fund)	4,132	1,173	(1,025)	(20)	4,260
Greenhouse	7,141		(186)		6,955
Janie Fund	255		(222)	(33)	
Knit/Crochet Club	25			(25)	
Nat'l Art Honor Society		298	(286)		12
NHS	2,035	3,847	(3,546)	(575)	1,761
Odyssey of the Mind		3,130	(3,330)	200	
Science Club		1,376	(1,099)	(65)	212
Robert Roden Scholarship	400				400
Scholarship	16,513	2,900	(3,400)		16,013
Scott Scholarship	33,988	13,477	(9,802)		37,663
Strides for Stephanie		7,221			7,221

Continued

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups -
Simon Kenton High School--Continued
Year Ended June 30, 2018

Activity	Due To Student Group June 30, 2017	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2018
Homecoming	15,725	13,770	(7,131)	(425)	21,939
Spanish Club	23	310	(214)	(25)	94
Summer School	403	1,105	(176)		1,332
Student Incentives	7,690	19,132	(11,579)	(8,210)	7,033
AP Testing Fund	19,820	1,532	(1,650)	(1,485)	18,217
Val's VIP's	259		(259)		
Yearbook	5,444		(801)	(194)	4,449
Youth Service Center	5,202	3,960	(3,835)	826	6,153
Archery Team	6,259	5,591	(6,854)	(25)	4,971
Baseball	3,403	41,176	(35,728)	(2,080)	6,771
Bass Fishing Team	1,061	4,588	(3,410)		2,239
Bowling Team	4,392	2,923	(3,305)	(25)	3,985
Basketball - Boys	10,440	54,823	(48,599)	(1,460)	15,204
Basketball - Girls	3,503	18,032	(16,724)	(25)	4,786
Cheerleading	2,616	29,092	(30,490)	(1,218)	
Cross Country	434	7,378	(3,364)	(195)	4,253
Dance Team	649	4,099	(4,166)		582
Doc Morris		9,563	(9,563)		
Football	3,812	40,955	(36,764)		8,003
Golf - Boys		2,827	(2,702)	(125)	
Golf - Girls	725	470	(610)		585
Hall of Fame	17,669		(2,103)		15,566
Soccer - Boys	1,131		(257)		874
Soccer - Girls	250	1,477	(1,363)		364
Softball	2,663	4,880	(3,557)		3,986
Swimming	1,128	4,334	(5,296)		166
Tennis - Boys & Girls	145	3,150	(2,992)		303
Tennis - Girls	350	220	(212)		358
Adaptive Track	3	12,597	(12,634)	170	136
Track - Boys & Girls		137	(137)		
Fund 21 - Admissions		17,753	(17,753)		
Fund 21-Ath Donations		49,578	(56,190)	6,612	
Fund 21-Other Dist					
-Stu Ac		24,986	(24,986)		
Totals	\$ 256,171	\$ 675,448	\$ (640,934)	\$ -	\$ 290,685

See Independent Auditors' Report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster				
National School Lunch Program	10.555	7750002		\$ 2,692,789
National School Lunch Program - Food Commodities	10.555	7750002		361,773
School Breakfast Program	10.553	7760005		705,921
Summer Food Service Program	10.559	7740023		41,967
Total Child Nutrition Cluster				<u>3,802,450</u>
Total U.S. Department of Agriculture passed through Kentucky Department of Education				<u><u>\$ 3,802,450</u></u>
U.S. Department of Education				
Title I Grants to Local Educational Agencies	84.010A	3100002 - 17		\$ 268,980
Title I Grants to Local Educational Agencies	84.010A	3100002 - 18		<u>1,601,970</u>
Program Total				1,870,950
Career and Technical Education - Basic Grants to States	84.048	4621132 - 17		6,555
Career and Technical Education - Basic Grants to States	84.048	4621132 - 18		<u>125,791</u>
Program Total				132,346
Title I State Agency Program for Neglected and Delinquent Children & Youth	84.013	313C		6,445
Title I State Agency Program for Neglected and Delinquent Children & Youth	84.013	313D		<u>7,192</u>
Program Total				13,637

Continued

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
Special Education Cluster (IDEA)				
Special Education Preschool Grants (IDEA Preschool)	84.173A	3800002 -17		3,653
Special Education Preschool Grants (IDEA Preschool)	84.173A	3800002 -18		107,460
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 17		478,408
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 18		<u>2,427,771</u>
Total Special Education Cluster (IDEA)				3,017,292
Supporting Effective Instruction State Grants	84.367A	3230002 - 17		4,894
Supporting Effective Instruction State Grants	84.367A	3230002 - 18		<u>387,353</u>
Program Total				392,247
English Language Acquisition State Grants	84.365A	3300002 - 17		<u>50,553</u>
Total U.S. Department of Education passed through Kentucky Department of Education				<u><u>\$ 5,477,025</u></u>
Total Federal Expenditures			<u><u>\$ -</u></u>	<u><u>\$ 9,279,475</u></u>

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, 2018

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, 2018 the District received \$361,773 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, 2018, 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, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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.

A handwritten signature in black ink that reads "Strothman and Company". The script is cursive and fluid, with a horizontal line extending from the end of the word "Company".

Louisville, Kentucky
November 14, 2018

**Independent Auditors' Report on Compliance for Each Major
Federal Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of
Federal Awards as Required by the Uniform Guidance**



Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards 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 its major federal program for the year ended June 30, 2018. The District's major federal program is 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 the 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 its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 its 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, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 14, 2018, 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, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs

Kenton County School District

Year Ended June 30, 2018

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 program are reported.
5. The auditors' report on compliance for the major federal program 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:

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number
U.S. Department of Education	
Special Education Cluster (IDEA)	
Special Education Preschool Grants (IDEA Preschool)	84.173A
Special Education - Grants to States (IDEA, Part B)	84.027A

8. The threshold used for distinguishing Type A programs was \$750,000.
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, 2018

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, 2018

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.