

***OWENSBORO INDEPENDENT SCHOOL DISTRICT***

***BASIC FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION***

***Year Ended June 30, 2022***

***(With Independent Auditor's Report Thereon)***

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Owensboro Independent School District  
Owensboro, Kentucky

Kentucky State Committee for School District Audits  
Frankfort, Kentucky

**Report on the Financial Statements**

***Opinions***

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 Owensboro Independent School District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

***Auditor's Responsibilities for the Audit of the Financial Statements, Continued***

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the budgetary comparison schedules on pages 56-57, and the pension and other postemployment benefits schedules on pages 58-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary 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 accompanying nonmajor governmental funds combining financial statements, the school activity fund schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 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 nonmajor governmental funds combining financial statements, the school activity fund schedules, 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 December 12, 2022, 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 solely 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 the effectiveness of the District's 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.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2022**

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As management of the Owensboro Independent 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, 2022. We encourage readers to consider the information presented in Management's Discussion and Analysis (MD&A) in conjunction with the basic financial statements.

**Financial Highlights**

- The beginning General Fund balance at July 1, 2021 for the District was \$18,383,519. The final ending General Fund balance at June 30, 2022 was \$20,656,716.
- Various construction projects are in progress, including elementary school renovations and additions.
- The Commonwealth of Kentucky makes payments on behalf of the District for the Teachers' Retirement System of the State of Kentucky (TRS), Kentucky Public Pensions Authority (County Employees Retirement System), health insurance premiums, life insurance premiums, administration fees, technology network cost and bond payments contributed by the Kentucky School Facilities Construction Commission (Commission). The state's contribution for on-behalf payments is included in both the District's revenues and expenditures. The on-behalf expenditures are recorded within the appropriate funds and functions. The amount contributed for the fiscal year ended June 30, 2022 was \$15,716,206 which was an increase of \$425,847 over the previous fiscal year

**Overview of the Financial Statements**

This MD&A is intended to provide an overview of the District's financial statements and performance. The basic financial statements and related notes follow the MD&A and are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. Lastly, required and other supplemental information is presented. These statements are organized so the reader can understand Owensboro Independent School District as an entire financial operating entity.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements consist of the *Statement of Net Position* and the *Statement of Activities*. These statements report information on the District as a whole and include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

The District's net position and change in net position are reported on these two statements. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has either improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's education funding formula, *Support Educational Excellence in Kentucky (SEEK)* and its adjustments, the District's property tax base, required educational programs and other factors.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

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**Overview of the Financial Statements, continued**

**Government-Wide Financial Statements, continued**

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, plant operation and maintenance, pupil transportation and extra-curricular activities. These programs and services are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These activities are the Food Service and After-School Day Care Program. Both Food Service and Day Care receive funding through program fees, as well as state and federal grants.

The government-wide financial statements can be found on pages 12 through 13 of this report.

**Fund Financial Statements**

The Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. 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. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds.

***Governmental Funds*** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that is available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there is an increase or decrease in financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* reported in the *Statement of Net Position* and the *Statement of Activities* and governmental *funds* is reconciled in the financial statements. The major governmental funds for the Owensboro Independent School District are the General Fund, Special Revenue Fund and Construction Fund.

***Proprietary Funds*** – Proprietary funds use the same basis of accounting as business-type activities. These funds operate like businesses with sales of goods and services. The District's School Food Service Fund for food operations and Day Care Fund for after school day care operations are reported as proprietary or business-type activities.

The fund financial statements can be found on pages 14 through 20 of this report.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

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**Overview of the Financial Statements, continued**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

**District-Wide Financial Analysis**

Net position may serve over time as a useful indicator of the District's financial position. The net position of the District shows total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$17,010,841 as of June 30, 2022. This was an increase of \$4,438,600 over the previous fiscal year.

The largest portion of the District's net position is reflected 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 debt used to acquire those assets that is still outstanding. 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 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 District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, the depreciation of capital assets and net pension obligations.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

**Government-Wide Statement of Net Position**

	Governmental Activities		Business-Type Activities		District Total		Total District Percentage Change
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2022
	<b>Assets</b>						
Current and other assets	\$ 40,532,563	\$ 35,402,204	\$ 999,879	\$ 2,060,967	\$ 41,532,442	\$ 37,463,171	-9.8%
Capital assets, net	83,830,707	89,055,175	610,163	515,636	84,440,870	89,570,811	6.1%
<b>Total Assets</b>	<u>124,363,270</u>	<u>124,457,379</u>	<u>1,610,042</u>	<u>2,576,603</u>	<u>125,973,312</u>	<u>127,033,982</u>	<b>0.8%</b>
<b>Deferred Outflows of Resources</b>							
Related to pension & other postemployment benefit liabilities	9,236,595	9,262,451	1,227,979	1,036,838	10,464,574	10,299,289	-1.6%
Bond deferrals on refunding	880,403	752,498	-	-	880,403	752,498	-14.5%
<b>Outflows</b>	<u>10,116,998</u>	<u>10,014,949</u>	<u>1,227,979</u>	<u>1,036,838</u>	<u>11,344,977</u>	<u>11,051,787</u>	<b>-2.6%</b>
<b>Deferred Outflows of Resources</b>	<u>\$ 134,480,268</u>	<u>\$134,472,328</u>	<u>\$ 2,838,021</u>	<u>\$ 3,613,441</u>	<u>\$137,318,289</u>	<u>\$138,085,769</u>	<b>0.6%</b>
<b>Liabilities</b>							
Long term liabilities	\$ 104,853,700	\$ 97,962,204	\$ 4,891,021	\$ 4,219,439	\$109,744,721	\$102,181,643	-6.9%
Other liabilities (current)	8,903,155	6,562,602	35,685	115,026	8,938,840	6,677,628	-25.3%
<b>Total Liabilities</b>	<u>113,756,855</u>	<u>104,524,806</u>	<u>4,926,706</u>	<u>4,334,465</u>	<u>118,683,561</u>	<u>108,859,271</u>	<b>-8.3%</b>
<b>Deferred Inflows of Resources</b>							
Related to pension & other postemployment benefits liabilities	5,796,324	11,424,632	266,163	791,025	6,062,487	12,215,657	101.5%
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>119,553,179</u>	<u>115,949,438</u>	<u>5,192,869</u>	<u>5,125,490</u>	<u>124,746,048</u>	<u>121,074,928</u>	<b>-2.9%</b>
<b>Net Position</b>							
Net investment in capital assets	19,357,219	25,263,902	610,163	515,636	19,967,382	25,779,538	29.1%
Restricted	13,125,568	8,482,113	-	-	13,125,568	8,482,113	-35.4%
Unrestricted	(17,555,698)	(15,223,125)	(2,965,011)	(2,027,685)	(20,520,709)	(17,250,810)	-15.9%
<b>Total Net Position</b>	<u>14,927,089</u>	<u>18,522,890</u>	<u>(2,354,848)</u>	<u>(1,512,049)</u>	<u>12,572,241</u>	<u>17,010,841</u>	<b>35.3%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net</b>	<u>\$ 134,480,268</u>	<u>\$134,472,328</u>	<u>\$ 2,838,021</u>	<u>\$ 3,613,441</u>	<u>\$137,318,289</u>	<u>\$138,085,769</u>	<b>0.6%</b>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

**Government-Wide Revenues and Expenditures**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>District Total</u>		<u>Total District % Change</u>
	<u>FY2021</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2022</u>
<b>Revenues</b>							
Charges for Services	\$ 925,053	\$ 1,342,293	\$ 27,639	\$ 117,435	\$ 952,692	\$ 1,459,728	53.2%
Operating Grants and Contributions	11,651,736	18,262,798	2,920,581	5,090,047	14,572,317	23,352,845	60.3%
Capital Grants and Contributions	2,391,564	2,528,866	-	-	2,391,564	2,528,866	5.7%
Property Tax	14,819,142	15,310,315	-	-	14,819,142	15,310,315	3.3%
Utilities Tax	2,169,827	2,240,511	-	-	2,169,827	2,240,511	3.3%
State and Formula Grants	19,756,019	21,505,095	-	-	19,756,019	21,505,095	8.9%
State On-Behalf Payments	15,051,864	15,470,787	238,495	245,419	15,290,359	15,716,206	2.8%
Interest income	142,645	213,898	3,588	6,813	146,233	220,711	50.9%
Gain/Loss on Disposition of Capital Assets	4,509	3,101	(174)	(2,092)	4,335	1,009	-76.7%
Miscellaneous	306,068	218,106	-	-	306,068	218,106	-28.7%
Transfers	203,188	217,214	(203,188)	(217,214)	-	-	0.0%
<b>Total Revenues</b>	<b>67,421,615</b>	<b>77,312,984</b>	<b>2,986,941</b>	<b>5,240,408</b>	<b>70,408,556</b>	<b>82,553,392</b>	<b>17.2%</b>
<b>Expenses</b>							
Instruction	42,965,558	47,396,023	-	-	42,965,558	47,396,023	10.3%
Student Support Services	3,995,124	4,193,010	-	-	3,995,124	4,193,010	5.0%
Instructional Staff Support Services	3,481,713	4,075,523	-	-	3,481,713	4,075,523	17.1%
District Administration	1,521,168	1,553,254	-	-	1,521,168	1,553,254	2.1%
School Administration	3,819,275	4,229,271	-	-	3,819,275	4,229,271	10.7%
Business	2,188,994	2,493,379	-	-	2,188,994	2,493,379	13.9%
Plant Operations & Maintenance	4,478,800	4,581,046	-	-	4,478,800	4,581,046	2.3%
Student Transportation	2,511,797	2,355,730	-	-	2,511,797	2,355,730	-6.2%
Community Services	550,505	578,415	-	-	550,505	578,415	5.1%
Day Care Program	19,177	-	124,280	57,640	143,457	57,640	-59.8%
Building renovations	-	41,730	-	-	-	41,730	100.0%
Interest on Long-term Debt	1,427,143	2,219,802	-	-	1,427,143	2,219,802	55.5%
Food Service	-	-	3,689,947	4,339,969	3,689,947	4,339,969	17.6%
<b>Total Expenses</b>	<b>66,959,254</b>	<b>73,717,183</b>	<b>3,814,227</b>	<b>4,397,609</b>	<b>70,773,481</b>	<b>78,114,792</b>	<b>10.4%</b>
<b>Change in net position</b>	<b>462,361</b>	<b>3,595,801</b>	<b>(827,286)</b>	<b>842,799</b>	<b>(364,925)</b>	<b>4,438,600</b>	
<b>Net position, beginning of year</b>	<b>14,464,728</b>	<b>14,927,089</b>	<b>(1,527,562)</b>	<b>(2,354,848)</b>	<b>12,937,166</b>	<b>12,572,241</b>	
<b>Net position, end of year</b>	<b>\$ 14,927,089</b>	<b>\$ 18,522,890</b>	<b>\$ (2,354,848)</b>	<b>\$ (1,512,049)</b>	<b>\$ 12,572,241</b>	<b>\$ 17,010,841</b>	

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

**Governmental Activities**

State and formula grants and on-behalf payments represented 45.1% of the government-wide revenues; operating and capital grants and contributions provided 31.4%; property taxes provided 18.5%; and utilities taxes provided 2.7%; and other revenue provided 2.3%. Instruction, Instructional Staff Support, and Student Support Services comprised the majority of government-wide program expenses and accounted for 71.3% of the total expenses, plant operations and maintenance represented 5.9% of the total expenses, and student transportation was 3.0% of total expenses.

**Business-Type Activities**

The business type activities of the District include the Food Service Program and the After School Day Care Program.

The Food Service Program has met the requirements for the USDA federal program, Community Eligibility Provision, which allows the District to serve one eligible breakfast meal and one eligible lunch meal to all students at no cost to the student. The District also provides after school day care programs for students on a fee basis. The revenues for these business-type activities exceeded expenses by \$842,799 for FY 2022. Revenues included charges for services totaling \$117,435, state and federal grants and on-behalf payments totaling \$5,335,466 and other revenue of \$4,721. During FY 2022, indirect costs of \$217,214 were transferred to the General Fund from the Food Service Program.

**The District's Funds**

Information on the District's major funds begin on page 14. The table below is an analysis of the District's fund balances.

<b>Changes in June 30 Fund Balances</b>			<b>Amount of</b>	<b>Percent of</b>
	<b>FY 2021</b>	<b>FY 2022</b>	<b>Change</b>	<b>Change</b>
General Fund	\$ 18,383,519	\$ 20,656,716	\$ 2,273,197	12.4%
Special Revenue Fund	-	93,473	93,473	-
School Activity Fund	435,106	526,505	91,399	21.0%
Construction Fund	10,349,368	5,263,444	(5,085,924)	-49.1%
SEEK Capital Outlay Fund	462,267	203,353	(258,914)	-56.0%
FSPK Building Fund	1,878,827	2,395,338	516,511	27.5%
<b>Total Governmental Funds</b>	<b>\$ 31,509,087</b>	<b>\$ 29,138,829</b>	<b>\$ (2,370,258)</b>	
Food Service Fund	\$ (2,079,102)	\$ (1,254,145)	\$ 824,957	-39.7%
Day Care Fund	(275,746)	(257,904)	17,842	-6.5%
<b>Total Proprietary Funds</b>	<b>\$ (2,354,848)</b>	<b>\$ (1,512,049)</b>	<b>\$ 842,799</b>	

- The Fund Balance in the General Fund increased primarily due to encumbered funds of \$1,390,338 at June 30, 2022, compared to \$431,768 at June 30, 2021. The other primary reason for this increase is indirect costs earned on federal programs.
- The Fund Balance in the Construction Fund decreased from the previous year primarily due to expenditures for the Cravens renovation and addition project.
- The deficit in the Food Service Fund Balance decreased due to increased rates and sales for FY 2022.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Summary of Capital Assets**

At June 30, 2022, the District has invested \$89,570,811 in net capital assets for both governmental and business-type activities. This included land, school buildings, athletic facilities, maintenance facilities, administrative offices, technology and other equipment, furniture and vehicles. The cumulative total cost of assets was \$128,630,590 with accumulated depreciation of \$39,059,779. The net investment in capital assets is summarized in the following chart.

	Governmental Activities		Business-Type Activities		District Total		Total District % Change
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2022
Land & Improvements	\$ 8,238,615	\$ 7,983,453	\$ 9,792	\$ 8,780	\$ 8,248,407	\$ 7,992,233	-3.1%
Construction in Progress	29,014,104	10,470,100	-	-	29,014,104	10,470,100	-63.9%
Buildings and Improvements	44,722,117	68,857,985	3,204	2,935	44,725,321	68,860,920	54.0%
Equipment, Furniture & Vehicles	1,855,871	1,743,637	597,167	503,921	2,453,038	2,247,558	-8.4%
<b>Total Assets</b>	<b>\$83,830,707</b>	<b>\$89,055,175</b>	<b>\$ 610,163</b>	<b>\$ 515,636</b>	<b>\$84,440,870</b>	<b>\$89,570,811</b>	<b>6.1%</b>

**Long-Term Debt**

At June 30, 2022, the District had \$64,615,000 in general obligation bonds outstanding (including the Kentucky School Facilities Construction Commission portion). The net decrease of these general obligation bonds was \$770,000, which was the net of principal retirements and new bond issuance. The total principal and interest bond payments due from the District for next fiscal year is \$4,187,681 and from the Kentucky School Facility Construction Commission is \$430,227.

General Obligation Bonds	FY 2021	FY 2022
Series 2012R (Partial Refinancing 2004)	430,000	290,000
Series 2015 Sutton	5,650,000	5,540,000
Series 2016 (Partial Refinancing 2008)	13,360,000	11,810,000
Series 2017 Newton Parrish	7,110,000	7,000,000
Series 2019 Innovation Campus Renovation	12,850,000	12,635,000
Series 2020 Guaranteed Energy Savings	13,045,000	12,835,000
Series 2021 Cravens	12,940,000	12,600,000
Series 2022 Sutton	-	1,905,000
<b>Total</b>	<b>\$ 65,385,000</b>	<b>\$ 64,615,000</b>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

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**BUDGETARY IMPLICATIONS**

It is important that the District continue to budget conservatively. The District received 68.3% of its General Fund revenue for FY 2022 through state funding (which includes SEEK state funds). If the state does not receive their anticipated revenue from taxing sources during the fiscal year, the State may make an adjustment to SEEK funding. The District should always be prepared for such reductions in funding.

Approximately 31.0% of the General Fund revenue is from local revenue. Property taxes provide 81.9% of the local revenue. The major portion of the property tax revenue does not come to the District until the fifth through seventh months of the fiscal year. This means the General Fund's beginning Fund Balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year.

By Kentucky Statute the budget must include a minimum 2% contingency. The District adopted a budget with \$3,000,000 in contingency (4.3% of total revised budget). The beginning General Fund balance for fiscal year 2022 was \$18,383,519. Significant Board actions that impacted finances for this year included a 1% pay raise for all classified and certified employees, construction projects, spending toward instructional and technology programs, COVID-19 expenses and revenue, and General Fund matching dollars for other grants.

The District currently receives funds from various federal, state and local grants. Most of these grants are funded on a reimbursement basis. This requires the District to pay the expenses of the grant and then apply for reimbursement. The District must maintain a sufficient cash balance in order to pay the expenses of these grants while waiting for reimbursements.

**DISTRICT CHALLENGES FOR THE FUTURE**

Several challenges face Owensboro Independent School District as we look toward the future. The District relies on federal and state funds for various programs. Continued budget concerns at the federal and state level put these funds at risk. Meeting state mandates that are not funded or only partially funded continues to be a challenge.

Kentucky's Every Student Succeeds Act established academic accountability goals for the District. The primary goal is to employ quality teachers and support staff, provide enriching and relevant professional learning for all employees, maintain competitive salary schedules to attract and retain skilled leadership, and encourage teachers to pursue the National Board Certification. Pension reform discussions at the state level have caused concerns about future teacher recruitment and retention.

The District makes a major annual financial commitment in order to maintain our current and aging facilities. Each year the District budgets a portion of the General Fund revenues and utilizes Capital Outlay funds for maintenance items. These budgets help the District provide funds for any unforeseen major facility repairs, maintain our current facilities, and construct required facilities which are not large enough to require a bond sale.

The District receives funding through the SEEK formula based on the average daily student attendance. Due to city property boundaries, there are a limited number of new homes constructed within the District which, in turn, limits student population growth. It is vital that our schools have high attendance

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2022**

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**DISTRICT CHALLENGES FOR THE FUTURE, continued**

percentages and that parents and students continue to choose Owensboro Independent School District. To address this challenge, the District seeks to maintain excellence and emphasize our service to the public.

We join with all other school districts in the nation as we tackle post-pandemic academic and mental health issues from both students and staff. While the special ESSER government funds have been extremely useful in assisting our intervention plans for both academics and behavior, these funds are sunsetting within the next year. The challenge we face now is to implement strategies to reduce all the gaps as indicated by state assessments this year. Also, we continue to provide resources to manage student behavior and mental health issues. This must now be done with pre-pandemic funding. Assessments indicate we have much ground to cover. Our school district recently completed a 5-year strategic plan that includes many initiatives to ensure that students become the best version of themselves, supported by high-functioning staff, families, and community.

With careful planning and monitoring of our finances, the goal of Owensboro Independent School District is to continue to provide a quality education for our students and a secure financial future for our school district.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the finances of the Owensboro Independent School District and to reflect the District's accountability for the funds it receives. Questions regarding this report should be directed to:

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OPS Website: <http://owensboro.kyschools.us>



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,179,572	\$ 1,422,401	\$ 33,601,973
Accounts receivable:			
Taxes	750,038	-	750,038
Other	93,907	1,790	95,697
Due from other governments	2,268,888	616,711	2,885,599
Inventory	42,626	20,065	62,691
Prepaid expenses	67,173	-	67,173
Capital assets, net	89,055,175	515,636	89,570,811
<b>Total assets</b>	<b>124,457,379</b>	<b>2,576,603</b>	<b>127,033,982</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	752,498	-	752,498
Pension deferred outflows	2,454,057	529,585	2,983,642
Other postemployment benefits deferred outflows	6,808,394	507,253	7,315,647
<b>Total deferred outflows of resources</b>	<b>10,014,949</b>	<b>1,036,838</b>	<b>11,051,787</b>
<b>LIABILITIES</b>			
Accounts payable	1,502,527	4,044	1,506,571
Accrued salaries and benefits	2,166,055	-	2,166,055
Payroll withholdings	1,807,733	-	1,807,733
Accrued interest payable	552,680	-	552,680
Unearned revenue	533,607	110,982	644,589
Long-term liabilities:			
Due within one year	3,081,574	-	3,081,574
Due in more than one year	63,696,795	-	63,696,795
Other liabilities due in more than one year:			
Net pension liability	16,962,468	3,190,048	20,152,516
Net other postemployment benefits liabilities	14,221,367	1,029,391	15,250,758
<b>Total liabilities</b>	<b>104,524,806</b>	<b>4,334,465</b>	<b>108,859,271</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferred inflows	2,504,586	377,001	2,881,587
Other postemployment benefits deferred inflows	8,920,046	414,024	9,334,070
<b>Total deferred inflows of resources</b>	<b>11,424,632</b>	<b>791,025</b>	<b>12,215,657</b>
<b>NET POSITION</b>			
Net investment in capital assets	25,263,902	515,636	25,779,538
Restricted for:			
Capital projects	7,862,135	-	7,862,135
Other	526,505	-	526,505
Technology	93,473	-	93,473
Unrestricted	(15,223,125)	(2,027,685)	(17,250,810)
<b>Total net position</b>	<b>\$ 18,522,890</b>	<b>\$ (1,512,049)</b>	<b>\$ 17,010,841</b>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$ 47,396,023	\$ 484,542	\$ 13,312,510	\$ -	\$ (33,598,971)		\$ (33,598,971)
Support services:							
Student	4,193,010	846,813	1,351,595	-	(1,994,602)		(1,994,602)
Instructional staff	4,075,523	-	1,918,348	-	(2,157,175)		(2,157,175)
District administration	1,553,254	-	171,391	-	(1,381,863)		(1,381,863)
School administration	4,229,271	-	397,129	-	(3,832,142)		(3,832,142)
Business	2,493,379	-	-	-	(2,493,379)		(2,493,379)
Plant operation and maintenance	4,581,046	1,500	262,348	-	(4,317,198)		(4,317,198)
Student transportation	2,355,730	9,438	274,447	-	(2,071,845)		(2,071,845)
Community services	578,415	-	575,030	-	(3,385)		(3,385)
Building renovations / additions	41,730	-	-	2,528,866	2,487,136		2,487,136
Interest on long-term liabilities	2,219,802	-	-	-	(2,219,802)		(2,219,802)
<b>Total governmental activities</b>	<b>73,717,183</b>	<b>1,342,293</b>	<b>18,262,798</b>	<b>2,528,866</b>	<b>(51,583,226)</b>		<b>(51,583,226)</b>
<b>Business-type activities:</b>							
Food service	4,339,969	45,625	5,090,047	-	-	\$ 795,703	795,703
Day care	57,640	71,810	-	-	-	14,170	14,170
<b>Total business-type activities</b>	<b>4,397,609</b>	<b>117,435</b>	<b>5,090,047</b>	<b>-</b>	<b>-</b>	<b>809,873</b>	<b>809,873</b>
<b>Total district</b>	<b>\$ 78,114,792</b>	<b>\$ 1,459,728</b>	<b>\$ 23,352,845</b>	<b>\$ 2,528,866</b>	<b>(51,583,226)</b>	<b>809,873</b>	<b>(50,773,353)</b>
<b>General revenues:</b>							
Property taxes					15,310,315	-	15,310,315
Utility taxes					2,240,511	-	2,240,511
State aid formula grants					21,505,095	-	21,505,095
On-behalf payments					15,470,787	245,419	15,716,206
Interest income					213,898	6,813	220,711
Gain (loss) on disposition of capital assets					3,101	(2,092)	1,009
Miscellaneous					218,106	-	218,106
Transfers					217,214	(217,214)	-
<b>Total general revenues and transfers</b>					<b>55,179,027</b>	<b>32,926</b>	<b>55,211,953</b>
<b>Change in net position</b>					<b>3,595,801</b>	<b>842,799</b>	<b>4,438,600</b>
<b>Net position, June 30, 2021</b>					<b>14,927,089</b>	<b>(2,354,848)</b>	<b>12,572,241</b>
<b>Net position, June 30, 2022</b>					<b>\$ 18,522,890</b>	<b>\$ (1,512,049)</b>	<b>\$ 17,010,841</b>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,570,610	\$ -	\$ 6,544,012	\$ 3,064,950	\$ 32,179,572
Accounts receivable:					
Taxes	750,038	-	-	-	750,038
Other	68,956	284	-	24,667	93,907
Due from other governments	31,135	2,237,753	-	-	2,268,888
Due from other funds	1,580,099	5,823	-	-	1,585,922
Inventory	-	-	-	42,626	42,626
Prepaid expenses	10,443	56,730	-	-	67,173
<b>Total assets</b>	<b>\$ 25,011,281</b>	<b>\$ 2,300,590</b>	<b>\$ 6,544,012</b>	<b>\$ 3,132,243</b>	<b>\$ 36,988,126</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 127,324	\$ 93,411	\$ 1,280,568	\$ 1,224	\$ 1,502,527
Due to other funds	-	1,580,099	-	5,823	1,585,922
Accrued salaries and benefits	2,166,055	-	-	-	2,166,055
Payroll withholdings	1,807,733	-	-	-	1,807,733
Unearned revenue	-	533,607	-	-	533,607
<b>Total liabilities</b>	<b>4,101,112</b>	<b>2,207,117</b>	<b>1,280,568</b>	<b>7,047</b>	<b>7,595,844</b>
Deferred inflows of resources:					
Unavailable revenue - delinquent property taxes	253,453	-	-	-	253,453
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	417,824	5,263,444	3,125,196	8,806,464
Committed	2,447,100	-	-	-	2,447,100
Assigned	1,390,338	-	-	-	1,390,338
Unassigned	16,819,278	(324,351)	-	-	16,494,927
<b>Total fund balances</b>	<b>20,656,716</b>	<b>93,473</b>	<b>5,263,444</b>	<b>3,125,196</b>	<b>29,138,829</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 25,011,281</b>	<b>\$ 2,300,590</b>	<b>\$ 6,544,012</b>	<b>\$ 3,132,243</b>	<b>\$ 36,988,126</b>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2022

Total fund balances - governmental funds	\$	29,138,829
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		89,055,175
Certain assets are not available to pay for current period expenditures:		
Taxes receivable		253,453
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	\$ (64,615,000)	
Issuance premiums	(144,058)	
Issuance discounts	215,287	
Deferred charges on refunding	752,498	
Compensated absences	(2,234,598)	
Net pension liability	(16,962,468)	
Net other postemployment benefits liabilities	(14,221,367)	
Accrued interest payable	<u>(552,680)</u>	(97,762,386)
Certain amounts related to the net pension and OPEB liabilities are not reported in the governmental funds, but are deferred in the statement of net position:		
Pension deferred outflows	\$ 2,454,057	
Pension deferred inflows	(2,504,586)	
Other postemployment benefits deferred outflows	6,808,394	
Other postemployment benefits deferred inflows	<u>(8,920,046)</u>	<u>(2,162,181)</u>
Net position of governmental activities	\$	<u><u>18,522,890</u></u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 13,655,842	\$ -	\$ -	\$ 1,771,772	\$ 15,427,614
Utility taxes	2,240,511	-	-	-	2,240,511
Tuition and fees	484,542	-	-	-	484,542
Interest income	166,463	-	47,435	-	213,898
Other local revenue	116,448	1,256,964	-	891,530	2,264,942
State aid	36,694,188	2,540,197	-	3,210,381	42,444,766
Federal aid	361,840	13,771,855	-	-	14,133,695
<b>Total revenues</b>	<u>53,719,834</u>	<u>17,569,016</u>	<u>47,435</u>	<u>5,873,683</u>	<u>77,209,968</u>
<b>Expenditures:</b>					
Instruction	32,561,606	12,909,495	-	684,895	46,155,996
Support services:					
Student	3,331,040	863,309	-	11,123	4,205,472
Instructional staff	2,264,772	1,895,074	-	18,900	4,178,746
District administration	1,497,085	1,075	-	-	1,498,160
School administration	3,843,145	397,129	-	-	4,240,274
Business	2,377,081	34,176	-	-	2,411,257
Plant operation and maintenance	4,296,106	262,348	-	-	4,558,454
Student transportation	2,265,326	23,159	-	-	2,288,485
Community services	8,243	575,030	-	-	583,273
Building renovations / additions	-	-	7,102,712	-	7,102,712
Debt service:					
Principal	-	-	-	2,675,000	2,675,000
Interest	-	-	-	1,798,268	1,798,268
Bond issuance costs	-	-	30,550	-	30,550
<b>Total expenditures</b>	<u>52,444,404</u>	<u>16,960,795</u>	<u>7,133,262</u>	<u>5,188,186</u>	<u>81,726,647</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,275,430</u>	<u>608,221</u>	<u>(7,085,827)</u>	<u>685,497</u>	<u>(4,516,679)</u>
<b>Other financing sources (uses):</b>					
Proceeds from sale of capital assets	55,706	-	-	-	55,706
Proceeds from issuance of bonds	-	-	1,905,000	-	1,905,000
Discount on bonds issued	-	-	(31,499)	-	(31,499)
Operating transfers in	1,855,394	501,167	126,402	4,043,041	6,526,004
Operating transfers out	<u>(913,333)</u>	<u>(1,015,915)</u>	<u>-</u>	<u>(4,379,542)</u>	<u>(6,308,790)</u>
<b>Total other financing sources (uses)</b>	<u>997,767</u>	<u>(514,748)</u>	<u>1,999,903</u>	<u>(336,501)</u>	<u>2,146,421</u>
<b>Net change in fund balances</b>	2,273,197	93,473	(5,085,924)	348,996	(2,370,258)
<b>Fund balance, June 30, 2021</b>	<u>18,383,519</u>	<u>-</u>	<u>10,349,368</u>	<u>2,776,200</u>	<u>31,509,087</u>
<b>Fund balance, June 30, 2022</b>	<u>\$ 20,656,716</u>	<u>\$ 93,473</u>	<u>\$ 5,263,444</u>	<u>\$ 3,125,196</u>	<u>\$ 29,138,829</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$	(2,370,258)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlays	\$	7,507,266
Depreciation expense		<u>(2,230,193)</u>
		5,277,073
Governmental funds report the disposal of capital assets to the extent proceeds are received. However, the statement of activities reports the gain or loss.		(52,605)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Decrease in taxes receivable		(117,299)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of certain items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Principal payments on bonds	\$	2,675,000
Proceeds from issuance of bonds		(1,905,000)
Discount on bonds issued		31,499
Amortization of premiums on bonds		20,221
Amortization of discounts on bonds		(11,600)
Amortization of deferred charges on refunding		<u>(127,905)</u>
		682,215
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Increase in compensated absences liability	\$	(171,046)
Increase in pension expense		(251,586)
Decrease in other postemployment benefits expense		901,557
Increase in accrued interest payable		<u>(302,250)</u>
		176,675
Change in net position of governmental activities	\$	<u>3,595,801</u>



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,363,971	\$ 58,430	\$ 1,422,401
Accounts receivable:			
Operating	-	1,790	1,790
Due from other governments	616,711	-	616,711
Inventory	20,065	-	20,065
<b>Total current assets</b>	<u>2,000,747</u>	<u>60,220</u>	<u>2,060,967</u>
Noncurrent assets:			
Capital assets	1,229,351	26,998	1,256,349
Less accumulated depreciation	<u>(725,431)</u>	<u>(15,282)</u>	<u>(740,713)</u>
<b>Total noncurrent assets</b>	<u>503,920</u>	<u>11,716</u>	<u>515,636</u>
<b>Total assets</b>	<u>2,504,667</u>	<u>71,936</u>	<u>2,576,603</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferred outflows	469,499	60,086	529,585
Other postemployment benefits deferred outflows	<u>462,121</u>	<u>45,132</u>	<u>507,253</u>
<b>Total deferred outflows of resources</b>	<u>931,620</u>	<u>105,218</u>	<u>1,036,838</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	4,044	-	4,044
Unearned revenue	<u>110,252</u>	<u>730</u>	<u>110,982</u>
<b>Total current liabilities</b>	<u>114,296</u>	<u>730</u>	<u>115,026</u>
Non-current liabilities:			
Net pension liability	2,925,909	264,139	3,190,048
Net other postemployment benefits liability	<u>911,907</u>	<u>117,484</u>	<u>1,029,391</u>
<b>Total noncurrent liabilities</b>	<u>3,837,816</u>	<u>381,623</u>	<u>4,219,439</u>
<b>Total liabilities</b>	<u>3,952,112</u>	<u>382,353</u>	<u>4,334,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferred inflows	356,586	20,415	377,001
Other postemployment benefits deferred inflows	<u>381,734</u>	<u>32,290</u>	<u>414,024</u>
<b>Total deferred inflows of resources</b>	<u>738,320</u>	<u>52,705</u>	<u>791,025</u>
<b>NET POSITION</b>			
Net investment in capital assets	503,920	11,716	515,636
Unrestricted	<u>(1,758,065)</u>	<u>(269,620)</u>	<u>(2,027,685)</u>
<b>Total net position</b>	<u>\$ (1,254,145)</u>	<u>\$ (257,904)</u>	<u>\$ (1,512,049)</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
Operating revenues:			
Charges for services	\$ 45,577	\$ 71,810	\$ 117,387
Other operating revenues	48	-	48
	45,625	71,810	117,435
Operating expenses:			
Salaries and wages	1,202,805	37,695	1,240,500
Employee benefits	684,977	18,350	703,327
Professional and technical services	4,035	-	4,035
Property services	24,306	74	24,380
Other purchased services	50,129	-	50,129
Supplies and materials	2,274,760	239	2,274,999
Miscellaneous	8,123	-	8,123
Depreciation	90,834	1,282	92,116
	4,339,969	57,640	4,397,609
Operating income (loss)	(4,294,344)	14,170	(4,280,174)
Nonoperating revenues (expenses):			
Federal government grants	4,740,870	-	4,740,870
Donated commodities	315,830	-	315,830
State government grants	33,347	-	33,347
On-behalf payments	241,747	3,672	245,419
Gain (loss) on disposition of capital assets	(2,092)	-	(2,092)
Interest income	6,813	-	6,813
	5,336,515	3,672	5,340,187
Income (loss) before transfers	1,042,171	17,842	1,060,013
Transfers out	(217,214)	-	(217,214)
Change in net position	824,957	17,842	842,799
Net position, June 30, 2021	(2,079,102)	(275,746)	(2,354,848)
Net position, June 30, 2022	\$ (1,254,145)	\$ (257,904)	\$ (1,512,049)

See Notes to Financial Statements

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from:			
Charges for services	\$ 149,599	\$ 72,273	\$ 221,872
Other revenues	48	-	48
Cash paid to / for:			
Employees	(1,844,805)	(54,601)	(1,899,406)
Supplies	(1,937,507)	(239)	(1,937,746)
Other services	(84,983)	(74)	(85,057)
Net cash provided by (used in) operating activities	<u>(3,717,648)</u>	<u>17,359</u>	<u>(3,700,289)</u>
<b>Cash flows from noncapital financing activities:</b>			
Federal government grants	4,318,128	-	4,318,128
State government grants	33,347	-	33,347
On-behalf payments	241,747	3,672	245,419
Transfers out	(217,214)	-	(217,214)
Net cash provided by noncapital financing activities	<u>4,376,008</u>	<u>3,672</u>	<u>4,379,680</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from sale of capital assets	319	-	319
Net cash provided by capital and related financing activities	<u>319</u>	<u>-</u>	<u>319</u>
<b>Cash flows from investing activities:</b>			
Interest income	6,813	-	6,813
Net cash provided by investing activities	<u>6,813</u>	<u>-</u>	<u>6,813</u>
Net increase in cash and cash equivalents	<u>665,492</u>	<u>21,031</u>	<u>686,523</u>
<b>Cash and cash equivalents:</b>			
Beginning of year	698,479	37,399	735,878
End of year	<u>\$ 1,363,971</u>	<u>\$ 58,430</u>	<u>\$ 1,422,401</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating income (loss)	\$ (4,294,344)	\$ 14,170	\$ (4,280,174)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	90,834	1,282	92,116
Commodities used	315,830	-	315,830
Changes in assets and liabilities:			
Accounts receivable - operating	-	2	2
Inventory	48,175	-	48,175
Accounts payable	(25,142)	-	(25,142)
Net other postemployment benefits liability and deferrals	34,137	1,147	35,284
Net pension liability and deferrals	8,840	297	9,137
Unearned revenue	104,022	461	104,483
Net cash provided by (used in) operating activities	<u>\$ (3,717,648)</u>	<u>\$ 17,359</u>	<u>\$ (3,700,289)</u>
<b>Noncash noncapital financing activities:</b>			
Food commodities from the U.S. Department of Agriculture	<u>\$ 315,830</u>		

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### 1. Reporting Entity

The Owensboro Independent Board of Education (Board) 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 Owensboro Independent School District (District). Board members are elected by the public and have decision making authority for the District.

The financial statements of the District include the financial activities of the Board and its blended component unit in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board, as described below.

Owensboro Independent School District Finance Corporation – The Owensboro Independent School District Finance Corporation (Corporation) serves as an agent of the Board in financing the acquisition, construction, and equipping of school buildings and related facilities, including the issuance of bonds. Members of the Board serve as the board of directors for the Corporation. The Corporation has no financial activity, and transactions related to bond issues in which the Corporation acts as an agent are recorded in the District's government-wide financial statements.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

Government-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 financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-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 of 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

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 2. Summary of Significant Accounting Policies, Continued

#### Basis of Presentation, Continued

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 – Fund financial statements report detailed information about the District. The focus of governmental and enterprise 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.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. 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 changes in net total assets.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The statement of cash flows provides information about how the District finances the cash flow needs of its proprietary activities.

The District reports the following funds:

#### Governmental Funds:

##### General Fund:

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

##### Special Revenue Funds:

##### Special Revenue Fund:

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 may be returned to the grantor at the close of the specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 2. Summary of Significant Accounting Policies, Continued

#### Basis of Presentation, Continued

##### Special Revenue Funds, Continued:

###### Student Activity Fund:

The Student Activity Fund is used to account for funds raised and expended by student groups for co-curricular and extra-curricular activities.

###### Capital Projects Funds:

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).

###### SEEK Capital Outlay Fund:

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

###### FSPK Building Fund:

The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the Kentucky 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.

###### Construction Fund:

The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction or renovation. This is a major fund of the District.

###### Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

##### Proprietary Funds (Enterprise):

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods or services be financed or recovered primarily through user charges.

###### Food Service Fund:

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Revenues are primarily federal program reimbursements. Amounts have been recorded for in-kind contributions of commodities from the USDA. This is a major fund of the District.



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 2. Summary of Significant Accounting Policies, Continued

#### Basis of Presentation, Continued

##### Proprietary Funds (Enterprise), Continued:

##### Day Care Fund:

The Day Care Fund is used to account for after school programs established to provide supervised activities for students after daily school dismissal. Revenues are primarily charges for services for childcare.

#### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

##### Revenues – Exchange and Non-Exchange Transactions:

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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 60 days of the fiscal year end.

Non-Exchange 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 Non-Exchange Transactions must also be available before they can be recognized.

Unearned Revenue – Unearned revenue (advances from grantors) arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the costs have been earned and eligibility requirements have been met, are recorded as unearned revenue (advances from grantors).

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 2. Summary of Significant Accounting Policies, Continued

#### Basis of Accounting, Continued

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net fund position as an expense with a like amount reported as donated commodities revenue. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to first apply restricted resources.

The measurement focus of governmental fund accounting is on changes in net financial resources or expenditures rather than revenues or 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.

#### Budgetary Principles

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). 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 the obligation is incurred (GAAP).

#### Encumbrance Accounting

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are included in assigned fund balance. For budgetary purposes, appropriations lapse at fiscal year-end and do not constitute expenditures or liabilities because the commitments will be reappropriated in the next year.

#### Cash and Cash Equivalents

The District considers bank demand deposit accounts to be cash equivalents.

#### Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include federal and state funding and taxes. Balances deemed uncollectible are written off; therefore, the District does not record an allowance for doubtful accounts.

#### Inventory

Inventory in the Food Service Fund consists of purchased food valued at cost which approximates market, and donated commodities valued by the U.S. Department of Agriculture at fair value on the date of donation, using the FIFO method. The cost is recorded as an expense as inventory items are consumed.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**2. Summary of Significant Accounting Policies, Continued**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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 fair market value as of the date received. The District maintains a capitalization threshold of five thousand dollars. 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 not.

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 assets per Kentucky Department of Education guidelines:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10-20 years
Food service equipment	12 years

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and personal property in the District. Taxes are due in one installment on December 1 and become delinquent by January 1 following the levy date.

The assessed value of the tax roll on January 1, 2021, on which the levy for the 2022 fiscal year was based, totaled \$1,771,772,844. 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 tax rates assessed for the year ended June 30, 2022, to finance General Fund and FSPK Building Fund operations were 75.6 cents and 11.0 cents per \$100 valuation, respectively, for a total of 86.6 cents per \$100 valuation. In addition, the tax rate assessed for motor vehicles totaled 64.1 cents per \$100 valuation.



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### 2. Summary of Significant Accounting Policies, Continued

#### Property Taxes, Continued

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

#### Unearned Revenue (Advances from Grantors)

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the District and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

#### Interfund Receivables, Payables, and Transfers

Each fund is a distinct fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Those types of transactions are classified as due from and due to other funds. During the year, the General Fund receives and disburses funds that relate to other funds or activities. Transfers are then made between the various funds to more properly reflect the nature of the transactions.

#### Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### Pension and Other Postemployment Benefits

For purposes of measuring the net liabilities, the deferred outflows of resources and deferred inflows of resources, and expense related to pensions and other postemployment benefits

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### 2. Summary of Significant Accounting Policies, Continued

#### Pension and Other Postemployment Benefits, Continued

(OPEB), information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from the pension/OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Plan investments are reported at fair value.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position and/or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Net Position

The District classifies net position in the government-wide financial statements as follows:

- Net investment in capital assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- Unrestricted net position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 2. Summary of Significant Accounting Policies, Continued

#### Fund Balance Classification

The District reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Education delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

#### 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 certain reported amounts and disclosures. Actual results could differ from those estimates.



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 2. Summary of Significant Accounting Policies, Continued

#### New Accounting Standard

GASB Statement No. 87, *Leases*, effective for fiscal year 2022, was issued to improve accounting and financial reporting for leases by governments, by establishing standards for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources. The Statement was not implemented by the District because management determined that its effects would be immaterial to the financial statements.

### 3. Deposits

Kentucky Revised Statutes (KRS) permit the District to invest money subject to its control in obligations of the United States and its agencies, certificates of deposit or other interest-bearing accounts, bankers acceptances, commercial paper, bonds of the Commonwealth of Kentucky and its agencies, securities issued by a state or local government, mutual funds, exchange-traded funds, individual equity securities, and individual corporate bonds, as more fully described in Kentucky Revised Statute (KRS) KRS 66.480.

At June 30, 2022, the book balance of the District's bank deposits was \$33,601,973 and the bank balances were \$33,697,761. Of the bank balances, \$252,438 was covered by federal depository insurance and \$33,445,323 was collateralized by securities held by the pledging financial institution. There were no uninsured or uncollateralized balances.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

The District currently holds no assets categorized as investments.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 4,062,813	\$ -	\$ -	\$ 4,062,813
Construction in progress	29,014,104	7,060,982	(25,604,986)	10,470,100
Total capital assets, not being depreciated	<u>33,076,917</u>	<u>7,060,982</u>	<u>(25,604,986)</u>	<u>14,532,913</u>
Capital assets, being depreciated:				
Land improvements	8,464,939	60,111	-	8,525,050
Buildings and improvements	72,144,073	25,667,769	(69,830)	97,742,012
Technology equipment	1,204,721	5,495	(5,398)	1,204,818
Vehicles	4,623,756	254,166	(387,425)	4,490,497
General equipment	895,060	63,729	(79,838)	878,951
Total capital assets, being depreciated	<u>87,332,549</u>	<u>26,051,270</u>	<u>(542,491)</u>	<u>112,841,328</u>
Less accumulated depreciation:				
Land improvements	(4,289,137)	(315,273)	-	(4,604,410)
Buildings and improvements	(27,421,956)	(1,479,296)	17,225	(28,884,027)
Technology equipment	(972,277)	(75,118)	5,398	(1,041,997)
Vehicles	(3,145,396)	(319,137)	387,425	(3,077,108)
General equipment	(749,993)	(41,369)	79,838	(711,524)
Total accumulated depreciation	<u>(36,578,759)</u>	<u>(2,230,193)</u>	<u>489,886</u>	<u>(38,319,066)</u>
Total capital assets, being depreciated, net	<u>50,753,790</u>	<u>23,821,077</u>	<u>(52,605)</u>	<u>74,522,262</u>
Governmental activities: Capital assets, net	\$ <u>83,830,707</u>	\$ <u>30,882,059</u>	\$ <u>(25,657,591)</u>	\$ <u>89,055,175</u>
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Land improvements	\$ 20,259	\$ -	\$ -	\$ 20,259
Building and improvements	6,738	-	-	6,738
Vehicles	63,513	-	-	63,513
General equipment	1,196,802	-	(30,963)	1,165,839
Total capital assets, being depreciated	<u>1,287,312</u>	<u>-</u>	<u>(30,963)</u>	<u>1,256,349</u>
Less accumulated depreciation:				
Land improvements	(10,467)	(1,012)	-	(11,479)
Building and improvements	(3,534)	(269)	-	(3,803)
Vehicles	(46,415)	(4,772)	-	(51,187)
General equipment	(616,733)	(86,063)	28,552	(674,244)
Total accumulated depreciation	<u>(677,149)</u>	<u>(92,116)</u>	<u>28,552</u>	<u>(740,713)</u>
Business-type activities: Capital assets, net	\$ <u>610,163</u>	\$ <u>(92,116)</u>	\$ <u>(2,411)</u>	\$ <u>515,636</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**4. Capital Assets, Continued**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,803,733
Support services:	
Student	-
Instructional staff	570
District administration	27,160
School administration	97
Business support	54,724
Plant operations and management	66,122
Student transportation	<u>277,787</u>
Total depreciation expense	\$ <u>2,230,193</u>

**5. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Governmental activities:					
Long-term debt:					
School building revenue bonds	\$ 65,385,000	\$ 1,905,000	\$ (2,675,000)	\$ 64,615,000	\$ 2,860,000
Deferred amounts:					
For issuance premiums	164,279	-	(20,221)	144,058	-
For issuance discounts	<u>(195,388)</u>	<u>(31,499)</u>	<u>11,600</u>	<u>(215,287)</u>	<u>-</u>
Total long-term debt	65,353,891	1,873,501	(2,683,621)	64,543,771	2,860,000
Compensated absences:					
Accrued sick leave	<u>2,063,552</u>	<u>387,785</u>	<u>(216,739)</u>	<u>2,234,598</u>	<u>221,574</u>
Total governmental activities	\$ <u>67,417,443</u>	\$ <u>2,261,286</u>	\$ <u>(2,900,360)</u>	\$ <u>66,778,369</u>	\$ <u>3,081,574</u>

Compensated absences is expected to be liquidated by the funds which incurred the related salary and wage costs.

School Building Revenue Bonds

The District is obligated to make payments in amounts equal to annual debt service requirements on bonds issued by the Owensboro Independent School District Finance Corporation and the Kentucky School Facilities Construction Commission (Commission) to construct or renovate school facilities. The District has an option to purchase the properties at any time by retiring the bonds outstanding. These payments are recorded in the Debt Service Fund.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**5. Long-Term Liabilities, Continued**

School Building Revenue Bonds, Continued

In addition, the District has entered into participation agreements with the Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

A summary of District and Commission bond activity for the year ended June 30, 2022, is as follows:

		<u>District</u>		<u>Commission</u>		<u>Total</u>
Balance, June 30, 2021	\$	61,572,696	\$	3,812,304	\$	65,385,000
Issued		1,905,000		-		1,905,000
Retired		<u>(2,343,244)</u>		<u>(331,756)</u>		<u>(2,675,000)</u>
Balance, June 30, 2022	\$	<u>61,134,452</u>	\$	<u>3,480,548</u>	\$	<u>64,615,000</u>

A summary of the interest rates, maturities, and balances is as follows:

			<u>Balance, June 30, 2022</u>		
	Range of Interest Rates	Final Maturity	<u>District</u>	<u>Commission</u>	<u>Total</u>
2012R Issue	2.00 – 2.500%	2024	\$ -	\$ 290,000	\$ 290,000
2015 Issue	2.00 – 3.500%	2036	4,996,518	543,482	5,540,000
2016R Issue	2.00 – 4.000%	2029	11,456,087	353,913	11,810,000
2017 Issue	2.00 – 3.375%	2038	5,868,091	1,131,909	7,000,000
2019 Issue	3.00%	2040	12,127,436	507,564	12,635,000
2020 Issue	3.25 – 3.375%	2040	12,835,000	-	12,835,000
2021 Issue	2.00 – 2.250%	2041	11,946,320	653,680	12,600,000
2022 Issue	1.00 – 2.125%	2042	<u>1,905,000</u>	<u>-</u>	<u>1,905,000</u>
			<u>\$ 61,134,452</u>	<u>\$ 3,480,548</u>	<u>\$ 64,615,000</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District and amounts to be paid by the Commission, at June 30, 2022, for debt service (principal and interest) are as follows:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**5. Long-Term Liabilities, Continued**

School Building Revenue Bonds, Continued

Year Ending June 30,	Owensboro Independent School District			Kentucky School Facility Construction Commission			Total
	Principal	Interest	District Total	Principal	Interest	Commission Total	
2023	\$ 2,520,268	\$ 1,667,413	\$ 4,187,681	\$ 339,732	\$ 90,495	\$ 430,227	\$ 4,617,908
2024	2,582,419	1,609,670	4,192,089	347,581	82,647	430,228	4,622,317
2025	2,662,898	1,549,973	4,212,871	197,102	74,625	271,727	4,484,598
2026	2,743,726	1,484,583	4,228,309	201,274	69,822	271,096	4,499,405
2027	2,831,808	1,414,666	4,246,474	208,192	64,583	272,775	4,519,249
2028–							
2032	15,709,489	5,838,099	21,547,588	925,511	243,945	1,169,456	22,717,044
2033–							
2037	18,746,658	3,380,398	22,127,056	933,342	113,210	1,046,552	23,173,608
2038–							
2042	<u>13,337,186</u>	<u>770,772</u>	<u>14,107,958</u>	<u>327,814</u>	<u>14,057</u>	<u>341,871</u>	<u>14,449,829</u>
	<u>\$ 61,134,452</u>	<u>\$ 17,715,574</u>	<u>\$ 78,850,026</u>	<u>\$ 3,480,548</u>	<u>\$ 753,385</u>	<u>\$ 4,233,933</u>	<u>\$ 83,083,959</u>

Generally, all bonds issued are secured by a statutory mortgage lien on the respective school buildings and appurtenant properties, including any subsequent additions thereto. The agreements contain a provision that in the event of default, actions may be taken to cause the District to comply with its obligations. The amount of interest expense on bonds for the year ended June 30, 2022, totaled \$2,219,802, of which \$2,121,331 was paid by the District, and \$98,471 was paid by the Commission.

In prior years, the District defeased various revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liabilities relating to all of these defeased bonds are not included in the District’s financial statements. On June 30, 2022, \$11,900,000 of bonds outstanding are considered defeased.

Compensated Absences

Upon retirement, as defined by the Teachers' Retirement System of the State of Kentucky or the County Employees Retirement System, certified and classified employees receive an amount equal to 30% of the value of accumulated sick leave based on the individual final salary. This liability totaled \$2,234,598 at June 30, 2022, and is recorded as a long-term liability in the district-wide financial statements. Unused accumulated vacation leave does not vest and, therefore, is not recorded as a liability in the financial statements.

For governmental fund financial statements, the amount of compensated absences recorded as a liability would be the amount expected to be paid using expendable available resources. These obligations for June 30, 2022, were paid prior to fiscal year end and, therefore, no amount has been accrued in the governmental fund financial statements.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**6. Interfund Receivables and Payables**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,580,099	\$ 1,580,099
Special Revenue Fund	5,823	-
School Activity Fund	-	5,823
	<u>\$ 1,585,922</u>	<u>\$ 1,585,922</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**7. Pension Benefits – Teachers’ Retirement System of the State of Kentucky**

Plan Description

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky (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 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>.

Benefits Provided

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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,

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 7. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, Continued

#### Benefits Provided, Continued

upon retirement, their total service is less than ten years. New members 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, members who retire July 1, 2004, and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date. Effective January 1, 2022, the System again amended the benefit structure for members hired on or after that date.

Final average salary is defined as the member’s five (5) highest annual salaries for those with less than 27 years of service. Members 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 members 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 members and \$5,000 for retired or disabled members.

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. Members in tiers 1, 2 and 3 are required to contribute 12.855% of their salaries to TRS for the year ended June 30, 2022. Beginning January 1, 2022, members in tier 4 are required to contribute 14.75% of their salaries. The State, as a non-employer contributing entity, contributes 13.105% of the salaries of school district members who joined before July 1, 2008, 14.105% for those who joined between July 1, 2008 and December 31, 2021, and 10.75% for those joining thereafter. For local school district TRS members whose salaries are federally funded, the District contributes the applicable percentage of salaries based on the employee’s tier.

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

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District’s contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**7. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

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

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2022, was as follows:

District’s proportionate share of the net pension liability	\$ -
State’s proportionate share of the net pension liability associated with the District	<u>104,979,435</u>
Total	<u>\$ 104,979,435</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2021, the measurement date, the District’s proportion of the TRS net pension liability was .8067%, an increase of .0160% from its proportion measured as of June 30, 2020, of .7907%.

For the year ended June 30, 2022, the District recognized on-behalf pension expense and revenue of \$8,379,811 for contributions provided by the State.

Actuarial Assumptions

The total pension liability in the actuarial valuation dated June 30, 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	3.00 to 7.50%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate:	
Prior Measurement Date	2.19%
Measurement Date	2.13%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.50%
Measurement Date	7.10%
Post-Retirement Benefit Increases	1.50% annually



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**7. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

Actuarial Assumptions, Continued

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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 asset 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>
Large Cap U.S. equity	37.4%	4.2%
Small Cap U.S. equity	2.6	4.7%
Developed International Equity	16.5	5.3%
Emerging Markets Equity	5.5	5.4%
Fixed income	15.0	(0.1)%
High Yield Bonds	2.0	1.7%
Other Additional categories	5.0	2.2%
Real estate	7.0	4.0%
Private equity	7.0	6.9%
Cash	<u>2.0</u>	(0.3)%
	<u>100%</u>	

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

### 7. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, Continued

#### Discount Rate

The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the State’s Proportionate Share of the District’s Net Pension Liability to Changes in the Discount Rate

The following presents the State’s proportionate share of the net pension liability associated with the District using the discount rate of 7.10%, as well as what the State’s proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (8.10%) or 1-percentage-point higher (6.10%) than the current rate:

	<u>Discount rate</u>	<u>State’s proportionate share of net pension liability associated with the District</u>
1% decrease	6.10%	\$141,894,227
Current discount rate	7.10%	\$104,979,435
1% increase	8.10%	\$74,317,115

#### Plan Fiduciary Net Position

Detailed information about the TRS fiduciary net position is available in the publicly available financial report.

#### Payable to the Pension Plan

Because the State is required by statute to contribute 100% of the District’s contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2022.



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 8. **Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky**

#### Medical Insurance Plan (MIP)

*Plan description* – In addition to the pension benefits described in Note 6, Kentucky Revised Statute 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible members and dependents. The MIP 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.

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability and must have the required amount of service credit. The MIP 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.

At June 30, 2022, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

#### Life Insurance Plan (LIP)

*Plan description* – TRS also administers a life insurance plan as provided by Kentucky Revised Statute 161.655 to provide life insurance benefits to eligible active and retired members. The LIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits provided* – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**8. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

Life Insurance Plan (LIP), Continued

*Contributions* – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2022, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

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

At June 30, 2022, the District reported a liability of \$9,201,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2021, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District’s long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2021, measurement date, the District’s proportion was 0.428799%, an increase of 0.006208% from its proportion measured as of June 30, 2020, of 0.422591%.

The amount recognized by the District as its proportionate share of the OPEB liabilities, the related State support, and the total portion of the net OPEB liabilities associated with the District were as follows:

	MIP	LIP
District’s proportionate share of the net OPEB liability	\$ 9,201,000	\$ -
State’s proportionate share of the net OPEB liability associated with the District	7,472,000	99,000
Total	\$ 16,673,000	\$ 99,000

For the year ended June 30, 2022, the District recognized MIP OPEB expense (credit) of \$(32,554). In addition, on-behalf MIP and LIP OPEB revenue and expense for support provided by the State totaled \$618,126 and \$15,222 for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**8. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

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

	MIP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,471,000
Changes of assumptions	2,406,000	-
Net difference between projected and actual earnings on plan investments	-	982,000
Changes in proportion and differences between contributions and proportionate share of contributions	901,000	50,000
District contributions subsequent to the measurement date	750,827	-
Total	\$ 4,057,827	\$ 6,503,000

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$750,827 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 MIP OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District’s MIP OPEB expense, as follows:

Year ended June 30,	
2023	\$ (791,000)
2024	(797,000)
2025	(751,000)
2026	(724,000)
2027	(167,000)
2028	34,000
	\$ (3,196,000)

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**8. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

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

*Actuarial assumptions* – The total MIP and LIP OPEB liabilities in the June 30, 2020, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary increases, including wage inflation	3.00 – 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation:	
MIP	7.10%
LIP	7.10%
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation (Discount rate):	
MIP	7.10%
LIP	7.10%

MIP Health Care Cost Trends:

Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020, valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**8. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2020, valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020, valuation. The health care cost trend assumption was updated for the June 30, 2020, valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust 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		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
Global Equity	58.0%	- %	5.1%	-
U.S. Equity	-	40.0	-	4.4%
International Equity	-	23.0	-	5.6%
Fixed Income	9.0	18.0	(0.1%)	(0.1%)
Real Estate	6.5	6.0	4.0%	4.0%
Private Equity	8.5	5.0	6.9%	6.9%
High Yield	8.0	-	1.7%	-
Additional Categories	9.0	6.0	2.2%	2.1%
Cash (LIBOR)	1.0	2.0	(0.3)%	(0.3)%
Total	100%	100%		

*Discount rate* - The discount rate used to measure the total MIP and LIP OPEB liabilities was 7.10%. 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 MIP employer

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**8. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, Continued**

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

contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plans’ fiduciary net position were 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 liabilities.

The following table presents the District’s proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% decrease (6.10%)</u>	<u>Current discount rate (7.10%)</u>	<u>1% increase (8.10%)</u>
Net MIP OPEB liability	\$ 11,779,000	\$ 9,201,000	\$ 7,069,000

*Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the healthcare cost trend rates* – The following presents the District’s proportionate share of the collective net MIP OPEB liability, as well as what the District’s proportionate share of the collective net MIP 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 trend rate</u>	<u>1% increase</u>
Net MIP OPEB liability	\$ 6,684,000	\$ 9,201,000	\$ 12,333,000

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

Payable to the OPEB Plans

The District reported payables of \$88,251 for the outstanding amount of MIP OPEB contributions due to the Plans at June 30, 2022.



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 9. Pension and Other Postemployment Benefits – County Employees Retirement System

#### Plan Description

The District contributes to the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit pension/OPEB plan administered by the Kentucky Public Pensions Authority (KPPA) that covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute (KRS) Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of KPPA (Board). KPPA issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

#### Benefits Provided

CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund. The District participates in the CERS Non-Hazardous plan.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type/amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008, are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

#### Contributions

State statute requires active members of the CERS Non-Hazardous plan to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KPPA Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the year ended June 30, 2022, were as follows:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**9. Pension and Other Postemployment Benefits – County Employees Retirement System, Continued**

Contributions, Continued

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	21.17%	\$ 2,009,822
OPEB	5.78	548,737
Total	<u>26.95%</u>	<u>\$ 2,558,559</u>

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

The net pension and OPEB liabilities reported as of June 30, 2022, were measured as of June 30, 2021, and the total pension and OPEB liabilities used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. Changes in the District's pension and OPEB proportions as of the measurement dates were as follows:

	<u>Pension</u>	<u>OPEB</u>
June 30, 2020	0.313988%	0.313897%
Increase	0.002091	0.002108
June 30, 2021	<u>0.316079%</u>	<u>0.316005%</u>

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2022, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Proportionate Share	\$ <u>20,152,516</u>	\$ <u>6,049,758</u>
Pension/OPEB Expense	\$ <u>2,292,850</u>	\$ <u>621,971</u>

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**9. Pension and Other Postemployment Benefits – County Employees Retirement System, Continued**

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

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 231,413	\$ 195,594	\$ 951,326	\$ 1,806,256
Changes of assumptions	270,471	-	1,603,906	5,625
Net difference between projected and actual earnings on plan investments	-	2,685,993	-	946,400
Changes in proportion and differences between contributions and proportionate share of contributions	471,936	-	153,851	72,789
Contributions subsequent to the measurement date	2,009,822	-	548,737	-
Total	\$ <u>2,983,642</u>	\$ <u>2,881,587</u>	\$ <u>3,257,820</u>	\$ <u>2,831,070</u>

The \$2,009,822 and \$548,737 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense, as follows:

	Pension	OPEB
Year ending June 30,		
2023	\$ 69,846	\$ 170,942
2024	(537,241)	27,126
2025	(599,257)	30,043
2026	(841,115)	(350,098)
	\$ <u>(1,907,767)</u>	\$ <u>(121,987)</u>

Actuarial Assumptions

The total pension/OPEB liabilities in the June 30, 2020, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

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**9. Pension and Other Postemployment Benefits – County Employees Retirement System, Continued**

Actuarial Assumptions, Continued

Inflation	2.30%
Healthcare payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service
Net investment rate	6.25%
Healthcare cost trend rates (OPEB)	Pre-65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Post-65: Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Pension and OPEB: The mortality table used for active members was a Pub-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**9. Pension and Other Postemployment Benefits – County Employees Retirement System, Continued**

Actuarial Assumptions, Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Growth</b>		
US equity	21.75%	5.70%
Non US equity	21.75	6.35%
Private equity	10.00	9.70%
Specialty credit/high yield	15.00	2.80%
	68.50	
<b>Liquidity</b>		
Core bonds	10.00	(0.00)%
Cash	1.50	(0.60)%
	11.50	
<b>Diversifying strategies</b>		
Real estate	10.00	5.40%
Real return	10.00	4.55%
	20.00	
<b>Total</b>	<b>100.00%</b>	

Discount Rate

The discount rates used to measure the total pension/OPEB liabilities at the measurement dates and changes since the prior year were as follows:

	Pension	OPEB
Discount rate, June 30, 2020	6.25%	5.34%
Increase (decrease)	-	(0.14)
Discount rate, June 30, 2021	6.25%	5.20%

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.20% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92% as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**9. Pension and Other Postemployment Benefits – County Employees Retirement System, Continued**

Discount Rate, Continued

The projection of cash flows used to determine the pension discount rate assumed that the funds would receive the required employer contributions in each future year, as determined by the current funding policy established in Statute last amended by House Bill 362 (passed in 2018). The projection of cash flows used to determine the OPEB discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation in accordance with the current funding policy, as most recently revised by Kentucky House Bill 8.

Sensitivity of the District’s Proportionate Share of the Liabilities to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension/OPEB liabilities, as well as what the District’s proportionate share of the net pension/OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	District’s Proportionate Share			
	Discount Rate	Net pension Liability	Discount Rate	Net OPEB Liability
1% decrease	5.25%	\$ 25,846,557	4.20%	\$ 8,306,272
Current discount rate	6.25%	\$ 20,152,516	5.20%	\$ 6,049,758
1% increase	7.25%	\$ 15,440,830	6.20%	\$ 4,197,914

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Healthcare Cost Trend Rates	District’s Proportionate Share of Net OPEB Liability
	1% decrease	5.30% Pre-65 and Post-65
Current healthcare cost trend rates	6.30% Pre-65 and Post-65	\$ 6,049,758
1% increase	7.30% Pre-65 and Post-65	\$ 8,095,228

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

9. Pension and Other Postemployment Benefits – County Employees Retirement System, Continued

Plan Fiduciary Net Position

Detailed information about the CERS fiduciary net position is available in the separately issued KPPA Comprehensive Annual Financial Report.

Payables to the Pension/OPEB Plans

The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2022.

<u>Pension</u>	<u>OPEB</u>
\$ 255,103	\$ 69,650

10. On-Behalf Payments

Payments are made by the Commonwealth of Kentucky for various purposes on behalf of the District. These on-behalf payments are budgeted and recorded as revenue and expense in the governmental and proprietary funds of the District, and are comprised of the following for the year ended June 30, 2022:

TRS:	
Pension	\$ 8,379,811
Retiree health insurance	618,126
Retiree life insurance	15,222
Health insurance	5,631,497
HRA and administrative fees	478,582
State life insurance	10,092
Technology	152,649
KSFCC debt service	430,227
	<u>\$ 15,716,206</u>

11. Deferred Compensation

The District offers its employees the option to participate in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2022

**12. Fund Balance Classification**

The composition of the fund balance classifications at June 30, 2022, is as follows:

	Major Governmental Funds			Nonmajor Governmental Funds			Total
	General Fund	Special Revenue Fund	Construction Fund	School Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	
Fund balances:							
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Future capital needs	-	-	5,263,444	-	203,353	2,395,338	7,862,135
Technology	-	93,473	-	-	-	-	93,473
Other	-	324,351	-	526,505	-	-	850,856
	<u>-</u>	<u>417,824</u>	<u>5,263,444</u>	<u>526,505</u>	<u>203,353</u>	<u>2,395,338</u>	<u>8,806,464</u>
Committed:							
Sick leave	274,932	-	-	-	-	-	274,932
Construction	378,161	-	-	-	-	-	378,161
Technology	1,405,434	-	-	-	-	-	1,405,434
Site-based carryforward	388,573	-	-	-	-	-	388,573
	<u>2,447,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,447,100</u>
Assigned:							
Purchase obligations	1,390,338	-	-	-	-	-	1,390,338
Unassigned	16,819,278	(324,351)	-	-	-	-	16,494,927
Total fund balances	\$ <u>20,656,716</u>	\$ <u>93,473</u>	\$ <u>5,263,444</u>	\$ <u>526,505</u>	\$ <u>203,353</u>	\$ <u>2,395,338</u>	\$ <u>29,138,829</u>

The District has \$2,022,329 of encumbrances of operating funds in major and nonmajor funds at June 30, 2022, rolled over into the next fiscal year.

**13. Net Position Deficits**

The net position deficits reported by the Food Service Fund and the Day Care Fund in the amounts of \$(1,254,145) and \$(257,904), respectively, resulted from the recording of the net pension and OPEB liabilities and related deferrals.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

**14. Transfers**

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Transfers in:						
Major Governmental Funds			Nonmajor Governmental Funds			
General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total	
<u>Transfers out:</u>						
Major Governmental Funds:						
General Fund	\$ -	\$ 415,954	\$ 41,729	\$ 455,650	\$ 455,650	\$ 913,333
Special Revenue Fund	931,242	-	84,673	-	-	<u>1,015,915</u>
						<u>1,929,248</u>
Nonmajor Governmental Funds:						
School Activity Fund	-	85,213	-	-	-	85,213
SEEK Capital Outlay Fund	706,938	-	-	-	-	706,938
FSPK Building Fund	-	-	-	3,587,391	3,587,391	<u>3,587,391</u>
						<u>4,379,542</u>
Major Enterprise Fund:						
Food Service Fund	217,214	-	-	-	-	217,214
	<u>\$ 1,855,394</u>	<u>\$ 501,167</u>	<u>\$ 126,402</u>	<u>\$ 4,043,041</u>	<u>\$ 4,043,041</u>	<u>\$ 6,526,004</u>

Transfers are used to: 1) move revenues from the funds with collection authorization to the funds where budgetary authorizations exist for disbursement; 2) reimburse the General Fund for costs incurred to support proprietary fund activity; and 3) to move unrestricted General Fund revenues to programs accounted for in other funds for which the General Fund provides subsidies or matching funds.

**15. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. 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.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2022

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### 16. Contingencies

The District receives funding from Federal, state and local government agencies and from private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantors' review, the funds are considered not to have 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 their programs.

### 17. Commitments

The District has entered into construction contracts totaling \$23,809,496 for various facility improvements. Remaining commitments under these contracts totaled \$4,491,505 at June 30, 2022, of which \$1,276,618 was included in accounts payable in the Construction Fund.

### 18. Accounting Standard Effective in Future Periods

The following recently issued accounting standards are expected to impact the financial statements of the District in future periods:

#### *GASBS No. 96 Subscription-Based Information Technology Arrangements*

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. The District is currently evaluating the impact that the Statement may have on its financial statements.

### 19. Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The District provided in-person instruction, nontraditional instruction, and hybrid in-person instruction throughout the school year. The District was awarded significant federal funds to address the needs and additional costs resulting from the pandemic.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 12,410,000	\$ 13,460,000	\$ 13,655,842	\$ 195,842
Utility taxes	2,000,000	1,900,000	2,240,511	340,511
Tuition and fees	445,000	485,000	484,542	(458)
Interest income	250,000	170,000	166,463	(3,537)
Other local revenue	42,279	95,571	116,448	20,877
State aid	35,937,761	36,007,761	36,694,188	686,427
Federal aid	286,500	326,500	361,840	35,340
<b>Total revenues</b>	<b>51,371,540</b>	<b>52,444,832</b>	<b>53,719,834</b>	<b>1,275,002</b>
Expenditures:				
Instruction	45,266,594	46,031,154	32,561,606	13,469,548
Support services:				
Student	3,303,088	3,183,088	3,331,040	(147,952)
Instructional staff	2,544,603	2,336,733	2,264,772	71,961
District administration	1,392,109	1,387,380	1,497,085	(109,705)
School administration	3,702,653	3,693,026	3,843,145	(150,119)
Business	2,102,255	2,200,442	2,377,081	(176,639)
Plant operation and maintenance	4,352,841	4,372,415	4,296,106	76,309
Student transportation	2,302,867	2,186,877	2,265,326	(78,449)
Community services	-	-	8,243	(8,243)
Building renovations / additions	-	-	-	-
Land / site acquisitions	-	-	-	-
Contingency	3,000,000	3,000,000	-	3,000,000
<b>Total expenditures</b>	<b>67,967,010</b>	<b>68,391,115</b>	<b>52,444,404</b>	<b>15,946,711</b>
Excess (deficiency) of revenues over expenditures	(16,595,470)	(15,946,283)	1,275,430	17,221,713
Other financing sources (uses):				
Proceeds from sale of capital assets	-	55,000	55,706	706
Operating transfers in	1,806,513	1,226,513	1,855,394	628,881
Operating transfers out	(832,468)	(857,468)	(913,333)	(55,865)
<b>Total other financing sources (uses)</b>	<b>974,045</b>	<b>424,045</b>	<b>997,767</b>	<b>573,722</b>
Net change in fund balance	(15,621,425)	(15,522,238)	2,273,197	17,795,435
Fund balance, June 30, 2021	18,383,519	18,383,519	18,383,519	-
Fund balance, June 30, 2022	\$ 2,762,094	\$ 2,861,281	\$ 20,656,716	\$ 17,795,435

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Other local revenue	\$ 384,214	\$ 1,213,699	\$ 1,256,964	\$ 43,265
State aid	2,254,473	2,326,739	2,540,197	213,458
Federal aid	17,726,821	18,770,521	13,771,855	(4,998,666)
<b>Total revenues</b>	<u>20,365,508</u>	<u>22,310,959</u>	<u>17,569,016</u>	<u>(4,741,943)</u>
<b>Expenditures:</b>				
Instruction	16,548,097	18,034,867	12,909,495	5,125,372
Support services:				
Student	532,750	610,653	863,309	(252,656)
Instructional staff	973,079	1,637,902	1,895,074	(257,172)
District administration	-	1,075	1,075	-
School administration	90,534	84,334	397,129	(312,795)
Business	-	-	34,176	(34,176)
Plant operation and maintenance	279,388	266,464	262,348	4,116
Student transportation	195,000	201,601	23,159	178,442
Day care services	-	-	-	-
Community services	529,057	563,991	575,030	(11,039)
<b>Total expenditures</b>	<u>19,147,905</u>	<u>21,400,887</u>	<u>16,960,795</u>	<u>4,440,092</u>
Excess (deficiency) of revenues over expenditures	<u>1,217,603</u>	<u>910,072</u>	<u>608,221</u>	<u>(301,851)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	386,810	483,479	501,167	17,688
Operating transfers out	(1,604,413)	(1,653,405)	(1,015,915)	637,490
<b>Total other financing sources (uses)</b>	<u>(1,217,603)</u>	<u>(1,169,926)</u>	<u>(514,748)</u>	<u>655,178</u>
Net change in fund balance	-	(259,854)	93,473	353,327
Fund balance, June 30, 2021	-	-	-	-
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ (259,854)</u>	<u>\$ 93,473</u>	<u>\$ 353,327</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>104,979,435</u>	<u>112,065,088</u>	<u>107,907,345</u>	<u>98,369,001</u>	<u>200,057,351</u>	<u>212,810,828</u>	<u>166,918,340</u>	<u>146,800,321</u>
Total	<u>\$ 104,979,435</u>	<u>\$ 112,065,088</u>	<u>\$ 107,907,345</u>	<u>\$ 98,369,001</u>	<u>\$ 200,057,351</u>	<u>\$ 212,810,828</u>	<u>\$ 166,918,340</u>	<u>\$ 146,800,321</u>
District's covered payroll	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182	\$ 22,305,933	\$ 21,487,867	\$ 21,109,111	\$ 20,098,267
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

\* Presented for those years for which the information is available.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PENSION CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,027,390	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182	\$ 22,305,933	\$ 21,487,867	\$ 21,109,111
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\* Presented for those years for which the information is available.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

	Last 10 Fiscal Years *				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>MEDICAL INSURANCE PLAN (MIP)</u></b>					
District's proportion of the plan total net MIP OPEB liability	0.428799%	0.422591%	0.420591%	0.386972%	0.390612%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 9,201,000	\$ 10,665,000	\$ 12,310,000	\$ 13,427,000	\$ 13,928,000
State's proportionate share of the net MIP OPEB liability associated with the District	<u>7,472,000</u>	<u>8,543,000</u>	<u>9,941,000</u>	<u>11,571,000</u>	<u>11,377,000</u>
<b>Total</b>	<b>\$ <u>16,673,000</u></b>	<b>\$ <u>19,208,000</u></b>	<b>\$ <u>22,251,000</u></b>	<b>\$ <u>24,998,000</u></b>	<b>\$ <u>25,305,000</u></b>
District's covered payroll	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182	\$ 22,305,933
District's proportionate share of the net MIP OPEB liability as a percentage of its covered payroll	36.26%	42.86%	50.43%	58.44%	62.44%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	51.74%	39.05%	32.58%	25.50%	21.18%
<b><u>LIFE INSURANCE PLAN (LIP)</u></b>					
District's proportion of the plan total net LIP OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net LIP OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	<u>99,000</u>	<u>258,000</u>	<u>231,000</u>	<u>199,000</u>	<u>152,000</u>
<b>Total</b>	<b>\$ <u>99,000</u></b>	<b>\$ <u>258,000</u></b>	<b>\$ <u>231,000</u></b>	<b>\$ <u>199,000</u></b>	<b>\$ <u>152,000</u></b>
District's covered payroll	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182	\$ 22,305,933
District's proportionate share of the net LIP OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	89.15%	71.57%	73.40%	75.00%	79.99%

\* Presented for those years for which the information is available.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF OPEB CONTRIBUTIONS  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>MEDICAL INSURANCE PLAN (MIP)</u>					
District's contractually required contributions	\$ 750,824	\$ 761,124	\$ 746,326	\$ 732,257	\$ 689,320
District's contributions in relation to the contractually required contributions	<u>(750,824)</u>	<u>(761,124)</u>	<u>(746,326)</u>	<u>(732,257)</u>	<u>(689,320)</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
District's covered payroll	\$ 25,027,390	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%	3.00%	3.00%
<u>LIFE INSURANCE PLAN (MIP)</u>					
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
District's covered payroll	\$ 25,027,390	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

\* Presented for those years for which the information is available.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Year Ended June 30, 2022

**PENSION**

Changes of Benefit Terms

2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2022	The inflation rate decreased from 3.00% to 2.50%. The salary increases changed from 3.50%-7.30% to 3.00%-7.50%. The long-term investment rate of return decreased from 7.50% to 7.10%. The municipal bond index rate decreased from 2.19% to 2.13%. The discount rate decreased from 7.50% to 7.10%.
2021	The municipal bond index rate decreased from 3.50% to 2.19%.
2020	The municipal bond index rate decreased from 3.89% to 3.50%.
2019	The municipal bond index rate increased from 3.56% to 3.89%. The discount rate increased from 4.49% to 7.50%.
2018	None
2017	The municipal bond index rate decreased from 3.82% to 3.01%. The discount rate decreased from 4.88% to 4.20%.
2016	None

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

2022	None
2021	None
2020	None
2019	None
2018	With the passage of Kentucky House bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010, is restored, but the State will only finance, via its KEHP "shared responsibility" calculations, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

2022	The inflation rate decreased from 3.00% to 2.50%. The real wage growth rate decreased from .50% to .25%. The wage inflation rate decreased from 3.50% to 2.75%. The salary increases changed from 3.50%-7.20% to 3.00%-7.50%. The long-term investment rate of return decreased from 8.00% to 7.10%. The municipal bond index rate decreased from 2.19% to 2.13%. The discount rate decreased from 8.00% to 7.10%. Health Care Cost Trends for Under Age 65 decreased from 7.25% to 7.00%. Health Care Cost Trends for Ages 65 and Older decreased from 5.25% to 5.00%. Health Care Cost Trends for Medicare Part B Premiums decreased from 6.49% to 4.40%.
2021	The municipal bond index rate decreased from 3.50% to 2.19%. Health Care Cost Trends for Under Age 65 decreased from 7.50% to 7.25%. Health Care Cost Trends for Ages 65 and Older decreased from 5.50% to 5.25%. Health Care Cost Trends for Medicare Part B Premiums increased from 2.63% to 6.49%.
2020	The municipal bond index rate decreased from 3.89% to 3.50%. Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50%. Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50%. Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%.
2019	The municipal bond index rate increased from 3.56% to 3.89%. Health Care Cost Trends for Medicare Part B Premiums decreased from 1.02% to 0.00%.
2018	None

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

2022	None
2021	None
2020	None
2019	None
2018	None

Changes of Assumptions

2022	The inflation rate decreased from 3.00% to 2.50%. The real wage growth rate decreased from .50% to .25%. The wage inflation rate decreased from 3.50% to 2.75%. The salary increases changed from 3.50%-7.20% to 3.00%-7.50%. The long-term investment rate of return decreased from 7.50% to 7.10%. The municipal bond index rate decreased from 2.19% to 2.13%. The discount rate decreased from 7.50% to 7.10%.
2021	The municipal bond index rate decreased from 3.50% to 2.19%.
2020	The municipal bond index rate decreased from 3.89% to 3.50%.
2019	The municipal bond index rate increased from 3.56% to 3.89%.
2018	None

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
PENSION FUND**

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the plan total net pension liability	0.316079%	0.313988%	0.302117%	0.297263%	0.307326%	0.318599%	0.314419%	0.317190%
District's proportionate share of the net pension liability associated with the District	\$ 20,152,516	\$ 24,082,620	\$ 21,248,023	\$ 18,104,223	\$ 17,988,736	\$ 15,686,615	\$ 13,518,528	\$ 10,291,000
District's covered payroll	\$ 8,094,656	\$ 8,085,241	\$ 7,660,709	\$ 7,450,922	\$ 7,546,092	\$ 7,605,201	\$ 7,356,431	\$ 7,236,435
District's proportionate share of the net pension liability as a percentage of its covered payroll	248.96%	297.86%	277.36%	242.98%	238.38%	206.26%	183.76%	142.21%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	55.30%	55.50%	59.97%	66.80%

\* Presented for those years for which the information is available.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
PENSION FUND

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,009,822	\$ 1,562,269	\$ 1,560,452	\$ 1,242,567	\$ 1,078,425	\$ 1,052,680	\$ 944,566	\$ 937,945
Contributions in relation to the contractually required contributions	<u>(2,009,822)</u>	<u>(1,562,269)</u>	<u>(1,560,452)</u>	<u>(1,242,567)</u>	<u>(1,078,425)</u>	<u>(1,052,680)</u>	<u>(944,566)</u>	<u>(937,945)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,493,726	\$ 8,094,656	\$ 8,085,241	\$ 7,660,709	\$ 7,450,922	\$ 7,546,092	\$ 7,605,201	\$ 7,356,431
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

\* Presented for those years for which the information is available.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
INSURANCE FUND**

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.316005%	0.313897%	0.302039%	0.297263%	0.307326%
District's proportionate share of the net OPEB liability	\$ 6,049,758	\$ 7,579,658	\$ 5,080,160	\$ 5,280,722	\$ 6,178,304
District's covered payroll	\$ 8,094,656	\$ 8,085,241	\$ 7,660,709	\$ 7,450,922	\$ 7,546,092
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.74%	93.75%	66.31%	70.87%	81.87%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.6%	52.4%

\* Presented for those years for which the information is available.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS  
 COUNTY EMPLOYEES RETIREMENT SYSTEM  
 INSURANCE FUND

Last 10 Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 548,737	\$ 385,306	\$ 384,857	\$ 402,953	\$ 350,041
Contributions in relation to the contractually required contributions	<u>(548,737)</u>	<u>(385,306)</u>	<u>(384,857)</u>	<u>(402,953)</u>	<u>(350,041)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,493,726	\$ 8,094,656	\$ 8,085,241	\$ 7,660,709	\$ 7,450,922
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%

\* Presented for those years for which the information is available.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
COUNTY EMPLOYEES RETIREMENT SYSTEM

Year Ended June 30, 2022

Changes of Benefit Terms

2022 None  
2021 None  
2020 None  
2019 None  
2018 None  
2017 None  
2016 None

Changes of Assumptions

2022 OPEB:

The single discount rate changed from 5.34% to 5.20%.

2021 OPEB:

The single discount rate changed from 5.68% to 5.34%.

2020 Pension and OPEB:

The salary increases assumption was changed from 3.05% to 3.30% - 10.30%.

OPEB:

The single discount rate changed from 5.85% to 5.68%.

2019 Pension and OPEB:

The salary increases assumption was changed from 2.00% to 3.05%.

OPEB:

The single discount rate changed from 5.84% to 5.85%.

2018 Pension and OPEB:

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

OPEB:

The single discount rate changed from 6.89% to 5.84%.

2017 None

2016 Pension:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurately reflect experience.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>			
	School Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 466,259	\$ 203,353	\$ 2,395,338	\$ -	\$ 3,064,950
Accounts receivable:					
Other	24,667	-	-	-	24,667
Due from other funds	-	-	-	-	-
Inventory	<u>42,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,626</u>
<b>Total assets</b>	<u>\$ 533,552</u>	<u>\$ 203,353</u>	<u>\$ 2,395,338</u>	<u>\$ -</u>	<u>\$ 3,132,243</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,224	\$ -	\$ -	\$ -	\$ 1,224
Due to other funds	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,823</u>
Total liabilities	<u>7,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,047</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	526,505	203,353	2,395,338	-	3,125,196
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>526,505</u>	<u>203,353</u>	<u>2,395,338</u>	<u>-</u>	<u>3,125,196</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 533,552</u>	<u>\$ 203,353</u>	<u>\$ 2,395,338</u>	<u>\$ -</u>	<u>\$ 3,132,243</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>			Total Nonmajor Governmental Funds
	School Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ 1,771,772	\$ -	\$ 1,771,772
Interest income	-	-	-	-	-
Other local revenue	891,530	-	-	-	891,530
State aid	-	448,024	2,332,130	430,227	3,210,381
<b>Total revenues</b>	<u>891,530</u>	<u>448,024</u>	<u>4,103,902</u>	<u>430,227</u>	<u>5,873,683</u>
<b>Expenditures:</b>					
Instruction	684,895	-	-	-	684,895
Support services:					
Student	11,123	-	-	-	11,123
Instructional staff	18,900	-	-	-	18,900
District administration	-	-	-	-	-
School administration	-	-	-	-	-
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Student transportation	-	-	-	-	-
Community services	-	-	-	-	-
Building renovations / additions	-	-	-	-	-
Debt service:					
Principal	-	-	-	2,675,000	2,675,000
Interest	-	-	-	1,798,268	1,798,268
<b>Total expenditures</b>	<u>714,918</u>	<u>-</u>	<u>-</u>	<u>4,473,268</u>	<u>5,188,186</u>
Excess (deficiency) of revenues over expenditures	<u>176,612</u>	<u>448,024</u>	<u>4,103,902</u>	<u>(4,043,041)</u>	<u>685,497</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	4,043,041	4,043,041
Operating transfers out	<u>(85,213)</u>	<u>(706,938)</u>	<u>(3,587,391)</u>	<u>-</u>	<u>(4,379,542)</u>
<b>Total other financing sources (uses)</b>	<u>(85,213)</u>	<u>(706,938)</u>	<u>(3,587,391)</u>	<u>4,043,041</u>	<u>(336,501)</u>
Net change in fund balances	91,399	(258,914)	516,511	-	348,996
Fund balances, June 30, 2021	<u>435,106</u>	<u>462,267</u>	<u>1,878,827</u>	<u>-</u>	<u>2,776,200</u>
Fund balances, June 30, 2022	<u>\$ 526,505</u>	<u>\$ 203,353</u>	<u>\$ 2,395,338</u>	<u>\$ -</u>	<u>\$ 3,125,196</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

SCHOOL ACTIVITY FUND

Year Ended June 30, 2022

	Cash June 30, 2021	Receipts	Disbursements	Cash June 30, 2022	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2022
Cravens Elementary	\$ 14,797	\$ 23,735	\$ 31,301	\$ 7,231	\$ 430	\$ -	\$ -	\$ 7,661
Estes Elementary	13,899	44,960	37,601	21,258	380	-	-	21,638
Foust Elementary	11,358	26,776	26,000	12,134	-	155	-	12,289
Emerson Academy	937	120	303	754	-	-	-	754
Hager Preschool	9,498	9,542	9,350	9,690	-	-	-	9,690
Newton Parrish Elementary	9,620	30,347	29,480	10,487	20	-	-	10,507
Owensboro High School	288,970	548,778	530,199	307,549	18,552	36,631	6,724	356,008
Owensboro Innovation Academy	1,742	23,123	23,443	1,422	2,560	-	-	3,982
Owensboro Middle School	55,424	128,255	118,237	65,442	1,600	4,840	323	71,559
Owensboro Innovation Middle School	24,922	21,059	22,642	23,339	225	1,000	-	24,564
Sutton Elementary	5,335	35,996	34,378	6,953	900	-	-	7,853
	<u>\$ 436,502</u>	<u>\$ 892,691</u>	<u>\$ 862,934</u>	<u>\$ 466,259</u>	<u>\$ 24,667</u>	<u>\$ 42,626</u>	<u>\$ 7,047</u>	<u>\$ 526,505</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2022

	Cash June 30, 2021	Receipts	Disbursements	Transfers	Cash June 30, 2022	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2022
ATHLETICS	\$ 69,746	\$ 181,440	\$ 156,725	\$ (6,051)	\$ 88,410	\$ -	\$ -	\$ 5,502	\$ 82,908
DTF - ATHLETICS	-	-	7,607	7,607	-	-	-	-	-
DTF - INSTRUCTIONAL	-	1,916	1,736	(180)	-	18,552	-	-	18,552
FOOTBALL SUPPORT	918	588	-	981	2,487	-	-	-	2,487
BOYS GOLF SUPPORT	-	2,835	-	-	2,835	-	-	-	2,835
GIRLS SOCCER SUPPORT	1,393	6	2,181	1,604	822	-	-	-	822
BOYS SOCCER SUPPORT	3,138	114	2,363	1,604	2,493	-	-	-	2,493
BOWLING SUPPORT	2,001	62	1,487	1,185	1,761	-	-	-	1,761
SWIM TEAM SUPPORT	1,159	4,000	3,457	-	1,702	-	-	-	1,702
BOYS LACROSSE SUPPORT	1,780	2,293	4,123	5,511	5,461	-	-	-	5,461
GIRLS LACROSSE SUPPORT	174	4,250	1,723	367	3,068	-	-	-	3,068
GIRLS BASKETBALL SUPPORT	5,659	5,396	7,667	(657)	2,731	-	-	-	2,731
TRACK SUPPORT	4,720	2,834	4,198	30	3,386	-	-	-	3,386
CHEER	12,377	115,587	109,098	(4,065)	14,801	-	-	-	14,801
BOYS BASKETBALL SUPPORT	2,935	3,419	3,579	593	3,368	-	-	-	3,368
SOFTBALL SUPPORT	10,214	1,176	8,508	1,216	4,098	-	-	-	4,098
BASEBALL SUPPORT	11,421	12,054	15,661	1,076	8,890	-	-	-	8,890
CROSS COUNTRY INVT	4,117	8,391	5,204	-	7,304	-	-	-	7,304
GIRLS CC SUPPORT	2,564	14	420	-	2,158	-	-	-	2,158
BOYS CC SUPPORT	3,756	20	756	-	3,020	-	-	-	3,020
VOLLEYBALL SUPPORT	-	10	-	8,893	8,903	-	-	-	8,903
TENNIS SUPPORT	-	1	-	950	951	-	-	-	951
WRESTLING SUPPORT	645	4	-	-	649	-	-	-	649
DANCE TEAM	-	9	-	7,796	7,805	-	-	-	7,805
DANCE CLASS	9	1,788	1,787	(10)	-	-	-	-	-
STUDENT COUNCIL	-	2	-	1,535	1,537	-	-	-	1,537
YEARBOOK	-	8	-	6,867	6,875	-	-	-	6,875
ART FEES	267	1,079	1,196	-	150	-	-	-	150
CARPENTRY	4,501	7,875	8,732	-	3,644	-	-	-	3,644
COLLEGE BOARD	-	-	-	2	2	-	-	-	2
ACADEMIC TEAM	-	1	-	369	370	-	-	-	370
GSA	-	-	-	183	183	-	-	-	183
F.B.L.A.	-	-	-	103	103	-	-	-	103
HOSA	-	1	-	125	126	-	-	-	126
NATIONAL HONOR SOCIETY	-	-	-	381	381	-	-	-	381
SOCIAL STUDIES TRIP	-	1	-	1,074	1,075	-	-	-	1,075
JROTC	-	15	-	12,972	12,987	-	-	-	12,987
DRIVER'S EDUCATION	2,885	793	-	-	3,678	-	-	-	3,678
FACS	306	493	351	-	448	-	-	142	306

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2022

	Cash June 30, 2021	Receipts	Disbursements	Transfers	Cash June 30, 2022	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2022
DANCE TEAM	1,730	10,206	9,180	(2,756)	-	-	-	-	-
PE FEES	3,402	3,487	2,811	-	4,078	-	-	-	4,078
LAPTOP SUPPLIES & REPAIRS	-	900	508	(392)	-	-	-	-	-
VENDING - STUDENT	6,746	1,763	2,378	-	6,131	-	-	-	6,131
VENDING - ADULT	451	1,475	1,493	-	433	-	-	-	433
VOLLEYBALL SUPPORT	11,553	8,748	12,933	(7,368)	-	-	-	-	-
FLOWER FUND	-	-	-	237	237	-	-	-	237
STUDENT FUNDRAISING	-	20	-	16,959	16,979	-	-	995	15,984
YOUTH SERVICE CENTER	-	1	-	1,391	1,392	-	-	85	1,307
MAGAZINE SALES	406	2	-	(408)	-	-	-	-	-
OHS CONCESSIONS	12,195	53,981	27,122	(21,690)	17,364	-	33,224	-	50,588
SCHOOL STORE ATHLETICS	3,815	4,080	540	-	7,355	-	3,407	-	10,762
KNOTHOLES	23	-	-	(23)	-	-	-	-	-
YEARBOOK	11,568	601	5,302	(6,867)	-	-	-	-	-
COLLEGE BOARD	564	7,896	8,546	86	-	-	-	-	-
STUDENT - Y	92	1	-	(93)	-	-	-	-	-
ACADEMIC TEAM	582	2	215	(369)	-	-	-	-	-
GSA	182	1	-	(183)	-	-	-	-	-
F.B.L.A.	257	26	180	(103)	-	-	-	-	-
HOSA	124	288	287	(125)	-	-	-	-	-
NATIONAL HONOR SOCIETY	478	603	700	(381)	-	-	-	-	-
JROTC	10,345	5,069	2,442	(12,972)	-	-	-	-	-
TENNIS SUPPORT	1,057	1,087	1,194	(950)	-	-	-	-	-
SIA/INTERACT	5,430	3,642	2,132	(6,940)	-	-	-	-	-
STUDENT COUNCIL	1,312	3,660	3,437	(1,535)	-	-	-	-	-
AOK	262	1	-	(263)	-	-	-	-	-
BAND	8,564	9,657	21,625	5,044	1,640	-	-	-	1,640
ORCHESTRA	182	1	63	-	120	-	-	-	120
CHORUS	417	3,567	3,477	-	507	-	-	-	507
DANCE CLASS	-	-	-	10	10	-	-	-	10
THEATRE	-	9	-	7,495	7,504	-	-	-	7,504
PSTO	5,095	13,145	10,919	(5,171)	2,150	-	-	-	2,150
PSTO C/O 2024	759	153	-	1,789	2,701	-	-	-	2,701
PSTO C/O 2023	3,130	768	-	521	4,419	-	-	-	4,419
PSTO C/O 2022	6,037	275	8,373	2,153	92	-	-	-	92
PSTO C/O 2025	-	1,157	-	1,265	2,422	-	-	-	2,422
CLASS OF 2020 REUNION	13,568	88	-	-	13,656	-	-	-	13,656
PSTO C/O 2026	-	140	-	-	140	-	-	-	140
FLOWER FUND	918	4	685	(237)	-	-	-	-	-
THEATRE	5,647	10,650	8,802	(7,495)	-	-	-	-	-

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2022

	Cash June 30, 2021	Receipts	Disbursements	Transfers	Cash June 30, 2022	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2022
YOUTH SERVICE CENTER	2,552	1,506	2,637	(1,421)	-	-	-	-	-
OHS PROM	5,870	8,663	5,405	-	9,128	-	-	-	9,128
SOCIAL STUDIES TRIP	16	30,980	29,922	(1,074)	-	-	-	-	-
SENIOR ACTIVITIES	442	560	16	(557)	429	-	-	-	429
RENAISSANCE	7,947	46	7,450	(543)	-	-	-	-	-
IN AND OUT	8,567	1,394	866	(9,095)	-	-	-	-	-
	<u>\$ 288,970</u>	<u>\$ 548,778</u>	<u>\$ 530,199</u>	<u>\$ -</u>	<u>\$ 307,549</u>	<u>\$ 18,552</u>	<u>\$ 36,631</u>	<u>\$ 6,724</u>	<u>\$ 356,008</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2022

<u>Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>					
Passed through Kentucky Department of Agriculture: Food Donation	10.550	057502	51	N/A	\$ 315,830
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	7760005	51	N/A	1,108,874
National School Lunch Program	10.555	7750002	51	N/A	3,072,209
Emergency Operational Costs	10.555	-	51	N/A	135,846
Supply Chain Assistance (COVID-19)	10.555	-	51	217I	27,793
Summer Food Service Program for Children	10.559	7740023	51	209G	195,617
Fresh Fruit and Vegetable Program	10.582	7720012	51	215I	148,662
Total Child Nutrition Cluster					<u>4,689,001</u>
Child and Adult Care Food Program	10.558	7790021 & 7800016	51	N/A	17,300
State Pandemic EBT Administrative Costs (COVID-19)	10.649	-	51	N/A	5,814
State Administrative Expenses for Child Nutrition	10.560	-	51	N/A	28,755
Total U.S. Department of Agriculture					<u>\$ 5,056,700</u>
<b>U. S. Department of Defense</b>					
Direct Program:					
ROTC	12.000	504I	2	504I	\$ 68,991
Total U. S. Department of Defense					<u>\$ 68,991</u>
<b>Federal Communications Commission</b>					
Direct Program:					
Emergency Connectivity Fund Program (COVID-19)	32.009	-	1	N/A	\$ 363,400
Total Federal Communications Commission					<u>\$ 363,400</u>
<b>U. S. Department of Education</b>					
Direct Program:					
Impact Aid (Title VII of ESEA)	84.041	S041B-2022-2027	1	N/A	\$ 8,425
					<u>8,425</u>
Passed through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies:					
Title I - Local Educational Agencies	84.010A	3100002-19	2	310F/FM/FN/FP	1,807
Title I - Local Educational Agencies	84.010A	3100002-20	2	310G/GM/GN/GP	571,563
Title I - Local Educational Agencies	84.010A	3100002-21	2	310I/IM/IN/IP	1,438,509
Title I - Part D, Subpart 2	84.010A	3100102-20	2	314G	1,793
Title I - Part D, Subpart 2	84.010A	3100102-21	2	314I	17,481
FY21 School Improvement - Additional Targeted Support and Improvement Grant (ATSI)	84.010A	3100202-20	2	320GA	138,334
FY22 School Improvement Cohort 3	84.010A	3100202-21	2	320IC	21
Education Recovery Specialist	84.010	3100202-21	2	320IE	116,926
					<u>2,286,434</u>
Special Education Cluster:					
Special Education - Grants to States:					
IDEA, Part B	84.027A	3810002-19	2	337F/FP	29,909
IDEA, Part B	84.027A	3810002-20	2	337G/GP	146,377
IDEA, Part B	84.027A	3810002-21	2	337I/IP	952,327
ARPA IDEA, Part B (COVID-19)	84.027X	4910002-21	2	478I/IP	78,726
					<u>1,207,339</u>
Special Education - Preschool Grants:					
IDEA Preschool	84.173A	3800002-20	2	343G	8,066
IDEA Preschool	84.173A	3800002-21	2	343I	45,685
ARPA IDEA Preschool (COVID-19)	84.173X	4900002-21	2	488I	5,907
					<u>59,658</u>
Total Special Education Cluster					<u>1,266,997</u>
Career and Technical Education - Basic Grants to States:					
Perkins - Part C (Carry-over)	84.048	3710002-20	2	348GA	12,966
Perkins - Part C	84.048	3710002-21	2	348I	78,739
					<u>91,705</u>
English Language Acquisition Grants:					
Title III Limited English Proficiency	84.365A	3300002-20	2	345G	5,347
Title III - Immigrant	84.365A	3300002-20	2	345GI	9,642
Title III Limited English Proficiency	84.365A	3300002-20	2	345I	31,793
					<u>46,782</u>
Supporting Effective Instruction State Grants:					
Title II	84.367A	3230002-18	2	401E/EP	6,420
Title II	84.367A	3230002-19	2	401FP	43,343
Title II	84.367A	3230002-20	2	401G/GP	38,582
Title II	84.367A	3230002-21	2	401I	217,130
					<u>305,475</u>

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**

Year Ended June 30, 2022

<u>Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education, Continued</u>					
Passed through Kentucky Department of Education, Continued:					
Comprehensive Literacy Development:					
Striving Readers Comprehensive Literacy Grant	84.371C	S371C170016	2	466F	54,068
KYCL: Kentucky Comprehensive Literacy Grant Round 2	84.371C	S371C190013	2	466IA	<u>203,269</u>
					<u>257,337</u>
21st Century Community Learning Center:					
21st Century Learning Center 2019	84.287C	3400002-19	2	550FC	<u>55,914</u>
Student Support and Academic Enrichment Grant:					
Title IV - Part A	84.424A	3420002-18	2	552EP	5,536
Title IV - Part A	84.424A	3420002-19	2	552FP	19,811
Title IV - Part A	84.424A	3420002-20	2	552GP/GS/GT/GW	49,883
Title IV - Part A	84.424A	3420002-21	2	552HS/IT/IW	<u>66,367</u>
					<u>141,597</u>
Education Stabilization Fund (COVID -19):					
Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21	2	554G/GD/GL/GS/GV	5,626,942
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	4300002-21	2	473G	3,389,965
American Rescue Plan - Homeless Children and Youth Phase II	84.425W	4980002-21	2	476C	<u>862</u>
					<u>9,017,769</u>
Passed through Green River Regional Educational Cooperative:					
School Safety National Activities:					
Project Prevent	84.184M	-	2	534FM	<u>42,835</u>
Total U. S. Department of Education					\$ <u>13,521,270</u>
<u>U.S. Department of Health and Human Services</u>					
Passed through Kentucky Department for Community Based Services:					
Child Care and Development Block Grant	93.575	-	2	562I	\$ <u>150,000</u>
Passed through Audubon Area Community Services:					
Head Start	93.600	-	2	655G	7,083
Head Start	93.600	-	2	065GA	<u>977,235</u>
					<u>984,318</u>
Total U. S. Department of Health and Human Services					\$ <u>1,134,318</u>
<u>U.S. Department of Labor</u>					
Passed through Kentucky Department of Education:					
WIOA Dislocated Worker Formula Grants:					
FY22 Grow Your Own	17.278	9100001-89	2	632I	\$ <u>32,935</u>
Total U. S. Department of Labor					\$ <u>32,935</u>
Total Federal Awards					\$ <u>20,177,614</u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Owensboro Independent School District (District) under programs of the federal government for the year ended June 30, 2022. 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to

Note C: Indirect Cost Rate

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

Note D: Nonmonetary assistance for the Food Distribution Program is reported in the Schedule at the fair value of the commodities received.

Note E: The District has no subrecipients.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education  
Owensboro Independent School District  
Owensboro, Kentucky

Kentucky State Committee for School District Audits  
Frankfort, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Owensboro Independent School District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2022.

**Report on 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) as a basis for designing 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 entity'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.

**Internal Control Over Financial Reporting, Continued**

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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 financial statements. 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*.

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.

We noted certain matters other than significant deficiencies and material weaknesses that we reported to management of the District in a separate letter dated December 12, 2022.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Owensboro, Kentucky  
December 12, 2022

*Ring Hand CPAs PSC*



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

Members of the Board of Education  
Owensboro Independent School District  
Owensboro, Kentucky

Kentucky State Committee for School District Audits  
Frankfort, Kentucky

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

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

We have audited Owensboro Independent School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the



***Auditor's Responsibilities for the Audit of Compliance, Continued***

Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Owensboro, Kentucky  
December 12, 2022

*Ring Hannah CPA, PC*

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2022

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Owensboro Independent School District (District) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses were reported.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as a major program were:
  - Education Stabilization Fund:
    - 84.425D – Elementary and Secondary School Emergency Relief Fund
    - 84.425U – American Rescue Plan Elementary and Secondary School Emergency Relief Fund
    - 84.425W – American Rescue Plan Elementary and Secondary School Emergency Relief Fund – Homeless Children and Youth
  - Child Nutrition Cluster:
    - 10.553 – School Breakfast Program
    - 10.555 – National School Lunch Program
    - 10.559 – Summer Food Service Program for Children
    - 10.582 – Fresh Fruit and Vegetable Program
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The District was determined to be a low-risk auditee.

**B. Findings - Financial Statements**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2022

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No audit findings were reported in the schedule of findings and questioned costs for the year ended June 30, 2021.