

OWENSBORO INDEPENDENT SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Year Ended June 30, 2023

(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, 2023, 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, 2023, 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 58-68 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 October 25, 2023, 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, 2023**

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, 2023. 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, 2022 for the District was \$20,656,716. The final ending General Fund balance at June 30, 2023 was \$21,526,685.
- 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, 2023 was \$19,497,572 which was an increase of \$3,781,366 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, 2023**

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 two categories: governmental and proprietary.

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 and Special Revenue 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, 2023**

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 \$18,383,117 of June 30, 2023. This was an increase of \$1,372,276 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, 2023**

Government-Wide Statement of Net Position

	Governmental Activities		Business-Type Activities		District Total		Total District Percentage Change
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2023
Assets							
Current and other assets							
\$ 35,402,204	\$ 34,114,392	\$ 2,060,967	\$ 2,696,772	\$ 37,463,171	\$ 36,811,164	-1.7%	
Capital assets, net	89,055,175	89,753,560	515,636	524,363	89,570,811	90,277,923	0.8%
Total Assets	124,457,379	123,867,952	2,576,603	3,221,135	127,033,982	127,089,087	0.0%
Deferred Outflows of Resources							
Related to pension & other postemployment benefit liabilities	9,262,451	14,770,966	1,036,838	1,166,049	10,299,289	15,937,015	54.7%
Bond deferrals on refunding	752,498	624,593	-	-	752,498	624,593	-17.0%
Total Deferred Outflows	10,014,949	15,395,559	1,036,838	1,166,049	11,051,787	16,561,608	49.9%
Total Assets and Deferred Outflows of Resources	\$ 134,472,328	\$ 139,263,511	\$ 3,613,441	\$ 4,387,184	\$ 138,085,769	\$ 143,650,695	4.0%
Liabilities							
Long term liabilities	\$ 97,962,204	\$ 104,754,406	\$ 4,219,439	\$ 4,865,808	\$ 102,181,643	\$ 109,620,214	7.3%
Other liabilities (current)	6,562,602	6,953,944	115,026	65,236	6,677,628	7,019,180	5.1%
Total Liabilities	104,524,806	111,708,350	4,334,465	4,931,044	108,859,271	116,639,394	7.1%
Deferred Inflows of Resources							
Related to pension & other postemployment benefits liabilities	11,424,632	8,202,515	791,025	425,669	12,215,657	8,628,184	-29.4%
Total Liabilities and Deferred Inflows of Resources	115,949,438	119,910,865	5,125,490	5,356,713	121,074,928	125,267,578	3.5%
Net Position							
Net investment in capital assets	25,263,902	28,702,084	515,636	524,363	25,779,538	29,226,447	13.4%
Restricted	8,482,113	5,662,053	-	-	8,482,113	5,662,053	-33.2%
Unrestricted	(15,223,125)	(15,011,491)	(2,027,685)	(1,493,892)	(17,250,810)	(16,505,383)	-4.3%
Total Net Position	18,522,890	19,352,646	(1,512,049)	(969,529)	17,010,841	18,383,117	8.1%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 134,472,328	\$ 139,263,511	\$ 3,613,441	\$ 4,387,184	\$ 138,085,769	\$ 143,650,695	4.0%

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2023**

Government-Wide Revenues and Expenditures

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>District Total</u>		<u>Total</u>
	<u>FY2022</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2023</u>	<u>District</u>
							<u>%</u>
Revenues							Change
Charges for Services	\$ 1,342,293	\$ 1,646,049	\$ 117,435	\$ 146,602	\$ 1,459,728	\$ 1,792,651	22.8%
Operating Grants and Contributions	18,262,798	18,228,865	5,090,047	5,126,963	23,352,845	23,355,828	0.0%
Capital Grants and Contributions	2,528,866	3,171,363	-	-	2,528,866	3,171,363	25.4%
Property Tax	15,310,315	16,181,711	-	-	15,310,315	16,181,711	5.7%
Utilities Tax	2,240,511	2,313,624	-	-	2,240,511	2,313,624	3.3%
State and Formula Grants	21,505,095	22,208,124	-	-	21,505,095	22,208,124	3.3%
State On-Behalf Payments	15,470,787	19,239,850	245,419	257,722	15,716,206	19,497,572	24.1%
Interest income	213,898	1,117,998	6,813	66,574	220,711	1,184,572	436.7%
Gain/Loss on Disposition of Capital Assets	3,101	327,673	(2,092)	-	1,009	327,673	32375.0%
Miscellaneous	218,106	206,208	-	-	218,106	206,208	-5.5%
Transfers	217,214	186,984	(217,214)	(186,984)	-	-	0.0%
Total Revenues	77,312,984	84,828,449	5,240,408	5,410,877	82,553,392	90,239,326	9.3%
Expenses							
Instruction	47,396,023	55,318,404	-	-	47,396,023	55,318,404	16.7%
Student Support Services	4,193,010	4,859,082	-	-	4,193,010	4,859,082	15.9%
Instructional Staff Support Services	4,075,523	4,304,547	-	-	4,075,523	4,304,547	5.6%
District Administration	1,553,254	1,533,746	-	-	1,553,254	1,533,746	-1.3%
School Administration	4,229,271	4,780,831	-	-	4,229,271	4,780,831	13.0%
Business	2,493,379	3,271,390	-	-	2,493,379	3,271,390	31.2%
Plant Operations & Maintenance	4,581,046	4,337,042	-	-	4,581,046	4,337,042	-5.3%
Student Transportation	2,355,730	2,619,013	-	-	2,355,730	2,619,013	11.2%
Community Services	578,415	632,373	-	-	578,415	632,373	9.3%
Day Care Program	-	-	57,640	66,830	57,640	66,830	15.9%
Building renovations	41,730	484,836	-	-	41,730	484,836	1061.8%
Interest on Long-term Debt	2,219,802	1,857,429	-	-	2,219,802	1,857,429	-16.3%
Food Service	-	-	4,339,969	4,801,527	4,339,969	4,801,527	10.6%
Total Expenses	73,717,183	83,998,693	4,397,609	4,868,357	78,114,792	88,867,050	13.8%
Change in net position	3,595,801	829,756	842,799	542,520	4,438,600	1,372,276	
Net position, beginning of year	14,927,089	18,522,890	(2,354,848)	(1,512,049)	12,572,241	17,010,841	
Net position, end of year	\$ 18,522,890	\$ 19,352,646	\$ (1,512,049)	\$ (969,529)	\$ 17,010,841	\$ 18,383,117	

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2023**

Governmental Activities

State and formula grants and on-behalf payments represented 46.2% of the government-wide revenues; operating and capital grants and contributions provided 29.4%; property taxes provided 17.9%; and utilities taxes provided 2.6%; and other revenue provided 3.9%. Instruction, Instructional Staff Support, and Student Support Services comprised the majority of government-wide program expenses and accounted for 72.6% of the total expenses, plant operations and maintenance represented 4.9% of the total expenses, and student transportation was 2.9% 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 \$542,520 for FY 2023. Revenues included charges for services totaling \$146,602, state and federal grants and on-behalf payments totaling \$5,384,685 and other revenue of \$66,574. During FY 2023, indirect costs of \$186,984 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.

Changes in June 30 Fund Balances	FY 2022	FY 2023	Amount of Change	Percent of Change
General Fund	\$ 20,656,716	\$ 21,526,685	\$ 869,969	4.2%
Special Revenue Fund	93,473	142,032	48,559	51.9%
School Activity Fund	526,505	574,475	47,970	9.1%
Construction Fund	5,263,444	1,001,125	(4,262,319)	-81.0%
SEEK Capital Outlay Fund	203,353	655,690	452,337	222.4%
FSPK Building Fund	2,395,338	3,288,731	893,393	37.3%
Total Governmental Funds	\$ 29,138,829	\$ 27,188,738	\$ (1,950,091)	
Food Service Fund	\$ (1,254,145)	\$ (731,526)	\$ 522,619	-41.7%
Day Care Fund	(257,904)	(238,003)	19,901	-7.7%
Total Proprietary Funds	\$ (1,512,049)	\$ (969,529)	\$ 542,520	

- The Fund Balance in the General Fund increased primarily due to encumbered funds of \$1,896,404 at June 30, 2023, compared to \$1,390,338 at June 30, 2022.
- 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 2023.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION

Summary of Capital Assets

At June 30, 2023, the District has invested \$90,277,923 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 \$132,964,418 with accumulated depreciation of \$42,686,495. The net investment in capital assets is summarized in the following chart.

	Governmental Activities		Business-Type Activities		District Total		Total District % Change
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	FY2023
Land & Improvements	\$ 7,983,453	\$ 7,787,493	\$ 8,780	\$ 7,767	\$ 7,992,233	\$ 7,795,260	-2.5%
Construction in Progress	10,470,100	2,236,986	-	-	10,470,100	2,236,986	-78.6%
Buildings and Improvements	68,857,985	77,828,744	2,935	2,666	68,860,920	77,831,410	13.0%
Equipment, Furniture & Vehicles	1,743,637	1,900,337	503,921	513,930	2,247,558	2,414,267	7.4%
Total Assets	\$ 89,055,175	\$ 89,753,560	\$ 515,636	\$ 524,363	\$ 89,570,811	\$ 90,277,923	0.8%

Long-Term Debt

At June 30, 2023, the District had \$61,755,000 in general obligation bonds outstanding (including the Kentucky School Facilities Construction Commission portion). The net decrease of these general obligation bonds was \$2,860,000, which resulted from principal retirements. The total principal and interest bond payments due from the District for next fiscal year is \$4,192,089 and from the Kentucky School Facility Construction Commission is \$430,228.

General Obligation Bonds	FY 2022	FY 2023
Series 2012R (Partial Refinancing 2004)	290,000	145,000
Series 2015 Sutton	5,540,000	5,425,000
Series 2016 (Partial Refinancing 2008)	11,810,000	10,235,000
Series 2017 Newton Parrish	7,000,000	6,880,000
Series 2019 Innovation Campus Renovation	12,635,000	12,415,000
Series 2020 Guaranteed Energy Savings	12,835,000	12,585,000
Series 2021 Cravens	12,600,000	12,250,000
Series 2022 Sutton	1,905,000	1,820,000
Total	\$ 64,615,000	\$ 61,755,000

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2023**

BUDGETARY IMPLICATIONS

It is important that the District continue to budget conservatively. The District received 69.1% of its General Fund revenue for FY 2023 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 30.1% of the General Fund revenue is from local revenue. Property taxes provide 78.1% 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 (4.1% of total revised budget). The beginning General Fund balance for fiscal year 2023 was \$20,656,716. Significant Board actions that impacted finances for this year included a 2% 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, 2023**

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 this year. The challenge we face now is to implement strategies to reduce all identified gaps indicated by state assessments without the additional ESSER funding. 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:

John David Sandefur, CPA, CSFM
Chief Financial and Operations Officer
Owensboro Independent School District
450 Griffith Avenue
Owensboro, KY 42301
Telephone: (270) 686-1000
E-mail: johndavid.sandefur@owensboro.kyschools.us
OPS Website: <http://owensboro.kyschools.us>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 29,368,596	\$ 2,496,788	\$ 31,865,384
Accounts receivable:			
Taxes	940,586	-	940,586
Other	147,709	1,444	149,153
Due from other governments	3,329,649	84,993	3,414,642
Inventory	26,946	113,547	140,493
Prepaid expenses	300,906	-	300,906
Capital assets, net	89,753,560	524,363	90,277,923
Total assets	123,867,952	3,221,135	127,089,087
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	624,593	-	624,593
Pension deferred outflows	3,734,329	705,823	4,440,152
Other postemployment benefits deferred outflows	11,036,637	460,226	11,496,863
Total deferred outflows of resources	15,395,559	1,166,049	16,561,608
LIABILITIES			
Accounts payable	1,278,125	4,452	1,282,577
Accrued salaries and benefits	2,339,023	-	2,339,023
Payroll withholdings	1,877,157	-	1,877,157
Accrued interest payable	532,011	-	532,011
Unearned revenue	927,628	60,784	988,412
Long-term liabilities:			
Due within one year	3,171,769	-	3,171,769
Due in more than one year	60,858,287	-	60,858,287
Other liabilities due in more than one year:			
Net pension liability	21,030,320	3,750,015	24,780,335
Net other postemployment benefits liabilities	19,694,030	1,115,793	20,809,823
Total liabilities	111,708,350	4,931,044	116,639,394
DEFERRED INFLOWS OF RESOURCES			
Pension deferred inflows	165,649	55,031	220,680
Other postemployment benefits deferred inflows	8,036,866	370,638	8,407,504
Total deferred inflows of resources	8,202,515	425,669	8,628,184
NET POSITION			
Net investment in capital assets	28,702,084	524,363	29,226,447
Restricted for:			
Capital projects	4,945,546	-	4,945,546
Other	574,475	-	574,475
Technology	142,032	-	142,032
Unrestricted	(15,011,491)	(1,493,892)	(16,505,383)
Total net position	\$ 19,352,646	\$ (969,529)	\$ 18,383,117

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

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
Governmental activities:							
Instruction	\$ 55,318,404	\$ 483,679	\$ 13,420,696	\$ -	\$ (41,414,029)		\$ (41,414,029)
Support services:							
Student	4,859,082	1,112,138	1,472,085	-	(2,274,859)		(2,274,859)
Instructional staff	4,304,547	-	1,872,536	-	(2,432,011)		(2,432,011)
District administration	1,533,746	-	53,301	-	(1,480,445)		(1,480,445)
School administration	4,780,831	-	430,482	-	(4,350,349)		(4,350,349)
Business	3,271,390	-	-	-	(3,271,390)		(3,271,390)
Plant operation and maintenance	4,337,042	2,100	191,779	-	(4,143,163)		(4,143,163)
Student transportation	2,619,013	48,132	155,340	-	(2,415,541)		(2,415,541)
Community services	632,373	-	632,646	-	273		273
Building renovations / additions	484,836	-	-	3,171,363	2,686,527		2,686,527
Interest on long-term liabilities	1,857,429	-	-	-	(1,857,429)		(1,857,429)
Total governmental activities	<u>83,998,693</u>	<u>1,646,049</u>	<u>18,228,865</u>	<u>3,171,363</u>	<u>(60,952,416)</u>		<u>(60,952,416)</u>
Business-type activities:							
Food service	4,801,527	63,766	5,126,963	-	-	\$ 389,202	389,202
Day care	66,830	82,836	-	-	-	16,006	16,006
Total business-type activities	<u>4,868,357</u>	<u>146,602</u>	<u>5,126,963</u>	<u>-</u>	<u>-</u>	<u>405,208</u>	<u>405,208</u>
Total district	<u>\$ 88,867,050</u>	<u>\$ 1,792,651</u>	<u>\$ 23,355,828</u>	<u>\$ 3,171,363</u>	<u>(60,952,416)</u>	<u>405,208</u>	<u>(60,547,208)</u>
General revenues:							
Property taxes					16,181,711	-	16,181,711
Utility taxes					2,313,624	-	2,313,624
State aid formula grants					22,208,124	-	22,208,124
On-behalf payments					19,239,850	257,722	19,497,572
Interest income					1,117,998	66,574	1,184,572
Gain (loss) on disposition of capital assets					327,673	-	327,673
Miscellaneous					206,208	-	206,208
Transfers					186,984	(186,984)	-
Total general revenues and transfers					<u>61,782,172</u>	<u>137,312</u>	<u>61,919,484</u>
Change in net position					829,756	542,520	1,372,276
Net position, June 30, 2022					<u>18,522,890</u>	<u>(1,512,049)</u>	<u>17,010,841</u>
Net position, June 30, 2023					<u>\$ 19,352,646</u>	<u>\$ (969,529)</u>	<u>\$ 18,383,117</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 23,042,832	\$ -	\$ 6,325,764	\$ 29,368,596
Accounts receivable:				
Taxes	940,586	-	-	940,586
Other	12,461	116,941	18,307	147,709
Due from other governments	24,450	3,305,199	-	3,329,649
Due from other funds	2,143,015	-	-	2,143,015
Inventory	-	-	26,946	26,946
Prepaid expenses	300,906	-	-	300,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>26,464,250</u>	\$ <u>3,422,140</u>	\$ <u>6,371,017</u>	\$ <u>36,257,407</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 217,664	\$ 209,465	\$ 850,996	\$ 1,278,125
Due to other funds	-	2,143,015	-	2,143,015
Accrued salaries and benefits	2,339,023	-	-	2,339,023
Payroll withholdings	1,877,157	-	-	1,877,157
Unearned revenue	-	927,628	-	927,628
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	4,433,844	3,280,108	850,996	8,564,948
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred inflows of resources:				
Unavailable revenue - delinquent property taxes	503,721	-	-	503,721
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	566,335	5,520,021	6,086,356
Committed	2,425,850	-	-	2,425,850
Assigned	1,896,404	-	-	1,896,404
Unassigned	17,204,431	(424,303)	-	16,780,128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	21,526,685	142,032	5,520,021	27,188,738
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>26,464,250</u>	\$ <u>3,422,140</u>	\$ <u>6,371,017</u>	\$ <u>36,257,407</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

June 30, 2023

Total fund balances - governmental funds	\$	27,188,738
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.		
		89,753,560
Certain assets are not available to pay for current period expenditures:		
Taxes receivable		503,721
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	\$ (61,755,000)	
Issuance premiums	(123,837)	
Issuance discounts	202,768	
Deferred charges on refunding	624,593	
Compensated absences	(2,353,987)	
Net pension liability	(21,030,320)	
Net other postemployment benefits liabilities	(19,694,030)	
Accrued interest payable	(532,011)	(104,661,824)
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	\$ 3,734,329	
Pension deferred inflows	(165,649)	
Other postemployment benefits deferred outflows	11,036,637	
Other postemployment benefits deferred inflows	(8,036,866)	6,568,451
Net position of governmental activities	\$	<u><u>19,352,646</u></u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 14,054,733	\$ -	\$ 1,876,710	\$ 15,931,443
Utility taxes	2,313,624	-	-	2,313,624
Tuition and fees	483,679	-	-	483,679
Interest income	1,022,554	-	95,444	1,117,998
Other local revenue	113,669	968,614	1,170,373	2,252,656
State aid	41,228,518	2,137,661	3,601,590	46,967,769
Federal aid	455,027	14,541,328	-	14,996,355
	59,671,804	17,647,603	6,744,117	84,063,524
Expenditures:				
Instruction	37,143,941	13,608,000	998,000	51,749,941
Support services:				
Student	3,959,376	823,064	10,952	4,793,392
Instructional staff	2,442,279	1,849,930	17,335	4,309,544
District administration	1,503,527	1,112	-	1,504,639
School administration	4,277,861	430,482	-	4,708,343
Business	3,108,090	3,630	-	3,111,720
Plant operation and maintenance	3,957,324	169,779	-	4,127,103
Student transportation	2,461,567	155,340	-	2,616,907
Community services	-	632,646	-	632,646
Building renovations / additions	-	-	4,357,763	4,357,763
Debt service:				
Principal	-	-	2,860,000	2,860,000
Interest	-	-	1,757,895	1,757,895
	58,853,965	17,673,983	10,001,945	86,529,893
Excess (deficiency) of revenues over expenditures	817,839	(26,380)	(3,257,828)	(2,466,369)
Other financing sources (uses):				
Proceeds from sale of capital assets	329,294	-	-	329,294
Operating transfers in	671,981	559,936	4,187,668	5,419,585
Operating transfers out	(949,145)	(484,997)	(3,798,459)	(5,232,601)
	52,130	74,939	389,209	516,278
Net change in fund balances	869,969	48,559	(2,868,619)	(1,950,091)
Fund balance, June 30, 2022	20,656,716	93,473	8,388,640	29,138,829
Fund balance, June 30, 2023	\$ 21,526,685	\$ 142,032	\$ 5,520,021	\$ 27,188,738

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, 2023

Net change in fund balances - total governmental funds		\$ (1,950,091)
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	\$ 4,467,761	
Depreciation expense	<u>(3,767,755)</u>	700,006
Governmental funds report the disposal of capital assets to the extent proceeds are received. However, the statement of activities reports the gain or loss.		
		(1,621)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Increase in taxes receivable		250,268
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	\$ 2,860,000	
Amortization of premiums on bonds	20,221	
Amortization of discounts on bonds	(12,519)	
Amortization of deferred charges on refunding	<u>(127,905)</u>	2,739,797
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	\$ (119,389)	
Increase in pension expense	(448,643)	
Increase in other postemployment benefits expense	(361,240)	
Decrease in accrued interest payable	<u>20,669</u>	<u>(908,603)</u>
Change in net position of governmental activities		<u>\$ 829,756</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2023

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
ASSETS			
Current assets:			
Cash	\$ 2,411,721	\$ 85,067	\$ 2,496,788
Accounts receivable:			
Operating	-	1,444	1,444
Due from other governments	84,993	-	84,993
Inventory	113,547	-	113,547
Total current assets	2,610,261	86,511	2,696,772
Noncurrent assets:			
Capital assets	1,309,882	26,997	1,336,879
Less accumulated depreciation	(795,952)	(16,564)	(812,516)
Total noncurrent assets	513,930	10,433	524,363
Total assets	3,124,191	96,944	3,221,135
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferred outflows	639,911	65,912	705,823
Other postemployment benefits deferred outflows	416,649	43,577	460,226
Total deferred outflows of resources	1,056,560	109,489	1,166,049
LIABILITIES			
Current liabilities:			
Accounts payable	4,452	-	4,452
Unearned revenue	59,966	818	60,784
Total current liabilities	64,418	818	65,236
Non-current liabilities:			
Net pension liability	3,467,364	282,651	3,750,015
Net other postemployment benefits liability	995,453	120,340	1,115,793
Total noncurrent liabilities	4,462,817	402,991	4,865,808
Total liabilities	4,527,235	403,809	4,931,044
DEFERRED INFLOWS OF RESOURCES			
Pension deferred inflows	45,260	9,771	55,031
Other postemployment benefits deferred inflows	339,782	30,856	370,638
Total deferred inflows of resources	385,042	40,627	425,669
NET POSITION			
Net investment in capital assets	513,930	10,433	524,363
Unrestricted	(1,245,456)	(248,436)	(1,493,892)
Total net position	\$ (731,526)	\$ (238,003)	\$ (969,529)

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

PROPRIETARY FUNDS

Year Ended June 30, 2023

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
Operating revenues:			
Charges for services	\$ 63,674	\$ 82,836	\$ 146,510
Other operating revenues	92	-	92
	63,766	82,836	146,602
Operating expenses:			
Salaries and wages	1,272,647	41,703	1,314,350
Employee benefits	826,354	23,513	849,867
Professional and technical services	5,416	-	5,416
Property services	46,391	-	46,391
Other purchased services	43,649	-	43,649
Supplies and materials	2,514,361	331	2,514,692
Property	-	-	-
Miscellaneous	7,119	-	7,119
Depreciation	85,590	1,283	86,873
	4,801,527	66,830	4,868,357
Operating income (loss)	(4,737,761)	16,006	(4,721,755)
Nonoperating revenues (expenses):			
Federal government grants	4,763,977	-	4,763,977
Donated commodities	329,280	-	329,280
State government grants	33,706	-	33,706
On-behalf payments	253,827	3,895	257,722
Gain (loss) on disposition of capital assets	-	-	-
Interest income	66,574	-	66,574
	5,447,364	3,895	5,451,259
Income (loss) before transfers	709,603	19,901	729,504
Transfers out	(186,984)	-	(186,984)
Change in net position	522,619	19,901	542,520
Net position, June 30, 2022	(1,254,145)	(257,904)	(1,512,049)
Net position, June 30, 2023	\$ (731,526)	\$ (238,003)	\$ (969,529)

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2023

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
Cash flows from operating activities:			
Cash received from(used by):			
Charges for services	\$ 13,388	\$ 84,726	\$ 98,114
Other revenues	92	-	92
Cash paid to / for:			
Employees	(1,952,218)	(60,197)	(2,012,415)
Supplies	(2,280,887)	(331)	(2,281,218)
Other services	(99,843)	-	(99,843)
Net cash provided by (used in) operating activities	<u>(4,319,468)</u>	<u>24,198</u>	<u>(4,295,270)</u>
Cash flows from noncapital financing activities:			
Federal government grants	5,295,695	(1,456)	5,294,239
State government grants	33,706	-	33,706
On-behalf payments	253,827	3,895	257,722
Transfers out	(186,984)	-	(186,984)
Net cash provided by noncapital financing activities	<u>5,396,244</u>	<u>2,439</u>	<u>5,398,683</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(95,600)	-	(95,600)
Net cash used in capital and related financing activities	<u>(95,600)</u>	<u>-</u>	<u>(95,600)</u>
Cash flows from investing activities:			
Interest income	66,574	-	66,574
Net cash provided by investing activities	<u>66,574</u>	<u>-</u>	<u>66,574</u>
Net increase in cash and cash equivalents	<u>1,047,750</u>	<u>26,637</u>	<u>1,074,387</u>
Cash and cash equivalents:			
Beginning of year	1,363,971	58,430	1,422,401
End of year	<u>\$ 2,411,721</u>	<u>\$ 85,067</u>	<u>\$ 2,496,788</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (4,737,761)	\$ 16,006	\$ (4,721,755)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	85,590	1,283	86,873
Commodities used	329,280	-	329,280
Changes in assets and liabilities:			
Accounts receivable - operating	-	1,802	1,802
Inventory	(93,482)	-	(93,482)
Accounts payable	408	-	408
Net other postemployment benefits liability and deferrals	59,717	2,042	61,759
Net pension liability and deferrals	87,066	2,977	90,043
Unearned revenue	(50,286)	88	(50,198)
Net cash provided by (used in) operating activities	<u>\$ (4,319,468)</u>	<u>\$ 24,198</u>	<u>\$ (4,295,270)</u>
Noncash noncapital financing activities:			
Food commodities from the U.S. Department of Agriculture	<u>\$ 329,280</u>		

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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, 2023

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, 2023

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.

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, 2023

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 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, 2023

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, 2023

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, 2022, on which the levy for the 2023 fiscal year was based, totaled \$1,876,709,282. 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, 2023, to finance General Fund and FSPK Building Fund operations were 75.4 cents and 11.2 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, 2023

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, 2023

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, 2023

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, 2023

2. Summary of Significant Accounting Policies, Continued

New Accounting Standard

In May of 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), to improve accounting and financial reporting for SBITAs for government end users. 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. The Statement is effective for reporting periods beginning after June 15, 2022. Management has determined that the impact of the standard was immaterial to the District and, therefore, has not implemented the standard.

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, 2023, the book balance of the District's bank deposits was \$31,865,184 and the bank balances were \$31,598,725. Of the bank balances, \$253,640 was covered by federal depository insurance and \$31,345,085 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, 2023

4. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Disposals	Balance June 30, 2023
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 4,062,813	\$ -	\$ -	\$ 4,062,813
Construction in progress	10,470,100	3,872,928	(12,106,042)	2,236,986
Total capital assets, not being depreciated	14,532,913	3,872,928	(12,106,042)	6,299,799
Capital assets, being depreciated:				
Land improvements	8,525,050	121,138	-	8,646,188
Buildings and improvements	97,742,012	11,978,218	(2,060)	109,718,170
Technology equipment	1,204,818	6,495	(24,035)	1,187,278
Vehicles	4,490,497	510,981	(74,085)	4,927,393
General equipment	878,951	84,043	(114,283)	848,711
Total capital assets, being depreciated	112,841,328	12,700,875	(214,463)	125,327,740
Less accumulated depreciation:				
Land improvements	(4,604,410)	(317,098)	-	(4,921,508)
Buildings and improvements	(28,884,027)	(3,006,855)	1,456	(31,889,426)
Technology equipment	(1,041,997)	(74,290)	24,035	(1,092,252)
Vehicles	(3,077,108)	(340,950)	74,085	(3,343,973)
General equipment	(711,524)	(28,562)	113,266	(626,820)
Total accumulated depreciation	(38,319,066)	(3,767,755)	212,842	(41,873,979)
Total capital assets, being depreciated, net	74,522,262	8,933,120	(1,621)	83,453,761
Governmental activities: Capital assets, net	\$ 89,055,175	\$ 12,806,048	\$ (12,107,663)	\$ 89,753,560
<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	1,165,839	95,600	(15,070)	1,246,369
Total capital assets, being depreciated	1,256,349	95,600	(15,070)	1,336,879
Less accumulated depreciation:				
Land improvements	(11,479)	(1,013)	-	(12,492)
Building and improvements	(3,803)	(269)	-	(4,072)
Vehicles	(51,187)	(4,771)	-	(55,958)
General equipment	(674,244)	(80,820)	15,070	(739,994)
Total accumulated depreciation	(740,713)	(86,873)	15,070	(812,516)
Business-type activities: Capital assets, net	\$ 515,636	\$ 8,727	\$ -	\$ 524,363

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

4. Capital Assets, Continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 3,316,381
Support services:	
Student	-
Instructional staff	727
District administration	24,244
School administration	484
Business support	56,904
Plant operations and management	70,939
Student transportation	<u>298,076</u>
Total depreciation expense	<u>\$ 3,767,755</u>

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Long-term debt:					
School building revenue bonds	\$ 64,615,000	\$ -	\$ (2,860,000)	\$ 61,755,000	\$ 2,930,000
Deferred amounts:					
For issuance premiums	144,058	-	(20,221)	123,837	-
For issuance discounts	<u>(215,287)</u>	<u>-</u>	<u>12,519</u>	<u>(202,768)</u>	<u>-</u>
Total long-term debt	64,543,771	-	(2,867,702)	61,676,069	2,930,000
Compensated absences:					
Accrued sick leave	<u>2,234,598</u>	<u>405,428</u>	<u>(286,039)</u>	<u>2,353,987</u>	<u>241,769</u>
Total governmental activities	<u>\$ 66,778,369</u>	<u>\$ 405,428</u>	<u>\$ (3,153,741)</u>	<u>\$ 64,030,056</u>	<u>\$ 3,171,769</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, 2023

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, 2023, is as follows:

		<u>District</u>		<u>Commission</u>		<u>Total</u>
Balance, June 30, 2022	\$	61,134,452	\$	3,480,548	\$	64,615,000
Retired		<u>(2,520,268)</u>		<u>(339,732)</u>		<u>(2,860,000)</u>
Balance, June 30, 2023	\$	<u>58,614,184</u>	\$	<u>3,140,816</u>	\$	<u>61,755,000</u>

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

	Range of Interest Rates	Final Maturity	<u>Balance, June 30, 2023</u>		
			<u>District</u>	<u>Commission</u>	<u>Total</u>
2012R Issue	2.00 – 2.500%	2024	\$ -	\$ 145,000	\$ 145,000
2015 Issue	2.00 – 3.500%	2036	4,918,132	506,868	5,425,000
2016R Issue	2.00 – 4.000%	2029	9,930,072	304,928	10,235,000
2017 Issue	2.00 – 3.375%	2038	5,806,628	1,073,372	6,880,000
2019 Issue	3.00%	2040	11,929,419	485,581	12,415,000
2020 Issue	3.25 – 3.375%	2040	12,585,000	-	12,585,000
2021 Issue	2.00 – 2.250%	2041	11,624,933	625,067	12,250,000
2022 Issue	1.00 – 2.125%	2042	<u>1,820,000</u>	<u>-</u>	<u>1,820,000</u>
			<u>\$ 58,614,184</u>	<u>\$ 3,140,816</u>	<u>\$ 61,755,000</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, 2023, for debt service (principal and interest) are as follows:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

5. Long-Term Liabilities, Continued

School Building Revenue Bonds, Continued

Year Ending June 30,	Owensboro Independent School District			Kentucky School Facility Construction Commission			
	Principal	Interest	District Total	Principal	Interest	Commission Total	Total
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	2,929,603	1,337,935	4,267,538	210,397	59,058	269,455	4,536,993
2029–							
2033	16,264,576	5,391,751	21,656,327	905,424	218,824	1,124,248	22,780,575
2034–							
2038	19,427,354	2,828,443	22,255,797	887,646	86,263	973,909	23,229,706
2039–							
2042	9,171,800	431,140	9,602,940	183,200	7,067	190,267	9,793,207
	<u>\$ 58,614,184</u>	<u>\$ 16,048,161</u>	<u>\$ 74,662,345</u>	<u>\$ 3,140,816</u>	<u>\$ 662,889</u>	<u>\$ 3,803,705</u>	<u>\$ 78,466,050</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, 2023, totaled \$1,857,429, of which \$1,766,933 was paid by the District, and \$90,496 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, 2023, \$10,305,000 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 \$2,353,987 at June 30, 2023, 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, 2023, 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, 2023

6. Interfund Receivables and Payables

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 2,143,015	\$ -
Special Revenue Fund	<u>-</u>	<u>2,143,015</u>
	<u>\$ 2,143,015</u>	<u>\$ 2,143,015</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, 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

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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

Benefits Provided, Continued

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, 2023. 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.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2023, was as follows:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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

District’s proportionate share of the net pension liability	\$ -
State’s proportionate share of the net pension liability associated with the District	<u>133,166,678</u>
Total	<u>\$ 133,166,678</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, the measurement date, the District’s proportion of the TRS net pension liability was .7860%, a decrease of .0207% from its proportion measured as of June 30, 2021, of .8067%.

For the year ended June 30, 2023, the District recognized on-behalf pension expense and revenue of \$12,150,279 for contributions provided by the State.

Actuarial Assumptions

The total pension liability in the actuarial valuation dated June 30, 2021, 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	2.13%
Measurement Date	3.37%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.10%
Measurement Date	7.10%
Post-Retirement Benefit Increases	1.50% annually

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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, 2023

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%	\$169,947,630
Current discount rate	7.10%	\$133,166,678
1% increase	8.10%	\$102,504,407

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, 2023.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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 7, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to 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. 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, 2023, 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 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 payable 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, 2023

8. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, 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, 2023, 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, 2023, the District reported a liability of \$14,046,000 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, 2022, 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, 2022 measurement date, the District’s proportion was .565812 %, an increase of 0.137013% from its proportion measured as of June 30, 2021 of 0.428799%.

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	\$ 14,046,000	\$ -
State’s proportionate share of the net OPEB liability associated with the District	4,614,000	230,000
Total	\$ 18,660,000	\$ 230,000

For the year ended June 30, 2023, the District recognized MIP OPEB expense (credit) of \$(681,816). In addition, on-behalf MIP and LIP OPEB revenue and expense for support provided by the State totaled \$246,635 and \$17,518 for the year ended June 30, 2023. At June 30, 2023, 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, 2023

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	\$ -	\$ 5,905,000
Changes of assumptions	2,853,000	-
Net difference between projected and actual earnings on plan investments	747,000	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,254,000	30,000
District contributions subsequent to the measurement date	773,694	-
Total	\$ 8,627,694	\$ 5,935,000

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$773,694 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, 2024. 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,	
2024	\$ (24,000)
2025	33,000
2026	80,000
2027	859,000
2028	689,000
2029	282,000
	\$ 1,919,000

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2021, 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, 2023

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

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	3.37%
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 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 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.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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

assumption was updated for the June 30, 2021 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	<u>100%</u>	<u>100%</u>		

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 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.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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 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:

	1% decrease (6.10%)	Current discount rate (7.10%)	1% increase (8.10%)
Net MIP OPEB liability	\$ 17,624,000	\$ 14,046,000	\$ 11,085,000

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:

	1% decrease	Current trend rate	1% increase
Net MIP OPEB liability	\$ 10,530,000	\$ 14,046,000	\$ 18,420,000

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 \$92,556 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2023.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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. KPPA issues a publicly available financial report that can be obtained at 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.

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 as fully described in the plan documents.

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 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 78.635.

The District’s actuarially determined contribution rates and contribution amounts applicable to fiscal year 2023 were based on annual creditable compensation for the year ended June 30, 2022, were as follows:

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	23.40%	\$ 2,369,250
OPEB	3.39	343,237
Total	<u>26.79%</u>	<u>\$ 2,712,487</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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

The net pension and OPEB liabilities reported as of June 30, 2023, were measured as of June 30, 2022, and the total pension and OPEB liabilities used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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:

	Pension	OPEB
June 30, 2021	0.316079%	0.316005%
Increase	0.026711	0.026725
June 30, 2022	0.342790%	0.342730%

The District’s pension and OPEB liabilities and expense as of and for the year ended June 30, 2023, were as follows:

	Net Pension Liability	Net OPEB Liability
Proportionate Share	\$ 24,780,335	\$ 6,763,823
Pension/OPEB Expense	\$ 2,869,090	\$ 1,085,857

At June 30, 2023, 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, 2023

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	\$ 26,493	\$ 260,680	\$ 680,835	\$ 1,551,102
Changes of assumptions	-	-	1,069,746	881,464
Net difference between projected and actual earnings on plan investments	635,277	-	274,526	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,409,132	-	500,825	39,938
Contributions subsequent to the measurement date	2,369,250	-	343,237	-
Total	\$ 4,440,152	\$ 220,680	\$ 2,869,169	\$ 2,472,504

The \$2,369,250 and \$343,237 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, 2024. 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,		
2024	\$ 737,930	\$ 114,066
2025	616,579	115,573
2026	(208,240)	(293,866)
2027	703,953	117,655
	\$ 1,850,222	\$ 53,428

Actuarial Assumptions

The total pension/OPEB liabilities in the June 30, 2021, 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, 2023

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 trend rates (OPEB)	Pre-65: Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Post-65: Initial trend starting at 9.00% in 2024, 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, 2023

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
Growth		
Public equity	50.00	4.45%
Private equity	10.00	10.15%
	60.00	
Fixed income		
Core fixed income	10.00	0.28%
Specialty credit	10.00	2.28%
Cash	0.00	(0.91)%
	20.00	
Inflation protected		
Real estate	7.00	3.67%
Real return	13.00	4.07%
	20.00	
Total	100.00%	

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, 2021	6.25%	5.20%
Increase	-	0.50
Discount rate, June 30, 2022	6.25%	5.70%

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 5.70% 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 3.69% as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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.

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%	\$ 30,972,345	4.70%	\$ 9,042,153
Current discount rate	6.25%	\$ 24,780,335	5.70%	\$ 6,763,823
1% increase	7.25%	\$ 19,659,030	6.70%	\$ 4,880,403

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	5.20% Pre-65 and 8.00 % Post-65
Current healthcare cost trend rates	6.20% Pre-65 and 9.00% Post-65	\$ 6,763,823
1% increase	7.20% Pre-65 and 10.00% Post-65	\$ 8,847,316

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

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, 2023.

<u>Pension</u>	<u>OPEB</u>
\$ <u>303,698</u>	\$ <u>43,997</u>

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, 2023:

TRS:	
Pension	\$ 12,150,279
Retiree health insurance	246,635
Retiree life insurance	17,518
Health insurance	5,973,207
HRA and administrative fees	508,212
State life insurance	10,325
Technology	161,169
KSFCC debt service	<u>430,227</u>
	\$ <u>19,497,572</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, 2023

12. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2023, is as follows:

	Major Governmental Funds		Nonmajor Governmental Funds				Total Nonmajor Governmental Funds	Total
	General Fund	Special Revenue Fund	School Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund		
Fund balances:								
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:								
Future capital needs	-	-	-	655,690	3,288,731	1,001,125	4,945,546	4,945,546
Technology	-	142,032	-	-	-	-	-	142,032
Other	-	424,303	574,475	-	-	-	574,475	998,778
	<u>-</u>	<u>566,335</u>	<u>574,475</u>	<u>655,690</u>	<u>3,288,731</u>	<u>1,001,125</u>	<u>5,520,021</u>	<u>6,086,356</u>
Committed:								
Sick leave	295,574	-	-	-	-	-	-	295,574
Construction	378,161	-	-	-	-	-	-	378,161
Technology	1,405,434	-	-	-	-	-	-	1,405,434
Site-based carryforward	346,681	-	-	-	-	-	-	346,681
	<u>2,425,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,425,850</u>
Assigned:								
Purchase obligations	1,896,404	-	-	-	-	-	-	1,896,404
Unassigned	17,204,431	(424,303)	-	-	-	-	-	16,780,128
Total fund balances	\$ <u>21,526,685</u>	\$ <u>142,032</u>	\$ <u>574,475</u>	\$ <u>655,690</u>	\$ <u>3,288,731</u>	\$ <u>1,001,125</u>	\$ <u>5,520,021</u>	\$ <u>27,188,738</u>

The District has \$2,395,346 of encumbrances of operating funds in major and nonmajor funds at June 30, 2023, 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 \$(731,526) and \$(238,003), 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, 2023

14. Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

		Transfers in:				
		Major Governmental Funds		Nonmajor Governmental Funds		
		General Fund	Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total
<u>Transfers out:</u>						
Major Governmental Funds:						
General Fund	\$	-	\$ 463,820	\$ 485,325	\$ 485,325	\$ 949,145
Special Revenue Fund		484,997	-	-	-	484,997
						1,434,142
Nonmajor Governmental Funds:						
School Activity Fund		-	96,116	-	-	96,116
FSPK Building Fund		-	-	3,702,343	3,702,343	3,702,343
						3,798,459
Major Enterprise Fund:						
Food Service Fund		186,984	-	-	-	186,984
	\$	671,981	\$ 559,936	\$ 4,187,668	\$ 4,187,668	\$ 5,419,585

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, 2023

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 \$24,077,013 for various facility improvements. Remaining commitments under these contracts totaled \$886,217 at June 30, 2023, of which \$848,645 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. 101 Compensated Absences

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*. The Statement was issued to update the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The District is currently evaluating the impact that the Statement will 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 next two school years. The District was awarded significant federal funds to address the needs and extra costs of the pandemic. Although the District is now back to regular operations, the additional federal funds are still being expended.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 13,460,000	\$ 13,919,000	\$ 14,054,733	\$ 135,733
Utility taxes	2,000,000	2,000,000	2,313,624	313,624
Tuition and fees	445,000	483,000	483,679	679
Interest income	250,000	1,039,000	1,022,554	(16,446)
Other local revenue	53,000	124,000	113,669	(10,331)
State aid	37,017,910	37,285,910	41,228,518	3,942,608
Federal aid	286,500	413,500	455,027	41,527
Total revenues	53,512,410	55,264,410	59,671,804	4,407,394
Expenditures:				
Instruction	44,870,084	45,680,151	37,143,941	8,536,210
Support services:				
Student	3,383,148	3,612,148	3,959,376	(347,228)
Instructional staff	2,322,662	2,318,435	2,442,279	(123,844)
District administration	1,542,544	1,528,262	1,503,527	24,735
School administration	3,977,890	3,977,890	4,277,861	(299,971)
Business	3,320,549	3,465,897	3,108,090	357,807
Plant operation and maintenance	4,691,736	5,409,099	3,957,324	1,451,775
Student transportation	2,681,623	2,756,623	2,461,567	295,056
Community services	-	-	-	-
Building renovations / additions	-	-	-	-
Land / site acquisitions	-	-	-	-
Contingency	3,000,000	3,000,000	-	3,000,000
Total expenditures	69,790,236	71,748,505	58,853,965	12,894,540
Excess (deficiency) of revenues over expenditures	(16,277,826)	(16,484,095)	817,839	17,301,934
Other financing sources (uses):				
Proceeds from sale of capital assets	-	329,000	329,294	294
Operating transfers in	202,100	202,100	671,981	469,881
Operating transfers out	(910,909)	(910,909)	(949,145)	(38,236)
Total other financing sources (uses)	(708,809)	(379,809)	52,130	431,939
Net change in fund balance	(16,986,635)	(16,863,904)	869,969	17,733,873
Fund balance, June 30, 2022	20,656,716	20,656,716	20,656,716	-
Fund balance, June 30, 2023	\$ 3,670,081	\$ 3,792,812	\$ 21,526,685	\$ 17,733,873

OWENSBORO INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Year Ended June 30, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other local revenue	\$ 452,420	\$ 1,194,761	\$ 968,614	\$ (226,147)
State aid	1,864,226	2,406,176	2,137,661	(268,515)
Federal aid	3,709,015	4,730,866	14,541,328	9,810,462
Total revenues	<u>6,025,661</u>	<u>8,331,803</u>	<u>17,647,603</u>	<u>9,315,800</u>
Expenditures:				
Instruction	4,548,381	6,275,055	13,608,000	(7,332,945)
Support services:				
Student	537,294	600,313	823,064	(222,751)
Instructional staff	592,298	1,145,134	1,849,930	(704,796)
District administration	-	-	1,112	(1,112)
School administration	94,815	94,815	430,482	(335,667)
Business	-	-	3,630	(3,630)
Plant operation and maintenance	112,460	112,460	169,779	(57,319)
Student transportation	-	5,250	155,340	(150,090)
Day care services	-	-	-	-
Community services	623,352	633,229	632,646	583
Total expenditures	<u>6,508,600</u>	<u>8,866,256</u>	<u>17,673,983</u>	<u>(8,807,727)</u>
Excess (deficiency) of revenues over expenditures	<u>(482,939)</u>	<u>(534,453)</u>	<u>(26,380)</u>	<u>508,073</u>
Other financing sources (uses):				
Operating transfers in	482,939	534,453	559,936	25,483
Operating transfers out	-	-	(484,997)	(484,997)
Total other financing sources (uses)	<u>482,939</u>	<u>534,453</u>	<u>74,939</u>	<u>(459,514)</u>
Net change in fund balance	-	-	48,559	48,559
Fund balance, June 30, 2022	<u>93,473</u>	<u>93,473</u>	<u>93,473</u>	<u>-</u>
Fund balance, June 30, 2023	<u>\$ 93,473</u>	<u>\$ 93,473</u>	<u>\$ 142,032</u>	<u>\$ 48,559</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>2023</u>	<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%	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>133,166,678</u>	<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>133,166,678</u>	\$ <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	\$ 25,027,390	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	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>2023</u>	<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	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,804,096	\$ 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%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>MEDICAL INSURANCE PLAN (MIP)</u>						
District's proportion of the plan total net MIP OPEB liability	0.565812%	0.428799%	0.422591%	0.420591%	0.386972%	0.390612%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 14,046,000	\$ 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>4,614,000</u>	<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>
Total	<u>\$ 18,660,000</u>	<u>\$ 16,673,000</u>	<u>\$ 19,208,000</u>	<u>\$ 22,251,000</u>	<u>\$ 24,998,000</u>	<u>\$ 25,305,000</u>
District's covered payroll	\$ 25,027,390	\$ 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	56.12%	36.26%	42.86%	50.43%	58.44%	62.44%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%
<u>LIFE INSURANCE PLAN (LIP)</u>						
District's proportion of the plan total net LIP OPEB liability	0.00%	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>230,000</u>	<u>99,000</u>	<u>258,000</u>	<u>231,000</u>	<u>199,000</u>	<u>152,000</u>
Total	<u>\$ 230,000</u>	<u>\$ 99,000</u>	<u>\$ 258,000</u>	<u>\$ 231,000</u>	<u>\$ 199,000</u>	<u>\$ 152,000</u>
District's covered payroll	\$ 25,027,390	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	73.97%	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>2023</u>	<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	\$ 773,694	\$ 750,824	\$ 761,124	\$ 746,326	\$ 732,257	\$ 689,320
District's contributions in relation to the contractually required contributions	<u>(773,694)</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 25,804,096	\$ 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%	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>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 25,804,096	\$ 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%	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, 2023

PENSION

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2023	The municipal bond index rate increased from 2.13% to 3.37%.
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

2023	None
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

2023	The municipal bond index rate increased from 2.13% to 3.37%. Health Care Cost Trends for Ages 65 and Older increased from 5.0% to 5.125%. Health Care Cost Trends for Medicare Part B Premiums increased from 4.40% to 6.97%.
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OWENSBORO INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY, CONTINUED**

Year Ended June 30, 2023

Changes of Assumptions, Continued

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

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None

Changes of Assumptions

2023	The municipal bond index rate increased from 2.13% to 3.37%.
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>2023</u>	<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	0.342790%	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	\$ 24,780,335	\$ 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	\$ 9,493,726	\$ 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	261.02%	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	52.42%	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>2023</u>	<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	\$ 2,369,250	\$ 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>(2,369,250)</u>	<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>	\$ <u>-</u>
District's covered payroll	\$ 10,124,999	\$ 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	23.40%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.342730%	0.316005%	0.313897%	0.302039%	0.297263%	0.307326%
District's proportionate share of the net OPEB liability	\$ 6,763,823	\$ 6,049,758	\$ 7,579,658	\$ 5,080,160	\$ 5,280,722	\$ 6,178,304
District's covered payroll	\$ 9,493,726	\$ 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	71.25%	74.74%	93.75%	66.31%	70.87%	81.87%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 343,237	\$ 548,737	\$ 385,306	\$ 384,857	\$ 402,953	\$ 350,041
Contributions in relation to the contractually required contributions	<u>(343,237)</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 10,124,999	\$ 9,493,726	\$ 8,094,656	\$ 8,085,241	\$ 7,660,709	\$ 7,450,922
Contributions as a percentage of covered payroll	3.39%	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, 2023

Changes of Benefit Terms

2023 None
2022 None
2021 None
2020 None
2019 None
2018 None
2017 None
2016 None

Changes of Assumptions

2023 OPEB:

The single discount rate changed from 5.20% to 5.70%.
Healthcare Trend Rates for Pre - 65 decreased from 6.30% to 6.20%.
Healthcare Trend Rates for Post - 65 increased from 6.30% to 9.00%.

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, 2023

	<u>Special Revenue</u>	<u>Capital Projects</u>				Total Nonmajor Governmental Funds
	School Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund		
ASSETS						
Cash and cash equivalents	\$ 531,573	\$ 655,690	\$ 3,288,731	\$ 1,849,770	\$ -	\$ 6,325,764
Accounts receivable:						
Other	18,307	-	-	-	-	18,307
Due from other funds	-	-	-	-	-	-
Inventory	26,946	-	-	-	-	26,946
Total assets	<u>\$ 576,826</u>	<u>\$ 655,690</u>	<u>\$ 3,288,731</u>	<u>\$ 1,849,770</u>	<u>\$ -</u>	<u>\$ 6,371,017</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,351	\$ -	\$ -	\$ 848,645	\$ -	\$ 850,996
Due to other funds	-	-	-	-	-	-
Total liabilities	2,351	-	-	848,645	-	850,996
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Restricted	574,475	655,690	3,288,731	1,001,125	-	5,520,021
Unassigned	-	-	-	-	-	-
Total fund balances	574,475	655,690	3,288,731	1,001,125	-	5,520,021
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 576,826</u>	<u>\$ 655,690</u>	<u>\$ 3,288,731</u>	<u>\$ 1,849,770</u>	<u>\$ -</u>	<u>\$ 6,371,017</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	Special Revenue	Capital Projects			Debt Service Fund	Total Nonmajor Governmental Funds
	School Activity Fund	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund		
Revenues:						
Property taxes	\$ -	\$ -	\$ 1,876,710	\$ -	\$ -	\$ 1,876,710
Interest income	-	-	-	95,444	-	95,444
Other local revenue	1,170,373	-	-	-	-	1,170,373
State aid	-	452,337	2,719,026	-	430,227	3,601,590
Total revenues	1,170,373	452,337	4,595,736	95,444	430,227	6,744,117
Expenditures:						
Instruction	998,000	-	-	-	-	998,000
Support services:						
Student	10,952	-	-	-	-	10,952
Instructional staff	17,335	-	-	-	-	17,335
District administration	-	-	-	-	-	-
School administration	-	-	-	-	-	-
Business	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Building renovations / additions	-	-	-	4,357,763	-	4,357,763
Debt service:						
Principal	-	-	-	-	2,860,000	2,860,000
Interest	-	-	-	-	1,757,895	1,757,895
Total expenditures	1,026,287	-	-	4,357,763	4,617,895	10,001,945
Excess (deficiency) of revenues over expenditures	144,086	452,337	4,595,736	(4,262,319)	(4,187,668)	(3,257,828)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	4,187,668	4,187,668
Operating transfers out	(96,116)	-	(3,702,343)	-	-	(3,798,459)
Total other financing sources (uses)	(96,116)	-	(3,702,343)	-	4,187,668	389,209
Net change in fund balances	47,970	452,337	893,393	(4,262,319)	-	(2,868,619)
Fund balances, June 30, 2022	526,505	203,353	2,395,338	5,263,444	-	8,388,640
Fund balances, June 30, 2023	\$ 574,475	\$ 655,690	\$ 3,288,731	\$ 1,001,125	\$ -	\$ 5,520,021

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

SCHOOL ACTIVITY FUND

Year Ended June 30, 2023

	Cash June 30, 2022	Receipts	Disbursements	Cash June 30, 2023	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2023
Cravens Elementary	\$ 7,231	\$ 32,058	\$ 30,948	\$ 8,341	\$ 100	\$ -	\$ -	\$ 8,441
Estes Elementary	21,258	40,843	44,657	17,444	-	-	-	17,444
Foust Elementary	12,134	37,658	35,964	13,828	-	45	-	13,873
Emerson Academy	754	183	749	188	229	-	-	417
Hager Preschool	9,690	10,414	12,655	7,449	-	-	-	7,449
Newton Parrish Elementary	10,487	32,329	31,502	11,314	-	-	-	11,314
Owensboro High School	307,549	720,960	696,366	332,143	12,590	20,573	1,463	363,843
Owensboro Innovation Academy	1,422	23,681	20,520	4,583	3,415	-	611	7,387
Owensboro Middle School	65,442	232,016	195,803	101,655	1,697	5,779	-	109,131
Owensboro Innovation Middle School	23,339	18,694	15,351	26,682	-	549	277	26,954
Sutton Elementary	6,953	43,745	42,752	7,946	276	-	-	8,222
	<u>\$ 466,259</u>	<u>\$ 1,192,581</u>	<u>\$ 1,127,267</u>	<u>\$ 531,573</u>	<u>\$ 18,307</u>	<u>\$ 26,946</u>	<u>\$ 2,351</u>	<u>\$ 574,475</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2023

	Cash June 30, 2022	Receipts	Disbursements	Transfers	Cash June 30, 2023	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2023
ATHLETICS	\$ 88,410	\$ 248,391	\$ 214,182	\$ -	\$ 122,619	\$ -	\$ -	\$ -	\$ 122,619
DTF - INSTRUCTIONAL	-	18,025	18,025	-	-	12,590	-	-	12,590
FOOTBALL SUPPORT	2,487	625	2,665	-	447	-	-	-	447
BOYS GOLF SUPPORT	2,835	2,138	2,090	-	2,883	-	-	-	2,883
GIRLS SOCCER SUPPORT	822	45	822	1,445	1,490	-	-	-	1,490
BOYS SOCCER SUPPORT	2,493	739	1,877	2,500	3,855	-	-	-	3,855
BOWLING SUPPORT	1,761	760	2,125	1,862	2,258	-	-	-	2,258
SWIM TEAM SUPPORT	1,702	339	619	(167)	1,255	-	-	-	1,255
BOYS LACROSSE SUPPORT	5,461	218	10,982	13,613	8,310	-	-	-	8,310
GIRLS LACROSSE SUPPORT	3,068	2,235	4,118	-	1,185	-	-	-	1,185
GIRLS BASKETBALL SUPPORT	2,731	4,779	5,943	1,317	2,884	-	-	-	2,884
TRACK SUPPORT	3,386	3,913	5,320	-	1,979	-	-	-	1,979
CHEER	14,801	103,061	113,887	1,501	5,476	-	-	-	5,476
BOYS BASKETBALL SUPPORT	3,368	2,204	3,965	1,035	2,642	-	-	468	2,174
SOFTBALL SUPPORT	4,098	8,422	8,685	2,263	6,098	-	-	-	6,098
BASEBALL SUPPORT	8,890	30,960	30,610	2,080	11,320	-	-	-	11,320
CROSSCOUNTRYINVT	7,304	12,650	9,705	-	10,249	-	-	-	10,249
GIRLS CC SUPPORT	2,158	36	1,383	-	811	-	-	-	811
BOYS CC SUPPORT	3,020	74	1,298	-	1,796	-	-	-	1,796
VOLLEYBALL SUPPORT	8,903	10,152	8,018	2,898	13,935	-	-	-	13,935
TENNIS SUPPORT	951	24	430	74	619	-	-	-	619
WRESTLING SUPPORT	649	25	-	-	674	-	-	-	674
DANCE TEAM	7,805	1,794	11,127	1,545	17	-	-	-	17
STUDENT COUNCIL	1,537	65	-	1,434	3,036	-	-	-	3,036
YEARBOOK	6,875	618	468	-	7,025	-	-	-	7,025
ART FEES	150	6	-	-	156	-	-	-	156
ART CLUB	-	207	70	-	137	-	-	-	137
SKILLS USA	-	1,393	597	-	796	-	-	-	796
CARPENTRY	3,644	269	2,217	-	1,696	-	-	-	1,696
COLLEGE BOARD	2	13,710	13,597	-	115	-	-	-	115
ACADEMIC TEAM	370	1,645	1,406	-	609	-	-	-	609
GSA	183	7	-	-	190	-	-	-	190
F.B.L.A.	103	253	216	-	140	-	-	-	140
HOSA	126	2,660	1,311	-	1,475	-	-	-	1,475
NATIONAL HONOR SOCIETY	381	5,199	1,799	-	3,781	-	-	-	3,781
SOCIAL STUDIES TRIP	1,075	34,400	28,746	-	6,729	-	-	-	6,729
JROTC	12,987	5,691	3,995	46	14,729	-	-	125	14,604
DRIVER'S EDUCATION	3,678	143	53	-	3,768	-	-	-	3,768
FACS	448	21	468	-	1	-	-	-	1
PE FEES	4,078	680	4,368	-	390	-	-	-	390

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2023

	Cash June 30, 2022	Receipts	Disbursements	Transfers	Cash June 30, 2023	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2023
LAPTOP SUPPLIES & REPAIRS	-	1,415	1,415	-	-	-	-	-	-
VENDING - STUDENT	6,131	1,700	4,803	(26)	3,002	-	-	-	3,002
VENDING - ADULT	433	1,600	2,057	26	2	-	-	-	2
VOLLEYBALL-USEI78	-	700	-	(700)	-	-	-	-	-
FLOWER FUND	237	10	-	-	247	-	-	-	247
STUDENT FUNDRAISING	16,979	1,253	13,082	(4,786)	364	-	-	-	364
YOUTH SERVICE CENTER	1,392	951	1,165	-	1,178	-	-	-	1,178
OHS CONCESSIONS	17,364	88,184	50,381	(36,936)	18,231	-	10,943	-	29,174
SCHOOL STORE ATHLETICS	7,355	3,871	6,961	203	4,468	-	9,630	-	14,098
FILD	-	5,589	3,082	2,711	5,218	-	-	-	5,218
BAND	1,640	42,013	45,903	5,545	3,295	-	-	-	3,295
ORCHESTRA	120	4	90	-	34	-	-	-	34
CHORU S	507	2,406	2,661	-	252	-	-	-	252
DANCE CLASS	10	1,440	1,450	-	-	-	-	-	-
THEATRE	7,504	25,636	27,560	-	5,580	-	-	870	4,710
PSTO	2,150	83	-	(35)	2,198	-	-	-	2,198
PSTO C/O 2024	2,701	4,410	1,947	552	5,716	-	-	-	5,716
PSTO C/O 2023	4,419	5,754	9,366	-	807	-	-	-	807
PSTO C/O 2022	92	-	92	-	-	-	-	-	-
PSTO C/O 2025	2,422	2,771	1,089	-	4,104	-	-	-	4,104
CLASS OF 2010 REUNION	13,656	536	-	-	14,192	-	-	-	14,192
PSTO C/O 2026	140	3,393	387	-	3,146	-	-	-	3,146
OHS PROM	9,128	8,651	5,401	-	12,378	-	-	-	12,378
SENIOR ACTIVITIES	429	14	287	-	156	-	-	-	156
	<u>\$ 307,549</u>	<u>\$ 720,960</u>	<u>\$ 696,366</u>	<u>\$ -</u>	<u>\$ 332,143</u>	<u>\$ 12,590</u>	<u>\$ 20,573</u>	<u>\$ 1,463</u>	<u>\$ 363,843</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Grantor / Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Fund Number	Project Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>					
Passed through Kentucky Department of Agriculture: Food Donation	10.550	057502	51	N/A	\$ 329,280
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	7760005	51	N/A	1,156,287
National School Lunch Program	10.555	7750002	51	N/A	2,917,237
Supply Chain Assistance (COVID-19)	10.555	-	51	N/A	6,250
Supply Chain Assistance (COVID-19)	10.555	-	51	217I	227,737
Summer Food Service Program for Children	10.559	7740023	51	209I	141,125
Summer Food Service Program for Children	10.559	7740023	51	209J	93,863
Fresh Fruit and Vegetable Program	10.582	7720012	51	215J	171,900
Total Child Nutrition Cluster					<u>4,714,399</u>
	10.579	-	51	216I	25,000
Child and Adult Care Food Program	10.558	7790021 & 7800016	51	N/A	18,628
State Pandemic EBT Administrative Costs (COVID-19)	10.649	-	51	N/A	5,950
Total U.S. Department of Agriculture					<u>\$ 5,093,257</u>
<u>U. S. Department of Defense</u>					
Direct Program:					
ROTC	12.000	504J	2	504J	\$ 70,109
Total U. S. Department of Defense					<u>\$ 70,109</u>
<u>U. S. Department of Education</u>					
Direct Program:					
Impact Aid (Title VII of ESEA)	84.041	S041B-2022-2027	1	N/A	\$ 11,888
					<u>11,888</u>
Passed through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies:					
Title I - Local Educational Agencies	84.010A	3100002-20	2	310G/GM	2,486
Title I - Local Educational Agencies	84.010A	3100002-21	2	310I/IM/IN	417,359
Title I - Local Educational Agencies	84.010A	3100002-22	2	310J/JM/JN/JP	1,508,201
Title I - Part D, Subpart 2	84.010A	3100102-22	2	314J	17,973
FY21 School Improvement - Additional Targeted Support and Improvement Grant (ATSI)	84.010A	3100202-20	2	320GA	84,704
FY22 School Improvement Cohort 3	84.010A	3100202-21	2	320IC	244,445
					<u>2,275,168</u>
Special Education Cluster:					
Special Education - Grants to States:					
IDEA, Part B	84.027A	3810002-21	2	337I/IP	235,661
IDEA, Part B	84.027A	3810002-22	2	337J/JP	966,370
ARPA IDEA, Part B (COVID-19)	84.027X	4910002-21	2	478I/IP	41,687
					<u>1,243,718</u>
Special Education - Preschool Grants:					
IDEA Preschool	84.173A	3800002-21	2	343I	8,435
IDEA Preschool	84.173A	3800002-22	2	343J	43,164
ARPA IDEA Preschool (COVID-19)	84.173X	4900002-21	2	488I	7,579
					<u>59,178</u>
Total Special Education Cluster					<u>1,302,896</u>
Career and Technical Education - Basic Grants to States:					
Perkins - Part C (Carry-over)	84.048	3710002-21	2	348IA	6,198
Perkins - Part C	84.048	3710002-22	2	348J	73,963
					<u>80,161</u>
English Language Acquisition Grants:					
Title III Limited English Proficiency	84.365A	3300002-21	2	345I	5,708
Title III - Immigrant	84.365A	3300002-21	2	345II	8,116
Title III Limited English Proficiency	84.365A	3300002-22	2	345J	32,625
					<u>46,449</u>
Supporting Effective Instruction State Grants:					
Title II	84.367A	3230002-20	2	401G	21,350
Title II	84.367A	3230002-21	2	401I/IP	20,604
Title II	84.367A	3230002-22	2	401J	195,254
					<u>237,208</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2023

<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 State Development:					
KYCL: Kentucky Comprehensive Literacy Grant Round 2	84.371C	S371C190013	2	466IA	38,181
KYCL: Kentucky Comprehensive Literacy Grant Round 2	84.371C	S371C190013	2	466JA	287,930
					<u>326,111</u>
Student Support and Academic Enrichment Grant:					
Title IV - Part A	84.424A	3420002-20	2	552GP	12,671
Title IV - Part A	84.424A	3420002-21	2	552IP/IS/IT/IW	65,911
Title IV - Part A	84.424A	3420002-22	2	552JP/JS/JT/JW	52,094
Title IV - Part A	84.424A	3420002-21	2	552IP/IS/IT/IW	-
					<u>130,676</u>
Education Stabilization Fund (COVID -19):					
Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21	2	554G/GS	48,645
FY21 American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	4300002-21	2	473G/GB/GC/GD/GL/GO/GS	9,747,305
FY22 American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	4980002-21	2	476C	3,606
					<u>9,799,556</u>
Passed through Green River Regional Educational Cooperative:					
School Safety National Activities:					
Project Prevent	84.184M	-	2	534FM	35,451
Education Stabilization Fund (COVID -19):					
FY21 American Rescue Plan Elementary and Secondary School Emergency Relief Fund - Deeper Learning	84.425U	-	2	563J	17,827
Total U. S. Department of Education					\$ <u>14,263,391</u>
<u>U.S. Department of Health and Human Services</u>					
Passed through Kentucky Department of Education:					
Child Care and Development Block Grant:					
ARPA Preschool Partnership Grant	93.575	-	2	562IP	\$ <u>156,627</u>
Passed through Catholic Charities of Louisville:					
Refugee and Entrant Assistance	93.566	254-107005-2023	2	420J/JA	46,024
Passed through Audubon Area Community Services:					
Head Start	93.600	-	2	065JA	666,873
Total U. S. Department of Health and Human Services					\$ <u>869,524</u>
<u>U.S. Department of Labor</u>					
Passed through Kentucky Department of Education:					
WIOA Dislocated Worker Formula Grants:					
Grow Your Own	17.278	9100001-89	2	632I	\$ <u>17,065</u>
Total U. S. Department of Labor					\$ <u>17,065</u>
Total Federal Awards					\$ <u>20,313,346</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, 2023. 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 assets, 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2023.

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 or significant deficiencies 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 October 25, 2023.

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
October 25, 2023

Riney Hancock CPAs



**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, 2023. 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, 2023.

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 the override of internal control. Noncompliance with the compliance requirements referred to above is considered 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
October 25, 2023

Riney Hancock CPAs

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

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
 - Special Education Cluster:
 - 84.027 – IDEA, Part B
 - 84.173 – IDEA Preschool
 - 84.010 – Title I Grants to Local Educational Agencies
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



OWENSBORO
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Owensboro Board of Education
450 Griffith Avenue • Owensboro, Kentucky 42301
Phone: (270) 686-1000 • Fax: (270) 683-3137

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2023

No audit findings were reported in the schedule of findings and questioned costs for the year ended June 30, 2022.