

OWENSBORO INDEPENDENT SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Year Ended June 30, 2025

(With Independent Auditor's Report Thereon)

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds Financial Statements:	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Fund Net Position	19
Statement of Cash Flows	20
Notes to Financial Statements	21-55
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	56
Special Revenue Fund	57
Pension and Other Postemployment Benefits Schedules:	
Teachers' Retirement System of the State of Kentucky	58-63
County Employees Retirement System	64-68

CONTENTS, CONTINUED

	<u>Pages</u>
Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Financial Statements:	
Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	70
School Activity Fund:	
Combining Schedule of Receipts, Disbursements, Accruals, and Fund Balance	71
Schedule of Receipts, Disbursements, Accruals, and Fund Balance: Owensboro High School	72-73
Schedule of Expenditures of Federal Awards	74-75
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 <i>Government Auditing Standards</i>	76-77
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	78-79
Schedule of Findings and Questioned Costs	80
Summary Schedule of Prior Audit Findings	81



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, 2025, 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 accompanying 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, 2025, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 GAAS and GAS 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.

In performing an audit in accordance with GAAS and GAS, 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.

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

- 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2025 the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 January 30, 2026, 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, 2025**

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, 2025. 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, 2024 for the District was \$15,408,335. The final ending General Fund balance at June 30, 2025 was \$21,269,089.
- Construction projects in progress include an athletic facility renovation and planning and design for a middle school renovation.
- 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, 2025 was \$18,246,740 which was a increase of \$1,366,221 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, 2025**

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, Special Revenue Fund, and Construction Fund.

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

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

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2025**

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 \$23,502,702 of June 30, 2025. This was a increase of \$6,565,076 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, 2025**

Capital assets, net	91,629,913	105,759,806	555,973	597,888	92,185,886	106,357,694	15.4%
Total Assets	143,289,850	144,647,739	3,453,868	3,448,077	146,743,718	148,095,816	0.9%
Deferred Outflows of Resources							
Related to pension & other postemployment benefit liabilities	11,517,899	9,337,475	961,799	730,635	12,479,698	10,068,110	-19.3%
Bond deferrals on refunding	498,768	379,396	-	-	498,768	379,396	-23.9%
Outflows	12,016,667	9,716,871	961,799	730,635	12,978,466	10,447,506	-19.5%
Deferred Outflows of Resources	\$ 155,306,517	\$154,364,610	\$ 4,415,667	\$ 4,178,712	\$159,722,184	\$158,543,322	-0.7%
Liabilities							
Long term liabilities	\$ 113,462,649	\$108,614,142	\$ 3,548,291	\$ 3,027,367	\$117,010,940	\$111,641,509	-4.6%
Other liabilities (current)	8,570,177	7,684,280	10,995	103,513	8,581,172	7,787,793	-9.2%
Total Liabilities	122,032,826	116,298,422	3,559,286	3,130,880	125,592,112	119,429,302	-4.9%
Deferred Inflows of Resources							
Related to pension & other postemployment benefits liabilities	15,794,304	14,295,199	1,398,142	1,316,119	17,192,446	15,611,318	-9.2%
Total Liabilities and Deferred Inflows of Resources	137,827,130	130,593,621	4,957,428	4,446,999	142,784,558	135,040,620	-5.4%
Net Position							
Net investment in capital assets	9,872,099	27,336,040	555,973	597,888	10,428,072	27,933,928	167.9%
Restricted	27,377,245	10,248,667	-	-	27,377,245	10,248,667	-62.6%
Unrestricted	(19,769,957)	(13,813,718)	(1,097,734)	(866,175)	(20,867,691)	(14,679,893)	-29.7%
Total Net Position	17,479,387	23,770,989	(541,761)	(268,287)	16,937,626	23,502,702	38.8%
Total Liabilities, Deferred Inflows of Resources and Net	\$ 155,306,517	\$154,364,610	\$ 4,415,667	\$ 4,178,712	\$159,722,184	\$158,543,322	-0.7%

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2025**

Government-Wide Revenues and Expenditures

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>District Total</u>		<u>Total District % Change</u>
	<u>FY2024</u>	<u>FY2025</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2025</u>
Revenues							
Charges for Services	\$ 1,475,938	\$ 1,375,553	\$ 131,270	\$ 175,371	\$ 1,607,208	\$ 1,550,924	-3.5%
Operating Grants and Contributions	8,889,328	8,757,974	4,970,277	5,066,300	13,859,605	13,824,274	-0.3%
Capital Grants and Contributions	3,020,666	3,764,054	-	-	3,020,666	3,764,054	24.6%
Property Tax	17,119,710	17,532,272	-	-	17,119,710	17,532,272	2.4%
Utilities Tax	2,155,501	2,350,027	-	-	2,155,501	2,350,027	9.0%
State and Formula Grants	22,265,595	23,716,418	-	-	22,265,595	23,716,418	6.5%
State On-Behalf Payments	16,576,581	17,929,120	303,938	317,620	16,880,519	18,246,740	8.1%
Interest income	1,776,541	1,612,667	117,767	97,434	1,894,308	1,710,101	-9.7%
Gain/Loss on Disposition of Capital Assets	-	-	(4,678)	(7,367)	(4,678)	(7,367)	57.5%
Miscellaneous	322,211	12,423,999	-	-	322,211	12,423,999	3755.9%
Transfers	205,713	216,704	(205,713)	(216,704)	-	-	0.0%
Total Revenues	73,807,784	89,678,788	5,312,861	5,432,654	79,120,645	95,111,442	20.2%
Expenses							
Instruction	47,809,041	51,611,035	-	-	47,809,041	51,611,035	8.0%
Student Support Services	4,719,683	5,422,062	-	-	4,719,683	5,422,062	14.9%
Instructional Staff Support Services	3,424,798	4,334,170	-	-	3,424,798	4,334,170	26.6%
District Administration	1,743,070	1,763,109	-	-	1,743,070	1,763,109	1.1%
School Administration	4,364,171	4,610,810	-	-	4,364,171	4,610,810	5.7%
Business	2,985,127	2,847,995	-	-	2,985,127	2,847,995	-4.6%
Plant Operations & Maintenance	5,146,890	6,701,624	-	-	5,146,890	6,701,624	30.2%
Student Transportation	2,508,782	2,422,377	-	-	2,508,782	2,422,377	-3.4%
Community Services	791,517	970,100	-	-	791,517	970,100	22.6%
Day Care Program	-	-	59,810	39,353	59,810	39,353	-34.2%
Building renovations	187,428	85,691	-	-	187,428	85,691	-54.3%
Interest on Long-term Debt	2,000,536	2,618,213	-	-	2,000,536	2,618,213	30.9%
Food Service	-	-	4,825,283	5,119,827	4,825,283	5,119,827	6.1%
Total Expenses	75,681,043	83,387,186	4,885,093	5,159,180	80,566,136	88,546,366	9.9%
Change in net position	(1,873,259)	6,291,602	427,768	273,474	(1,445,491)	6,565,076	
Net position, beginning of year	19,352,646	17,479,387	(969,529)	(541,761)	18,383,117	16,937,626	
Net position, end of year	\$ 17,479,387	\$ 23,770,989	\$ (541,761)	\$ (268,287)	\$ 16,937,626	\$ 23,502,702	

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2025**

Governmental Activities

State and formula grants and on-behalf payments represented 44.1% of the government-wide revenues; operating and capital grants and contributions provided 18.5%; property taxes provided 18.4%; and utilities taxes provided 2.5%; and other revenue provided 16.5%. Instruction, Instructional Staff Support, and Student Support Services comprised the majority of government-wide program expenses and accounted for 69.3% of the total expenses, plant operations and maintenance represented 7.6% of the total expenses, and student transportation was 2.7% 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 \$273,474 for FY 2025. Revenues included charges for services totaling \$175,371, state and federal grants and on-behalf payments totaling \$5,383,920 and other revenue of \$90,067. During FY 2025, indirect costs of \$216,704 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 2024	FY 2025	Amount of Change	Percent of Change
General Fund	\$ 15,408,335	\$ 21,269,089	\$ 5,860,754	38.0%
Special Revenue Fund	216,417	196,688	(19,729)	-9.1%
School Activity Fund	541,404	559,455	18,051	3.3%
Construction Fund	21,371,140	3,576,704	(17,794,436)	-83.3%
SEEK Capital Outlay Fund	1,104,231	1,104,231	-	0.0%
FSPK Building Fund	4,144,053	4,144,053	-	0.0%
Total Governmental Funds	\$ 42,785,580	\$ 30,850,220	\$(11,935,360)	
Food Service Fund	\$ (311,194)	\$ (68,844)	\$ 242,350	-77.9%
Day Care Fund	(230,567)	(199,443)	31,124	-13.5%
Total Proprietary Funds	\$ (541,761)	\$ (268,287)	\$ 273,474	

- The Fund Balance in the General Fund increased primarily due to insurance receivable related to the March 2025 hail storm.
- The Fund Balance in the Construction Fund decreased from the previous year primarily due to continued work on the athletic project during the fiscal year ending June 30, 2025.
- The deficit in the Food Service Fund Balance decreased due to increased rates and sales for FY 2025.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2025**

CAPITAL ASSET AND DEBT ADMINISTRATION

Summary of Capital Assets

At June 30, 2025, the District has invested \$106,357,694 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 \$152,886,832 with accumulated depreciation of \$46,529,137. The net investment in capital assets is summarized in the following chart.

	Governmental Activities		Business-Type Activities		District Total		Total District % Change
	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2025
Land & Improvements	\$ 7,784,662	\$ 7,583,096	\$ -	\$ -	\$ 7,784,662	\$ 7,583,096	-2.6%
Construction in Progress	3,485,757	21,784,861	-	-	3,485,757	21,784,861	525.0%
Buildings and Improvements	77,373,411	73,215,805	2,396	2,127	77,375,807	73,217,932	-5.4%
Equipment, Furniture & Vehicles	2,986,083	3,176,044	553,577	595,761	3,539,660	3,771,805	6.6%
Total Assets	\$91,629,913	\$105,759,806	\$ 555,973	\$ 597,888	\$92,185,886	\$ 106,357,694	15.4%

Long-Term Debt

At June 30, 2025, the District had \$78,765,000 in general obligation bonds outstanding (including the Kentucky School Facilities Construction Commission portion). The net decrease of these general obligation bonds was \$3,440,000, which resulted from principal retirements. The total principal and interest bond payments due from the District for next fiscal year is \$5,710,309 and from the Kentucky School Facility Construction Commission is \$271,096.

General Obligation Bonds	FY 2024	FY 2025
Series 2015 Sutton	5,305,000	5,185,000
Series 2016 (Partial Refinancing 2008)	8,625,000	6,985,000
Series 2017 Newton Parrish	6,755,000	6,630,000
Series 2019 Innovation Campus Renovation	12,190,000	11,955,000
Series 2020 Guaranteed Energy Savings	12,330,000	12,040,000
Series 2021 Cravens	11,885,000	11,520,000
Series 2022 Sutton	1,735,000	1,650,000
Series 2024 Athletic Facilities	23,380,000	22,800,000
Total	\$ 82,205,000	\$ 78,765,000

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2025**

BUDGETARY IMPLICATIONS

It is important that the District continue to budget conservatively. The District received 68.0% of its General Fund revenue for FY 2025 through state funding (which includes SEEK state funds). If the state does not receive their anticipated revenue from taxing sources during the fiscal year, the State may make an adjustment to SEEK funding. The District should always be prepared for such reductions in funding.

Approximately 31.4% of the General Fund revenue is from local revenue. Property taxes provide 80.3% 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 (3.8% of total revised budget). The beginning General Fund balance for fiscal year 2025 was \$15,408,335. Significant Board actions that impacted finances for this year included a 4% pay raise for all classified and certified employees, retaining several positions across the district that were originally funded through special ESSER government funds, construction projects, spending toward instructional and technology programs, 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 in the state legislature continue to cause concerns about 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.

In March 2025, the District was significantly impacted by a hail storm. While property is covered by insurance, the District responsibility for this event will exceed \$6 million. Also, property and liability

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
For the Fiscal Year ended June 30, 2025**

insurance premiums have increased from \$149,567 in fiscal 2021 to \$654,969 in fiscal year 2026, or 338% over six years. The increase from fiscal year 2025 to 2026 is 45%

DISTRICT CHALLENGES FOR THE FUTURE, continued

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 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.

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. The Board evaluates these initiatives on an ongoing basis.

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](mailto: johndavid.sandefur@owensboro.kyschools.us)
OPS Website: <http://owensboro.kyschools.us>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 24,273,909	\$ 2,611,165	\$ 26,885,074
Accounts receivable:			
Taxes	730,537	-	730,537
Other	12,329,291	39,305	12,368,596
Due from other governments	854,006	111,504	965,510
Inventory	28,612	88,215	116,827
Prepaid expenses	4,042	-	4,042
Net other postemployment benefits asset	667,536	-	667,536
Capital assets, net	<u>105,759,806</u>	<u>597,888</u>	<u>106,357,694</u>
Total assets	<u>144,647,739</u>	<u>3,448,077</u>	<u>148,095,816</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	379,396	-	379,396
Pension deferred outflows	2,510,807	520,329	3,031,136
Other postemployment benefits deferred outflows	<u>6,826,668</u>	<u>210,306</u>	<u>7,036,974</u>
Total deferred outflows of resources	<u>9,716,871</u>	<u>730,635</u>	<u>10,447,506</u>
LIABILITIES			
Accounts payable	2,131,879	97,769	2,229,648
Accrued salaries and benefits	2,210,423	-	2,210,423
Payroll withholdings	1,768,547	-	1,768,547
Accrued interest payable	718,648	-	718,648
Unearned revenue	854,783	5,744	860,527
Long-term liabilities:			
Due within one year	6,180,721	-	6,180,721
Due in more than one year	77,690,838	-	77,690,838
Other liabilities due in more than one year:			
Net pension liability	15,375,583	2,888,631	18,264,214
Net other postemployment benefits liabilities	<u>9,367,000</u>	<u>138,736</u>	<u>9,505,736</u>
Total liabilities	<u>116,298,422</u>	<u>3,130,880</u>	<u>119,429,302</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferred inflows	3,232,873	524,921	3,757,794
Other postemployment benefits deferred inflows	<u>11,062,326</u>	<u>791,198</u>	<u>11,853,524</u>
Total deferred inflows of resources	<u>14,295,199</u>	<u>1,316,119</u>	<u>15,611,318</u>
NET POSITION			
Net investment in capital assets	27,336,040	597,888	27,933,928
Restricted for:			
Capital projects	8,824,988	-	8,824,988
Other	559,455	-	559,455
Other postemployment benefits	667,536	-	667,536
Technology	196,688	-	196,688
Unrestricted	<u>(13,813,718)</u>	<u>(866,175)</u>	<u>(14,679,893)</u>
Total net position	<u>\$ 23,770,989</u>	<u>\$ (268,287)</u>	<u>\$ 23,502,702</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

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	\$ 51,611,035	\$ 319,321	\$ 4,620,573	\$ -	\$ (46,671,141)		\$ (46,671,141)
Support services:							
Student	5,422,062	1,010,570	1,514,331	-	(2,897,161)		(2,897,161)
Instructional staff	4,334,170	-	1,036,691	-	(3,297,479)		(3,297,479)
District administration	1,763,109	-	24,505	-	(1,738,604)		(1,738,604)
School administration	4,610,810	-	338,848	-	(4,271,962)		(4,271,962)
Business	2,847,995	-	-	-	(2,847,995)		(2,847,995)
Plant operation and maintenance	6,701,624	-	239,640	-	(6,461,984)		(6,461,984)
Student transportation	2,422,377	45,662	-	-	(2,376,715)		(2,376,715)
Community services	970,100	-	983,386	-	13,286		13,286
Building renovations / additions	85,691	-	-	3,764,054	3,678,363		3,678,363
Interest on long-term liabilities	2,618,213	-	-	-	(2,618,213)		(2,618,213)
Total governmental activities	<u>83,387,186</u>	<u>1,375,553</u>	<u>8,757,974</u>	<u>3,764,054</u>	<u>(69,489,605)</u>		<u>(69,489,605)</u>
Business-type activities:							
Food service	5,119,827	107,597	5,065,260	-	-	\$ 53,030	53,030
Day care	39,353	67,774	1,040	-	-	29,461	29,461
Total business-type activities	<u>5,159,180</u>	<u>175,371</u>	<u>5,066,300</u>	<u>-</u>	<u>-</u>	<u>82,491</u>	<u>82,491</u>
Total district	<u>\$ 88,546,366</u>	<u>\$ 1,550,924</u>	<u>\$ 13,824,274</u>	<u>\$ 3,764,054</u>	<u>(69,489,605)</u>	<u>82,491</u>	<u>(69,407,114)</u>
General revenues:							
Property taxes					17,532,272	-	17,532,272
Utility taxes					2,350,027	-	2,350,027
State aid formula grants					23,716,418	-	23,716,418
On-behalf payments					17,929,120	317,620	18,246,740
Interest income					1,612,667	97,434	1,710,101
Gain (loss) on disposition of capital assets					-	(7,367)	(7,367)
Miscellaneous					204,651	-	204,651
Insurance recoveries					12,219,348	-	12,219,348
Transfers					216,704	(216,704)	-
Total general revenues and transfers					<u>75,781,207</u>	<u>190,983</u>	<u>75,972,190</u>
Change in net position					6,291,602	273,474	6,565,076
Net position, June 30, 2024					<u>17,479,387</u>	<u>(541,761)</u>	<u>16,937,626</u>
Net position, June 30, 2025					<u>\$ 23,770,989</u>	<u>\$ (268,287)</u>	<u>\$ 23,502,702</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2025

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>FSPK Building Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 12,906,439	\$ 244,301	\$ 4,144,053	\$ 5,367,635	\$ 1,611,481	\$ 24,273,909
Accounts receivable:						
Taxes	730,537	-	-	-	-	730,537
Other	12,237,676	66,947	-	26	24,642	12,329,291
Due from other governments	17,363	836,643	-	-	-	854,006
Due from other funds	1,049	-	-	-	-	1,049
Inventory	-	-	-	-	28,612	28,612
Prepaid expenses	4,042	-	-	-	-	4,042
Total assets	<u>\$ 25,897,106</u>	<u>\$ 1,147,891</u>	<u>\$ 4,144,053</u>	<u>\$ 5,367,661</u>	<u>\$ 1,664,735</u>	<u>\$ 38,221,446</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 244,502	\$ 96,420	\$ -	\$ 1,790,957	\$ -	\$ 2,131,879
Due to other funds	-	-	-	-	1,049	1,049
Accrued salaries and benefits	2,210,423	-	-	-	-	2,210,423
Payroll withholdings	1,768,547	-	-	-	-	1,768,547
Unearned revenue	-	854,783	-	-	-	854,783
Total liabilities	<u>4,223,472</u>	<u>951,203</u>	<u>-</u>	<u>1,790,957</u>	<u>1,049</u>	<u>6,966,681</u>
Deferred inflows of resources:						
Unavailable revenue - delinquent property taxes	404,545	-	-	-	-	404,545
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	485,809	4,144,053	3,576,704	1,663,686	9,870,252
Committed	2,094,639	-	-	-	-	2,094,639
Assigned	730,660	-	-	-	-	730,660
Unassigned	18,443,790	(289,121)	-	-	-	18,154,669
Total fund balances	<u>21,269,089</u>	<u>196,688</u>	<u>4,144,053</u>	<u>3,576,704</u>	<u>1,663,686</u>	<u>30,850,220</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,897,106</u>	<u>\$ 1,147,891</u>	<u>\$ 4,144,053</u>	<u>\$ 5,367,661</u>	<u>\$ 1,664,735</u>	<u>\$ 38,221,446</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

June 30, 2025

Total fund balances - governmental funds	\$	30,850,220
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.		
		105,759,806
Certain assets are not available to pay for current period expenditures:		
Taxes receivable		404,545
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	\$ (78,765,000)	
Issuance premiums	(215,893)	
Issuance discounts	177,731	
Deferred charges on refunding	379,396	
Compensated absences	(5,068,397)	
Net pension liability	(15,375,583)	
Net OPEB asset	667,536	
Net other postemployment benefits liabilities	(9,367,000)	
Accrued interest payable	<u>(718,648)</u>	(108,285,858)
Certain amounts related to the net pension and OPEB liabilities are not reported in the governmental funds, but are deferred in the statement of net position:		
Pension deferred outflows	\$ 2,510,807	
Pension deferred inflows	(3,232,873)	
Other postemployment benefits deferred outflows	6,826,668	
Other postemployment benefits deferred inflows	<u>(11,062,326)</u>	<u>(4,957,724)</u>
Net position of governmental activities	\$	<u>23,770,989</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2025

	General Fund	Special Revenue Fund	FSPK Building Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 15,427,970	\$ -	\$ 2,105,654	\$ -	\$ -	\$ 17,533,624
Utility taxes	2,350,027	-	-	-	-	2,350,027
Tuition and fees	319,321	-	-	-	-	319,321
Interest income	1,007,774	-	-	581,421	23,472	1,612,667
Other local revenue	101,386	410,380	-	-	1,044,736	1,556,502
State aid	41,586,738	2,456,009	3,316,326	-	719,455	48,078,528
Federal aid	408,146	5,385,273	-	-	-	5,793,419
Total revenues	61,201,362	8,251,662	5,421,980	581,421	1,787,663	77,244,088
Expenditures:						
Instruction	40,325,383	5,954,133	-	-	957,581	47,237,097
Support services:						
Student	4,502,876	873,657	-	-	-	5,376,533
Instructional staff	3,305,955	1,029,725	-	-	-	4,335,680
District administration	1,756,116	-	-	-	-	1,756,116
School administration	4,334,185	338,849	-	-	-	4,673,034
Business	2,976,287	24,505	-	-	-	3,000,792
Plant operation and maintenance	6,860,486	170,628	-	-	-	7,031,114
Student transportation	2,809,958	-	-	-	-	2,809,958
Community services	-	973,865	-	-	-	973,865
Building renovations / additions	-	-	-	18,465,235	-	18,465,235
Debt service:						
Principal	-	-	-	-	3,440,000	3,440,000
Interest	-	-	-	-	2,518,234	2,518,234
Bond issuance costs	-	-	-	-	-	-
Total expenditures	66,871,246	9,365,362	-	18,465,235	6,915,815	101,617,658
Excess (deficiency) of revenues over expenditures	<u>(5,669,884)</u>	<u>(1,113,700)</u>	<u>5,421,980</u>	<u>(17,883,814)</u>	<u>(5,128,152)</u>	<u>(24,373,570)</u>
Other financing sources (uses):						
Proceeds from sale of capital assets	2,158	-	-	-	-	2,158
Insurance recoveries	12,219,348	-	-	-	-	12,219,348
Operating transfers in	2,369,527	1,093,971	-	346,468	5,686,507	9,496,473
Operating transfers out	<u>(3,060,395)</u>	<u>-</u>	<u>(5,421,980)</u>	<u>(257,090)</u>	<u>(540,304)</u>	<u>(9,279,769)</u>
Total other financing sources (uses)	11,530,638	1,093,971	(5,421,980)	89,378	5,146,203	12,438,210
Net change in fund balances	5,860,754	(19,729)	-	(17,794,436)	18,051	(11,935,360)
Fund balance, June 30, 2024	<u>15,408,335</u>	<u>216,417</u>	<u>-</u>	<u>21,371,140</u>	<u>5,789,688</u>	<u>42,785,580</u>
Change within financial reporting entity (nonmajor to major fund)	<u>-</u>	<u>-</u>	<u>4,144,053</u>	<u>-</u>	<u>(4,144,053)</u>	<u>-</u>
Fund balance, June 30, 2025	<u>\$ 21,269,089</u>	<u>\$ 196,688</u>	<u>4,144,053</u>	<u>\$ 3,576,704</u>	<u>\$ 1,663,686</u>	<u>\$ 30,850,220</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ (11,935,360)

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	\$ 19,239,729	
Depreciation expense	<u>(3,753,812)</u>	15,485,917

Governmental funds report the disposal of capital assets to the extent proceeds
are received. However, the statement of activities reports the gain or loss. (1,356,024)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the governmental funds:
Decrease in taxes receivable (1,352)

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	\$ 3,440,000	
Amortization of premiums on bonds	25,938	
Amortization of discounts on bonds	(12,518)	
Amortization of deferred charges on refunding	<u>(119,372)</u>	3,334,048

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	\$ (2,592,880)	
Decrease in pension expense	1,267,982	
Decrease in other postemployment benefits expense	2,083,298	
Increase in accrued interest payable	<u>5,973</u>	<u>764,373</u>

Change in net position of governmental activities \$ 6,291,602

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2025

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
ASSETS			
Current assets:			
Cash	\$ 2,492,953	\$ 118,212	\$ 2,611,165
Accounts receivable:			
Operating	37,727	1,578	39,305
Due from other governments	111,504	-	111,504
Inventory	88,215	-	88,215
	<u>2,730,399</u>	<u>119,790</u>	<u>2,850,189</u>
Total current assets			
Noncurrent assets:			
Capital assets	1,394,617	6,738	1,401,355
Less accumulated depreciation	<u>(798,856)</u>	<u>(4,611)</u>	<u>(803,467)</u>
	<u>595,761</u>	<u>2,127</u>	<u>597,888</u>
Total noncurrent assets			
	<u>3,326,160</u>	<u>121,917</u>	<u>3,448,077</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferred outflows	459,253	61,076	520,329
Other postemployment benefits deferred outflows	<u>174,809</u>	<u>35,497</u>	<u>210,306</u>
	<u>634,062</u>	<u>96,573</u>	<u>730,635</u>
Total deferred outflows of resources			
LIABILITIES			
Current liabilities:			
Accounts payable	97,769	-	97,769
Unearned revenue	<u>4,746</u>	<u>998</u>	<u>5,744</u>
	<u>102,515</u>	<u>998</u>	<u>103,513</u>
Total current liabilities			
Non-current liabilities:			
Net pension liability	2,630,710	257,921	2,888,631
Net other postemployment benefits liability	<u>54,756</u>	<u>83,980</u>	<u>138,736</u>
	<u>2,685,466</u>	<u>341,901</u>	<u>3,027,367</u>
Total noncurrent liabilities			
	<u>2,787,981</u>	<u>342,899</u>	<u>3,130,880</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Pension deferred inflows	500,187	24,734	524,921
Other postemployment benefits deferred inflows	<u>740,898</u>	<u>50,300</u>	<u>791,198</u>
	<u>1,241,085</u>	<u>75,034</u>	<u>1,316,119</u>
Total deferred inflows of resources			
NET POSITION			
Net investment in capital assets	595,761	2,127	597,888
Unrestricted	<u>(664,605)</u>	<u>(201,570)</u>	<u>(866,175)</u>
	<u>(68,844)</u>	<u>(199,443)</u>	<u>(268,287)</u>
Total net position	\$ <u>(68,844)</u>	\$ <u>(199,443)</u>	\$ <u>(268,287)</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

PROPRIETARY FUNDS

Year Ended June 30, 2025

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
Operating revenues:			
Charges for services	\$ 69,825	\$ 67,774	\$ 137,599
Other operating revenues	37,772	-	37,772
	107,597	67,774	175,371
Operating expenses:			
Salaries and wages	1,453,652	35,997	1,489,649
Employee benefits	375,273	2,375	377,648
Professional and technical services	31,313	-	31,313
Property services	43,772	-	43,772
Other purchased services	42,657	-	42,657
Supplies and materials	3,069,954	712	3,070,666
Property	-	-	-
Miscellaneous	8,524	-	8,524
Depreciation	94,682	269	94,951
	5,119,827	39,353	5,159,180
Operating income (loss)	(5,012,230)	28,421	(4,983,809)
Nonoperating revenues (expenses):			
Federal government grants	4,700,125	-	4,700,125
Donated commodities	334,248	-	334,248
State government grants	30,887	1,040	31,927
On-behalf payments	315,957	1,663	317,620
Gain (loss) on disposition of capital assets	(7,367)	-	(7,367)
Interest income	97,434	-	97,434
	5,471,284	2,703	5,473,987
Income (loss) before transfers	459,054	31,124	490,178
Capital contribution	-	-	-
Transfers out	(216,704)	-	(216,704)
Change in net position	242,350	31,124	273,474
Net position, June 30, 2024	(311,194)	(230,567)	(541,761)
Net position, June 30, 2025	\$ (68,844)	\$ (199,443)	\$ (268,287)

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2025

	Enterprise Funds		
	Food Service Fund	Day Care Fund	Total
Cash flows from operating activities:			
Cash received from (used by):			
Charges for services	\$ 70,331	\$ 68,521	\$ 138,852
Other revenues	158	-	158
Cash paid to / for:			
Employees	(2,192,194)	(46,886)	(2,239,080)
Supplies	(2,743,523)	(712)	(2,744,235)
Other services	<u>(38,099)</u>	<u>-</u>	<u>(38,099)</u>
Net cash provided by (used in) operating activities	<u>(4,903,327)</u>	<u>20,923</u>	<u>(4,882,404)</u>
Cash flows from noncapital financing activities:			
Federal government grants	4,674,398	-	4,674,398
State government grants	30,887	1,040	31,927
On-behalf payments	315,957	1,663	317,620
Transfers out	<u>(216,704)</u>	<u>-</u>	<u>(216,704)</u>
Net cash provided by noncapital financing activities	<u>4,804,538</u>	<u>2,703</u>	<u>4,807,241</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(144,233)</u>	<u>-</u>	<u>(144,233)</u>
Net cash used in capital and related financing activities	<u>(144,233)</u>	<u>-</u>	<u>(144,233)</u>
Cash flows from investing activities:			
Interest income	<u>97,434</u>	<u>-</u>	<u>97,434</u>
Net cash provided by investing activities	<u>97,434</u>	<u>-</u>	<u>97,434</u>
Net change in cash and cash equivalents	<u>(145,588)</u>	<u>23,626</u>	<u>(121,962)</u>
Cash and cash equivalents:			
Beginning of year	<u>2,638,541</u>	<u>94,586</u>	<u>2,733,127</u>
End of year	<u>\$ 2,492,953</u>	<u>\$ 118,212</u>	<u>\$ 2,611,165</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (5,012,230)	\$ 28,421	\$ (4,983,809)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	94,682	269	94,951
Commodities used	334,248	-	334,248
Changes in assets and liabilities:			
Accounts receivable - operating	(37,614)	761	(36,853)
Inventory	(11,676)	-	(11,676)
Accounts payable	92,026	-	92,026
Net other postemployment benefits liability and deferrals	(176,501)	(4,137)	(180,638)
Net pension liability and deferrals	(186,768)	(4,377)	(191,145)
Unearned revenue	<u>506</u>	<u>(14)</u>	<u>492</u>
Net cash provided by (used in) operating activities	<u>\$ (4,903,327)</u>	<u>\$ 20,923</u>	<u>\$ (4,882,404)</u>
Noncash noncapital financing activities:			
Food commodities from the U.S. Department of Agriculture	<u>\$ 334,248</u>		

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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, 2025

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, 2025

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. This is a major fund of the District.

Construction Fund:

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

Debt Service Fund:

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

Proprietary Funds (Enterprise):

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

Food Service Fund:

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

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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, 2025

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, 2025

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, 2024, on which the levy for the 2025 fiscal year was based, totaled \$2,105,653,044. 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, 2025, to finance General Fund and FSPK Building Fund operations were 74.1 cents and 11.0 cents per \$100 valuation, respectively, for a total of 85.1 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, 2025

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 “measurable” 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, 2025

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, 2025

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, 2025

2. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Standards

In fiscal year 2025, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. This standard requires that changes be applied retrospectively by restating prior periods, if practicable. However, the District determined that it was not practicable to restate prior year financial information due to the unavailability of necessary historical data. As a result, the cumulative effect of applying the standard has been reflected in the current year.

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, 2025, the book balance of the District's bank deposits was \$26,884,874 and the bank balances were \$27,984,199. Of the bank balances, \$255,782 was covered by federal depository insurance and \$27,728,417 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, 2025

4. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 4,062,813	\$ -	\$ -	\$ 4,062,813
Construction in progress	3,485,757	18,388,482	(89,378)	21,784,861
Total capital assets, not being depreciated	7,548,570	18,388,482	(89,378)	25,847,674
Capital assets, being depreciated:				
Land improvements	7,579,312	65,942	(9,804)	7,635,450
Buildings and improvements	112,068,264	114,605	(2,453,458)	109,729,411
Technology equipment	1,464,857	32,872	-	1,497,729
Vehicles	5,280,054	507,131	(307,253)	5,479,932
General equipment	1,091,889	220,075	(16,683)	1,295,281
Total capital assets, being depreciated	127,484,376	940,625	(2,787,198)	125,637,803
Less accumulated depreciation:				
Land improvements	(3,857,463)	(267,508)	9,804	(4,115,167)
Buildings and improvements	(34,694,853)	(2,916,186)	1,097,433	(36,513,606)
Technology equipment	(1,137,426)	(94,211)	-	(1,231,637)
Vehicles	(3,073,766)	(416,948)	307,254	(3,183,460)
General equipment	(639,525)	(58,959)	16,683	(681,801)
Total accumulated depreciation	(43,403,033)	(3,753,812)	1,431,174	(45,725,671)
Total capital assets, being depreciated, net	84,081,343	(2,813,187)	(1,356,024)	79,912,132
Governmental activities: Capital assets, net	\$ 91,629,913	\$ 15,575,295	\$ (1,445,402)	\$ 105,759,806
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Building and improvements	\$ 6,738	\$ -	\$ -	\$ 6,738
Vehicles	63,513	82,535	(43,808)	102,240
General equipment	1,312,833	61,698	(82,154)	1,292,377
Total capital assets, being depreciated	1,383,084	144,233	(125,962)	1,401,355
Less accumulated depreciation:				
Building and improvements	(4,342)	(269)	-	(4,611)
Vehicles	(60,730)	(4,159)	43,808	(21,081)
General equipment	(762,039)	(90,523)	74,787	(777,775)
Total accumulated depreciation	(827,111)	(94,951)	118,595	(803,467)
Business-type activities: Capital assets, net	\$ 555,973	\$ 49,282	\$ (7,367)	\$ 597,888

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

4. Capital Assets, Continued

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 3,199,468
Support services:	
Student	-
Instructional staff	4,507
District administration	15,246
School administration	97
Business support	46,482
Plant operations and management	147,495
Student transportation	<u>340,517</u>
Total depreciation expense	<u>\$ 3,753,812</u>

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Governmental activities:					
Long-term debt:					
School building revenue bonds	\$ 82,205,000	\$ -	\$ (3,440,000)	\$ 78,765,000	\$ 3,515,000
Deferred amounts:					
For issuance premiums	241,831	-	(25,938)	215,893	-
For issuance discounts	<u>(190,249)</u>	<u>-</u>	<u>12,518</u>	<u>(177,731)</u>	<u>-</u>
Total long-term debt	82,256,582	-	(3,453,420)	78,803,162	3,515,000
Compensated absences:					
Accrued sick leave	<u>2,475,517</u>	<u>2,592,880</u>	<u>-</u>	<u>5,068,397</u>	<u>2,665,721</u>
Total governmental activities	<u>\$ 84,732,099</u>	<u>\$ 2,592,880</u>	<u>\$ (3,453,420)</u>	<u>\$ 83,871,559</u>	<u>\$ 6,180,721</u>

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, 2025

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, 2025, is as follows:

		<u>District</u>	<u>Commission</u>	<u>Total</u>
Balance, June 30, 2024	\$	79,411,765	\$ 2,793,235	\$ 82,205,000
Retired		<u>(3,242,898)</u>	<u>(197,102)</u>	<u>(3,440,000)</u>
Balance, June 30, 2025	\$	<u>76,168,867</u>	\$ <u>2,596,133</u>	\$ <u>78,765,000</u>

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

	Range of Interest Rates	Final Maturity	<u>Balance, June 30, 2025</u>		
			<u>District</u>	<u>Commission</u>	<u>Total</u>
2015 Issue	2.00 – 3.500%	2036	\$ 4,749,193	\$ 435,807	\$ 5,185,000
2016R Issue	2.00 – 4.000%	2029	6,783,099	201,901	6,985,000
2017 Issue	2.00 – 3.375%	2038	5,677,272	952,728	6,630,000
2019 Issue	3.00%	2040	11,515,416	439,584	11,955,000
2020 Issue	3.25 – 3.375%	2040	12,040,000	-	12,040,000
2021 Issue	2.00 – 2.250%	2041	10,953,887	566,113	11,520,000
2022 Issue	1.00 – 2.125%	2042	1,650,000	-	1,650,000
2024 Issue	4.00%	2044	<u>22,800,000</u>	<u>-</u>	<u>22,800,000</u>
			<u>\$ 76,168,867</u>	<u>\$ 2,596,133</u>	<u>\$ 78,765,000</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, 2025, for debt service (principal and interest) are as follows:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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
2026	\$ 3,313,726	\$ 2,396,583	\$ 5,710,309	\$ 201,274	\$ 69,822	\$ 271,096	\$ 5,981,405
2027	3,426,808	2,303,866	5,730,674	208,192	64,583	272,775	6,003,449
2028	3,549,603	2,203,335	5,752,938	210,397	59,058	269,455	6,022,393
2029	3,681,440	2,094,409	5,775,849	203,560	53,445	257,005	6,032,854
2030	3,804,120	1,987,908	5,792,028	165,880	48,452	214,332	6,006,360
2031–							
2035	21,215,967	8,083,356	29,299,323	924,033	168,036	1,092,069	30,391,392
2036–							
2040	24,153,169	4,545,495	28,698,664	641,831	41,299	683,130	29,381,794
2041–							
2044	<u>13,024,034</u>	<u>1,188,366</u>	<u>14,212,400</u>	<u>40,966</u>	<u>922</u>	<u>41,888</u>	<u>14,254,288</u>
	<u>\$ 76,168,867</u>	<u>\$ 24,803,318</u>	<u>\$ 100,972,185</u>	<u>\$ 2,596,133</u>	<u>\$ 505,617</u>	<u>\$ 3,101,750</u>	<u>\$ 104,073,935</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, 2025, totaled \$2,618,213, of which \$2,543,588 was paid by the District, and \$74,625 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, 2025, \$7,060,000 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 received an amount equal to 30% of the value of accumulated sick leave based on the individual final salary. In accordance with GASB Statement No. 101, *Compensated Absences*, the liability for compensated absences now also reflects management’s estimate of sick leave expected to be taken prior to retirement, as well as an estimate of the portion of accumulated sick leave that is anticipated to be forfeited and, therefore, not paid out. This liability totaled \$5,068,397 at June 30, 2025, 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.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

6. Interfund Receivables and Payables

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,049	\$ -
School Activity Fund	<u>-</u>	<u>1,049</u>
	<u>\$ 1,049</u>	<u>\$ 1,049</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

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Benefits Provided, Continued

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 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.

For members after July 1, 2008 – The annual retirement allowance for non-university members is equal to (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary of each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years. Effective January 1, 2022, the System again amended the benefit structure for members hired on or after that date.

For members after January 1, 2022 – condition for retirement is attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service. The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary, based on a table. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annualizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later 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.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

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, 2025. 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, 2025, was as follows:

District’s proportionate share of the net pension liability	\$ -
State’s proportionate share of the net pension liability associated with the District	<u>135,124,633</u>
Total	<u>\$ 135,124,633</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. 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, 2024, the measurement date, the District’s proportion of the TRS net pension liability was .8218%, an increase of .0414% from its proportion measured as of June 30, 2023, of .7804%.

For the year ended June 30, 2025, the District recognized on-behalf pension expense and revenue of \$8,782,653 for contributions provided by the State.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Actuarial Assumptions

The total pension liability in the actuarial valuation dated June 30, 2023 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	3.66%
Measurement Date	3.94%
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

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally based on the Projection Scale 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:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Actuarial Assumptions, Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equity	35.4%	5.0%
Small Cap U.S. equity	2.6	5.5%
Developed International Equity	15.7	5.5%
Emerging Markets Equity	5.3	6.1%
Fixed income	15.0	1.9%
High Yield Bonds	2.0	3.8%
Other Additional categories	8.0	3.6%
Real estate	7.0	3.2%
Private equity	7.0	8.0%
Cash	<u>2.0</u>	1.6%
	<u>100%</u>	

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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

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

	<u>Discount rate</u>	<u>State’s proportionate share of net pension liability associated with the District</u>
1% decrease	6.10%	\$176,067,916
Current discount rate	7.10%	\$135,124,633
1% increase	8.10%	\$101,007,765

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, 2025.

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

Medical Insurance Plan (MIP)

Plan description – In addition to the pension benefits described in Note 6, Kentucky Revised Statute 161.675 requires TRS to provide 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.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Medical Insurance Plan (MIP), Continued

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, 2025, 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.

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, 2025, 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, 2025, the District reported a liability of \$9,367,000 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, 2024, 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

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2024 measurement date, the District’s proportion was 0.420222%, an increase of 0.011942% from its proportion measured as of June 30, 2023 of 0.408280%.

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

	MIP	LIP
District’s proportionate share of the net OPEB liability	\$ 9,367,000	\$ -
State’s proportionate share of the net OPEB liability associated with the District	8,344,000	190,000
Total	\$ 17,711,000	\$ 190,000

For the year ended June 30, 2025, the District recognized MIP OPEB expense (credit) of \$88,310. In addition, on-behalf MIP and LIP OPEB revenue and expense for support provided by the State totaled \$777,373 and \$23,269 for the year ended June 30, 2025. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

	MIP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,813,000
Changes of assumptions	2,386,000	-
Net difference between projected and actual earnings on plan investments	-	301,000
Changes in proportion and differences between contributions and proportionate share of contributions	2,765,000	3,173,000
District contributions subsequent to the measurement date	896,651	-
Total	\$ 6,047,651	\$ 6,287,000

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$896,651 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, 2026. 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,	
2026	\$ (470,000)
2027	72,000
2028	(57,000)
2029	(399,000)
2030	(319,000)
Thereafter	<u>37,000</u>
	<u>\$ (1,136,000)</u>

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2023, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary increases, including wage inflation	3.00 – 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation:	
MIP	7.10%
LIP	7.10%
Municipal Bond Index Rate	3.94%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation (discount rate):	
MIP	7.10%
LIP	7.10%

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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 Health Care Cost Trends:

Medical Trend	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5.92% for FY 2024 with an ultimate rate of 4.50% by 2035

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, deferred vested 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, 2023 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, 2022 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 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:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Asset Class	Target Allocation		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
U.S. Equity	38.0	40.0	10.5%	5.2%
International Equity	15.0	15.0	5.5%	5.5%
Emerging Markets Equity	5.0	5.0	6.1%	6.1%
Fixed Income	9.0	21.0	1.9%	1.9%
Real Estate	6.5	7.0	3.2%	3.2%
Private Equity	8.5	5.0	8.0%	8.0%
High Yield	8.0	-	3.8%	-
Additional Categories	9.0	5.0	3.7%	4.0%
Cash	1.0	2.0	1.6%	1.6%
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.

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	\$ 12,444,000	\$ 9,367,000	\$ 6,817,000

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

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

	<u>1% decrease</u>	<u>Current trend rate</u>	<u>1% increase</u>
Net MIP OPEB liability	\$ 6,327,000	\$ 9,367,000	\$ 13,143,000

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 \$104,174 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2025.

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.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Benefits Provided, Continued

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 2025 were based on annual creditable compensation for the year ended June 30, 2024, were as follows:

	Contribution Rates	Contributions
Pension	19.71%	\$ 2,102,027
OPEB	-	-
Total	19.71%	\$ 2,102,027

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

The net pension liability and OPEB liability (asset) reported as of June 30, 2025, were measured as of June 30, 2024, and the total pension liability and OPEB liability (asset) used to calculate the net pension liability and OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2023. The District’s proportion of the asset and liability 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, 2023	0.345817%	0.345804%
Decrease	(0.040417)	(0.040104)
June 30, 2024	0.305400%	0.305700%

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

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

The District’s pension liability and OPEB liability (asset) and expense as of and for the year ended June 30, 2025, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability (Asset)</u>
Proportionate Share	\$ 18,264,214	\$ (528,800)
Pension/OPEB Expense	\$ 634,959	\$ (1,378,915)

The OPEB liability (asset) is recorded as follows:

Governmental Assets	\$ (667,536)
Food Service Fund Liability	54,756
After School Fund Liability	<u>83,980</u>
Total Net OPEB Liability (Asset)	\$ <u>(528,800)</u>

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 884,021	\$ -	\$ 293,372	\$ 4,160,617
Changes of assumptions	-	825,184	479,157	373,124
Net difference between projected and actual earnings on plan investments	-	1,174,290	-	482,561
Changes in proportion and differences between contributions and proportionate share of contributions	45,088	1,758,320	216,794	550,222
Contributions subsequent to the measurement date	<u>2,102,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>3,031,136</u>	\$ <u>3,757,794</u>	\$ <u>989,323</u>	\$ <u>5,566,524</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

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

The \$2,102,027 and \$0 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 liability and increase in OPEB liability (asset) in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

Year ending June 30,	Pension	OPEB
2026	\$ (1,773,264)	\$ (1,747,495)
2027	(342,307)	(1,383,024)
2028	(451,411)	(1,307,926)
2029	(261,703)	(138,756)
	\$ (2,828,685)	\$ (4,577,201)

Actuarial Assumptions

The total pension liability and OPEB liability (asset) in the June 30, 2023, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Payroll growth rate	2.00%	
Salary increases	3.30% to 10.30%, varies by service	
Net investment rate	6.50%	
Healthcare trend rates (OPEB)	Pre-65: Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years. Post-65: Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 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-2020 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 2013-2022, projected with

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Actuarial Assumptions, Continued

the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled retired members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public equity	50.00	4.15%
Private equity	10.00	9.10%
	60.00	
Fixed income		
Core fixed income	10.00	2.85%
Specialty credit	10.00	3.82%
Cash	-	1.70%
	20.00	
Inflation protected		
Real estate	7.00	4.90%
Real return	13.00	5.35%
	20.00	
Total	100.00%	

Discount Rate

The discount rates used to measure the total pension liability and OPEB liability (asset) at the measurement dates and changes since the prior year were as follows:

	Pension	OPEB
Discount rate, June 30, 2023	6.50%	5.93%
Increase	-	0.06
Discount rate, June 30, 2024	6.50%	5.99%

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Discount Rate, Continued

The discount rate of 6.50% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.99% used to measure the total OPEB liability (asset) was based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97% as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024.

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 employer contribution each future year calculated 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 liability and OPEB liability (asset), as well as what the District’s proportionate share of the net pension liability and OPEB liability (asset) 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 (Asset)
1% decrease	5.50%	\$ 23,545,556	4.99%	\$ 714,998
Current discount rate	6.50%	\$ 18,264,214	5.99%	\$ (528,800)
1% increase	7.50%	\$ 13,882,092	6.99%	\$ (1,574,588)

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

The following presents the District’s proportionate share of the net OPEB liability (asset), as well as what the District’s proportionate share of the net OPEB liability (asset) 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:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates, Continued

	<u>Healthcare Cost Trend Rates</u>	<u>District’s Proportionate Share of Net OPEB Liability (Asset)</u>
1% decrease	6.10% Pre-65 and 7.00% Post-65	\$ (1,272,230)
Current healthcare cost trend rates	7.10% Pre-65 and 8.00% Post-65	\$ (528,800)
1% increase	8.10% Pre-65 and 9.00% Post-65	\$ 337,242

Plan Fiduciary Net Position

Detailed information about the CERS fiduciary net position is available in the separately issued KPPA Annual Comprehensive 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, 2025.

	<u>Pension</u>	<u>OPEB</u>
	\$ <u>285,027</u>	\$ <u>-</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, 2025:

TRS:		
Pension	\$	8,782,653
Retiree health insurance		777,373
Retiree life insurance		23,269
Health insurance		7,814,685
HRA and administrative fees		490,053
State life insurance		9,924
Technology		77,056
KSFCC debt service		<u>271,727</u>
	\$	<u>18,246,740</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2025

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.

12. Fund Balance Classification

The composition of the fund balance classifications at June 30, 2025, is as follows:

	Major Governmental Funds				Nonmajor Governmental Funds			Total
	General Fund	Special Revenue Fund	FSPK Building Fund	Construction Fund	School Activity Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds	
Fund balances:								
Nonspendable:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:								
Future capital needs	-	-	4,144,053	3,576,704	-	1,104,231	1,104,231	8,824,988
Technology	-	181,979	-	-	-	-	-	181,979
Encumbrances	-	289,122	-	-	-	-	-	289,122
Other	-	14,708	-	-	559,455	-	559,455	574,163
	-	485,809	4,144,053	3,576,704	559,455	1,104,231	1,663,686	9,870,252
Committed:								
Sick leave	182,933	-	-	-	-	-	-	182,933
Technology	1,405,434	-	-	-	-	-	-	1,405,434
Site-based carryforward	506,272	-	-	-	-	-	-	506,272
	2,094,639	-	-	-	-	-	-	2,094,639
Assigned:								
Purchase obligations	730,660	-	-	-	-	-	-	730,660
Unassigned	18,443,790	(289,121)	-	-	-	-	-	18,154,669
Total fund balances	\$ 21,269,089	\$ 196,688	\$ 4,144,053	\$ 3,576,704	\$ 559,455	\$ 1,104,231	\$ 1,663,686	\$ 30,850,220

The District has \$2,395,346 of encumbrances of operating funds in major and nonmajor funds at June 30, 2025, 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 \$(68,844) and \$(199,443), 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, 2025

14. Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the following:

Transfers in:						
	Major Governmental Funds			Nonmajor Governmental Funds		
	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total
<u>Transfers out:</u>						
Major Governmental Funds:						
General Fund	\$ -	\$ 1,001,395	\$ 346,468	\$ 1,712,532	\$ 1,712,532	\$ 3,060,395
Special Revenue Fund	-	-	-	-	-	-
Construction Fund	257,090	-	-	-	-	257,090
						<u>3,317,485</u>
Nonmajor Governmental Funds:						
School Activity Fund	-	92,576	-	-	-	92,576
SEEK Capital Outlay Fund	447,728	-	-	-	-	447,728
FSPK Building Fund	1,448,005	-	-	3,973,975	3,973,975	5,421,980
						<u>5,962,284</u>
Major Enterprise Fund:						
Food Service Fund	216,704	-	-	-	-	216,704
	<u>\$ 2,369,527</u>	<u>\$ 1,093,971</u>	<u>\$ 346,468</u>	<u>\$ 5,686,507</u>	<u>\$ 5,686,507</u>	<u>\$ 9,496,473</u>

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

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases unemployment insurance; however, risk has not been transferred. 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, 2025

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 \$43,799,804 for various facility improvements. Remaining commitments under these contracts totaled \$1,856,399 at June 30, 2025, of which \$1,788,982 was included in accounts payable in the Construction Fund.

18. Insurance Proceeds

During the year ended June 30, 2025, the District received \$12,219,348 in insurance proceeds related to damage sustained from the hail storm in March of 2025. The proceeds will be used to repair and replace affected capital assets. These amounts are reported as other financing sources in the governmental funds and as program/general revenues in the government-wide 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. The additional federal funds were fully expended during fiscal year 2025.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 15,710,000	\$ 15,740,000	\$ 15,427,970	\$ (312,030)
Utility taxes	2,000,000	2,170,000	2,350,027	180,027
Tuition and fees	480,000	345,000	319,321	(25,679)
Interest income	1,000,000	1,000,000	1,007,774	7,774
Other local revenue	78,000	143,000	101,386	(41,614)
State aid	42,278,453	42,478,453	41,586,738	(891,715)
Federal aid	286,500	401,500	408,146	6,646
Total revenues	<u>61,832,953</u>	<u>62,277,953</u>	<u>61,201,362</u>	<u>(1,076,591)</u>
Expenditures:				
Instruction	53,789,664	46,922,974	40,325,383	6,597,591
Support services:				
Student	4,515,680	4,563,392	4,502,876	60,516
Instructional staff	2,782,056	3,551,817	3,305,955	245,862
District administration	2,088,807	2,099,808	1,756,116	343,692
School administration	4,488,706	4,488,707	4,334,185	154,522
Business	3,829,068	2,897,132	2,976,287	(79,155)
Plant operation and maintenance	6,089,680	6,151,680	6,860,486	(708,806)
Student transportation	3,474,344	3,474,343	2,809,958	664,385
Contingency	3,000,000	3,000,000	-	3,000,000
Total expenditures	<u>84,058,005</u>	<u>77,149,853</u>	<u>66,871,246</u>	<u>10,278,607</u>
Excess (deficiency) of revenues over expenditures	<u>(22,225,052)</u>	<u>(14,871,900)</u>	<u>(5,669,884)</u>	<u>9,202,016</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	2,158	2,158
Insurance recoveries	-	-	12,219,348	12,219,348
Operating transfers in	4,346,153	4,346,153	2,369,527	(1,976,626)
Operating transfers out	<u>(1,004,140)</u>	<u>(1,004,140)</u>	<u>(3,060,395)</u>	<u>(2,056,255)</u>
Total other financing sources (uses)	<u>3,342,013</u>	<u>3,342,013</u>	<u>11,530,638</u>	<u>8,188,625</u>
Net change in fund balance	(18,883,039)	(11,529,887)	5,860,754	17,390,641
Fund balance, June 30, 2024	<u>15,408,335</u>	<u>15,408,335</u>	<u>15,408,335</u>	-
Fund balance, June 30, 2025	\$ <u><u>(3,474,704)</u></u>	\$ <u><u>3,878,448</u></u>	\$ <u><u>21,269,089</u></u>	\$ <u><u>17,390,641</u></u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other local revenue	\$ 358,883	\$ 369,915	\$ 410,380	\$ 40,465
State aid	1,851,172	2,454,420	2,456,009	1,589
Federal aid	4,403,144	4,436,942	5,385,273	948,331
	<u>6,613,199</u>	<u>7,261,277</u>	<u>8,251,662</u>	<u>990,385</u>
Total revenues				
Expenditures:				
Instruction	5,060,953	5,609,793	5,954,133	(344,340)
Support services:				
Student	641,198	621,376	873,657	(252,281)
Instructional staff	238,604	314,572	1,029,725	(715,153)
School administration	56,701	56,701	338,849	(282,148)
Business	-	33,779	24,505	9,274
Plant operation and maintenance	118,998	158,998	170,628	(11,630)
Student transportation	120,200	120,200	-	120,200
Community services	935,027	948,720	973,865	(25,145)
	<u>7,171,681</u>	<u>7,864,139</u>	<u>9,365,362</u>	<u>(1,501,223)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(558,482)</u>	<u>(602,862)</u>	<u>(1,113,700)</u>	<u>(510,838)</u>
Other financing sources (uses):				
Operating transfers in	558,482	602,862	1,093,971	491,109
Operating transfers out	-	-	-	-
	<u>558,482</u>	<u>602,862</u>	<u>1,093,971</u>	<u>491,109</u>
Total other financing sources (uses)				
Net change in fund balance	-	-	(19,729)	(19,729)
Fund balance, June 30, 2024	<u>216,417</u>	<u>216,417</u>	<u>216,417</u>	<u>-</u>
Fund balance, June 30, 2025	<u>\$ 216,417</u>	<u>\$ 216,417</u>	<u>\$ 196,688</u>	<u>\$ (19,729)</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</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%	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>135,124,633</u>	<u>132,971,764</u>	<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>
Total	<u>\$ 135,124,633</u>	<u>\$ 132,971,764</u>	<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>
District's covered payroll	\$ 29,134,039	\$ 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
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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%

OWENSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered payroll	\$ 29,888,525	\$ 29,134,039	\$ 25,804,096	\$ 25,027,390	\$ 25,374,727	\$ 24,884,409	\$ 24,408,634	\$ 22,977,182	\$ 22,305,933	\$ 21,487,867
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%	0.00%

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>2025</u>	<u>2024</u>	<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	0.420222%	0.408280%	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	\$ 9,367,000	\$ 9,944,000	\$ 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>8,344,000</u>	<u>8,382,000</u>	<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>\$ 17,711,000</u>	<u>\$ 18,326,000</u>	<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	\$ 29,134,039	\$ 25,804,096	\$ 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	32.15%	38.54%	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	59.81%	52.97%	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%	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>190,000</u>	<u>207,000</u>	<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>\$ 190,000</u>	<u>\$ 207,000</u>	<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	\$ 29,134,039	\$ 25,804,096	\$ 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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	80.56%	76.91%	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>2025</u>	<u>2024</u>	<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	\$ 896,561	\$ 873,630	\$ 773,694	\$ 750,824	\$ 761,124	\$ 746,326	\$ 732,257	\$ 689,320
District's contributions in relation to the contractually required contributions	<u>(896,561)</u>	<u>(873,630)</u>	<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>							
District's covered payroll	\$ 29,888,525	\$ 29,134,039	\$ 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%	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>							
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	\$ 29,888,525	\$ 29,134,039	\$ 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%	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, 2025

PENSION

Changes of Benefit Terms

2016-2025 None

Changes of Assumptions

2025 The municipal bond index rate increased from 3.66% to 3.94%.
2024 The municipal bond index rate increased from 3.37% to 3.66%.
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

2019-2025 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

2025 The municipal bond index rate increased from 3.66% to 3.94%.
Health Care Cost Trends decreased from 6.75% to 6.50%.
Health Care Cost Trends for Medicare Part B Premiums increased from 1.55% to 5.92%.
2024 The municipal bond index rate increased from 3.37% to 3.66%.
Health Care Cost Trends increased from 5.125% to 6.75%.
Health Care Cost Trends for Medicare Part B Premiums decreased from 6.97% to 1.55%.
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%.

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

Year Ended June 30, 2025

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

2018-2025 None

Changes of Assumptions

2025	The municipal bond index rate increased from 3.66% to 3.94%.
2024	The municipal bond index rate increased from 3.37% to 3.66%.
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
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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the plan total net pension liability	0.305400%	0.345817%	0.342790%	0.316079%	0.313988%	0.302117%	0.297263%	0.307326%	0.318599%	0.314419%
District's proportionate share of the net pension liability associated with the District	\$ 18,264,214	\$ 22,189,377	\$ 24,780,335	\$ 20,152,516	\$ 24,082,620	\$ 21,248,023	\$ 18,104,223	\$ 17,988,736	\$ 15,686,615	\$ 13,518,528
District's covered payroll	\$ 9,720,802	\$ 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
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.89%	219.15%	261.02%	248.96%	297.86%	277.36%	242.98%	238.38%	206.26%	183.76%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	55.30%	55.50%	59.97%

SCHEDULE OF CONTRIBUTIONS

PENSION FUND

Last 10 Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 2,102,027	\$ 2,268,835	\$ 2,369,250	\$ 2,009,822	\$ 1,562,269	\$ 1,560,452	\$ 1,242,567	\$ 1,078,425	\$ 1,052,680	\$ 944,566
Contributions in relation to the contractually required contributions	<u>(2,102,027)</u>	<u>(2,268,835)</u>	<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>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>								
District's covered payroll	\$ 10,664,772	\$ 9,720,802	\$ 10,124,999	\$ 9,493,726	\$ 8,094,656	\$ 8,085,241	\$ 7,660,709	\$ 7,450,922	\$ 7,546,092	\$ 7,605,201
Contributions as a percentage of covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

Riney Hancock CPAs PSC

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
COUNTY EMPLOYEES RETIREMENT SYSTEM
INSURANCE FUND

Last 10 Fiscal Years *

	<u>2025</u>	<u>2024</u>	<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 (asset)	0.305700%	0.345804%	0.342730%	0.316005%	0.313897%	0.302039%	0.297263%	0.307326%
District's proportionate share of the net OPEB liability (asset)	\$ (528,800)	\$ (477,440)	\$ 6,763,823	\$ 6,049,758	\$ 7,579,658	\$ 5,080,160	\$ 5,280,722	\$ 6,178,304
District's covered payroll	\$ 9,720,802	\$ 10,124,999	\$ 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 (asset) as a percentage of its covered payroll	-5.44%	-4.72%	71.25%	74.74%	93.75%	66.31%	70.87%	81.87%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	104.89%	104.23%	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>2025</u>	<u>2024</u>	<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>-</u>	<u>-</u>	<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>							
District's covered payroll	\$ 10,664,772	\$ 9,720,802	\$ 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	0.00%	0.00%	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, 2025

Changes of Benefit Terms

2016-2025 None

Changes of Assumptions

2025 OPEB:

The single discount rate changed from 5.93% to 5.99%.
Healthcare Trend Rates for Pre - 65 increased from 6.80% to 7.10%.
Healthcare Trend Rates for Post - 65 decreased from 8.50% to 8.00%.

2024 Pension and OPEB:

The assumed rate of inflation was increased from 2.30% to 2.50%.
The assumed investment return was changed from 6.25% to 6.50%.
The single discount rate changed from 6.25% to 6.50% for pension and from 5.70% to 5.93% for OPEB.
Healthcare Trend Rates for Pre - 65 increased from 6.20% to 6.80%.
Healthcare Trend Rates for Post - 65 decreased from 9.00% to 8.50%.

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, 2025

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	School	SEEK		Total
	Activity	Capital	Debt	Nonmajor
	Fund	Outlay	Service	Governmental
	Fund	Fund	Fund	Funds
ASSETS				
Cash and cash equivalents	\$ 507,250	\$ 1,104,231	\$ -	\$ 1,611,481
Accounts receivable:				
Other	24,642	-	-	24,642
Due from other funds	-	-	-	-
Inventory	<u>28,612</u>	<u>-</u>	<u>-</u>	<u>28,612</u>
Total assets	<u>\$ 560,504</u>	<u>\$ 1,104,231</u>	<u>\$ -</u>	<u>\$ 1,664,735</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>1,049</u>	<u>-</u>	<u>-</u>	<u>1,049</u>
Total liabilities	<u>1,049</u>	<u>-</u>	<u>-</u>	<u>1,049</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	559,455	1,104,231	-	1,663,686
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>559,455</u>	<u>1,104,231</u>	<u>-</u>	<u>1,663,686</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 560,504</u>	<u>\$ 1,104,231</u>	<u>\$ -</u>	<u>\$ 1,664,735</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2025

	Special Revenue	Capital Projects		Debt Service Fund	Total Nonmajor Governmental Funds
	School Activity Fund	SEEK Capital Outlay Fund	Formerly Non-major Fund FSPK Building Fund		
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	23,472	-	-	-	23,472
Other local revenue	1,044,736	-	-	-	1,044,736
State aid	-	447,728	-	271,727	719,455
Total revenues	1,068,208	447,728		271,727	1,787,663
Expenditures:					
Instruction	957,581	-	-	-	957,581
Support services:					
Student	-	-	-	-	-
Instructional staff	-	-	-	-	-
District administration	-	-	-	-	-
School administration	-	-	-	-	-
Business	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Student transportation	-	-	-	-	-
Community services	-	-	-	-	-
Building renovations / additions	-	-	-	-	-
Debt service:					
Principal	-	-	-	3,440,000	3,440,000
Interest	-	-	-	2,518,234	2,518,234
Total expenditures	957,581	-		5,958,234	6,915,815
Excess (deficiency) of revenues over expenditures	110,627	447,728		(5,686,507)	(5,128,152)
Other financing sources (uses):					
Operating transfers in	-	-	-	5,686,507	5,686,507
Operating transfers out	(92,576)	(447,728)		-	(540,304)
Total other financing sources (uses)	(92,576)	(447,728)	-	5,686,507	5,146,203
Net change in fund balances	18,051	-	-	-	18,051
Fund balances, June 30, 2024	541,404	1,104,231	4,144,053	-	5,789,688
Change within financial reporting entity (nonmajor to major fund)	-	-	(4,144,053)	-	(4,144,053)
Fund balances, June 30, 2025	\$ 559,455	\$ 1,104,231	\$ -	\$ -	\$ 1,663,686

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

SCHOOL ACTIVITY FUND

Year Ended June 30, 2025

	Cash June 30, 2024	Receipts	Disbursements	Cash June 30, 2025	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2025
Cravens Elementary	\$ 15,694	\$ 24,932	\$ 21,098	\$ 19,528	\$ 140	\$ -	\$ -	\$ 19,668
Estes Elementary	19,463	40,746	37,730	22,479	-	-	-	22,479
Foust Elementary	13,191	26,787	24,826	15,152	-	-	-	15,152
Emerson Academy	461	914	912	463	-	-	-	463
Hager Preschool	4,501	11,501	10,206	5,796	-	-	-	5,796
Newton Parrish Elementary	10,394	27,975	24,116	14,253	-	-	-	14,253
Owensboro High School	326,327	605,262	634,659	296,930	11,040	24,103	1,049	331,024
Owensboro Innovation Academy	5,257	26,598	27,193	4,662	8,460	-	-	13,122
Owensboro Middle School	58,731	285,794	254,550	89,975	3,800	4,509	-	98,284
Owensboro Innovation Middle School	28,145	14,534	13,635	29,044	662	-	-	29,706
Sutton Elementary	8,369	47,203	46,604	8,968	540	-	-	9,508
	<u>\$ 490,533</u>	<u>\$ 1,112,246</u>	<u>\$ 1,095,529</u>	<u>\$ 507,250</u>	<u>\$ 24,642</u>	<u>\$ 28,612</u>	<u>\$ 1,049</u>	<u>\$ 559,455</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2025

	Cash June 30, 2024	Receipts	Disbursements	Transfers	Cash June 30, 2025	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2025
District Transfer Fund	\$ -	\$ 16,738	\$ 17,007	\$ 269	\$ -	\$ 11,040	\$ -	\$ -	\$ 11,040
Laptop Supplies/Repair	-	2,703	2,802	99	-	-	-	-	-
SCO Transaction Fees	-	511	-	(511)	-	-	-	-	-
Cash Over/Short	-	3,221	-	(3,221)	-	-	-	-	-
Student ID's	-	12	12	-	-	-	-	-	-
Staff Vending	912	701	1,400	3	216	-	-	-	216
Family Resource Center	128	702	131	7	706	-	-	-	706
PSTO Activities	865	31	156	8	748	-	-	-	748
Yearbook	5,820	2,874	5,993	34	2,735	-	-	-	2,735
Change Fund	-	9,200	9,200	-	-	-	-	-	-
Student Activity	1,197	1,641	2,649	3	192	-	-	-	192
Grade 9 Activity	858	885	-	(1,743)	-	-	-	-	-
Grade 10 Activity	-	310	-	1,447	1,757	-	-	-	1,757
Grade 11 Activity	4,396	905	-	(4,989)	312	-	-	-	312
Grade 12 Activity	4,493	1,949	6,457	5,367	5,352	-	-	-	5,352
Prom	14,073	9,436	5,853	213	17,869	-	-	-	17,869
Art Class	431	1,535	1,283	50	733	-	-	-	733
Skills USA	790	351	360	7	788	-	-	-	788
Carpentry	1,683	106	1,333	6	462	-	-	-	462
College Board	1,989	10,250	10,534	69	1,774	-	-	-	1,774
Driver's Education	3,976	140	-	43	4,159	-	-	-	4,159
Physical Education	646	440	440	25	671	-	-	-	671
FCCLA	150	6	-	176	332	-	-	-	332
JROTC	13,538	1,182	2,535	128	12,313	-	-	-	12,313
Business Dept Store	111	13,819	3,424	3,514	14,020	-	-	-	14,020
KHEAA Tailgate Party	-	3,015	2,574	5	446	-	-	-	446
Athletics	122,600	148,256	192,437	453	78,872	-	-	917	77,955
Football	119	27,301	6,532	103	20,991	-	-	-	20,991
Basketball - Boys	3,141	2,220	3,981	401	1,781	-	-	-	1,781
Basketball - Girls	84	3,514	2,283	399	1,714	-	-	-	1,714
Soccer - Boys	3,777	89	3,382	1,325	1,809	-	-	-	1,809
Soccer - Girls	5,587	4,238	5,310	1,353	5,868	-	-	-	5,868
Track	1,625	3,028	-	(1,542)	3,111	-	-	-	3,111
Cross Country - Boys	1,590	56	-	17	1,663	-	-	-	1,663
Cross Country - Girls	856	31	-	9	896	-	-	-	896
Cross Country Invnt	11,416	6,526	11,670	65	6,337	-	-	-	6,337
Golf - Boys	1	2,665	721	20	1,965	-	-	-	1,965
Golf - Girls	-	571	191	4	384	-	-	-	384
Lacrosse - Boys	8,049	318	6,442	8,087	10,012	-	-	-	10,012
Lacrosse - Girls	910	4,877	1,742	(1,315)	2,730	-	-	-	2,730
Baseball	6,038	27,317	26,442	1,792	8,705	-	-	-	8,705

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2025

	Cash June 30, 2024	Receipts	Disbursements	Transfers	Cash June 30, 2025	Accounts Receivable	Inventory	Accounts Payable	Fund Balance June 30, 2025
Softball	1,769	706	1,240	2,077	3,312	-	-	-	3,312
Volleyball	11,116	5,961	10,829	2,725	8,973	-	-	-	8,973
Tennis	288	755	298	6	751	-	-	-	751
Wrestling	507	417	480	5	449	-	-	-	449
Bowling	3,675	158	2,036	1,213	3,010	-	-	-	3,010
Swim Team	1,875	2,618	448	42	4,087	-	-	-	4,087
Cheerleading	15,145	107,506	120,096	(671)	1,884	-	-	-	1,884
Dance Team	4,803	8,470	10,938	841	3,176	-	-	-	3,176
Concession	22,452	53,299	33,007	(23,068)	19,676	-	10,361	-	30,037
School Store	8,993	3,636	10,279	24	2,374	-	13,742	-	16,116
Band	6,413	27,538	28,719	48	5,280	-	-	-	5,280
Band Trip	-	35,920	38,742	3,214	392	-	-	-	392
Orchestra	72	1,573	-	17	1,662	-	-	-	1,662
Chorus	792	2,406	2,709	34	523	-	-	-	523
Drama	6,080	6,753	8,088	30	4,775	-	-	132	4,643
Dance	9	4,554	4,587	46	22	-	-	-	22
Academic Team	647	2,738	657	31	2,759	-	-	-	2,759
National Honor Society	4,308	1,527	1,391	45	4,489	-	-	-	4,489
Art Club	145	5	48	1	103	-	-	-	103
Student Council	4,979	1,747	1,584	54	5,196	-	-	-	5,196
GSA	201	7	-	2	210	-	-	-	210
FBLA	126	108	222	-	12	-	-	-	12
HOSA	1,971	1,254	1,830	(359)	1,036	-	-	-	1,036
FILO	4,814	406	720	47	4,547	-	-	-	4,547
Community Service Club	774	48	621	1,518	1,719	-	-	-	1,719
NAACP Youth Chapter	185	542	288	5	444	-	-	-	444
FCA	-	243	70	(173)	-	-	-	-	-
Student Y	-	4,149	4,115	-	34	-	-	-	34
Social Studies Trip	2,339	16,548	15,341	66	3,612	-	-	-	3,612
	<u>\$ 326,327</u>	<u>\$ 605,262</u>	<u>\$ 634,659</u>	<u>\$ -</u>	<u>\$ 296,930</u>	<u>\$ 11,040</u>	<u>\$ 24,103</u>	<u>\$ 1,049</u>	<u>\$ 331,024</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2025

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	\$ <u>334,248</u>
Passed through Kentucky Department of Education:					
Child Nutrition Cluster:					
School Breakfast Program	10.553	7760005	51	N/A	1,285,333
National School Lunch Program	10.555	7750002	51	N/A	2,992,884
Summer Food Service Program for Children	10.559	7740023	51	209K	97,526
Summer Food Service Program for Children	10.559	7740023	51	209L	127,633
Fresh Fruit and Vegetable Program	10.582	7720012	51	215L	<u>168,556</u>
Total Child Nutrition Cluster					<u>4,671,932</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	-	51	216K	<u>25,000</u>
State Administrative Expenses for Child Nutrition	10.560	-	51	N/A	<u>3,193</u>
Passed through Kentucky Cabinet for Health and Family Services:					
Summer Electronic Benefit Transfer Program for Children	10.646	-	1	227X	<u>12,000</u>
Total U.S. Department of Agriculture					\$ <u>5,046,373</u>
<u>U. S. Department of Defense</u>					
Direct Program:					
ROTC	12.000	504L	2	504L	<u>95,615</u>
Total U. S. Department of Defense					\$ <u>95,615</u>
<u>U. S. Department of Education</u>					
Direct Program:					
Impact Aid (Title VII of ESEA)	84.041	S041B-2022-2027	1	N/A	\$ <u>12,340</u>
Passed through Kentucky Department of Education:					
Title I Grants to Local Educational Agencies:					
Title I - Local Educational Agencies	84.010A	3100002-21	2	310I/JM/IP	2,291
Title I - Local Educational Agencies	84.010A	3100002-22	2	310J/JM/JN/JP	8,364
Title I - Local Educational Agencies	84.010A	3100002-23	2	310K/KM/KN/KP	472,605
Title I - Local Educational Agencies	84.010A	3100002-24	2	310L/LM	1,351,496
Title I - Part D, Subpart 2	84.010A	3100102-21	2	314I	1,987
FY24 School Improvement Cohort 5	84.010A	3100202-23	2	320KC	<u>236,749</u>
					<u>2,073,492</u>
Special Education Cluster:					
Special Education - Grants to States:					
IDEA, Part B	84.027A	3810002-23	2	337K/KP	583,779
IDEA, Part B	84.027A	3810002-24	2	337L/LP	<u>634,152</u>
					<u>1,217,931</u>
Special Education - Preschool Grants:					
IDEA Preschool	84.173A	3800002-22	2	343J	1,450
IDEA Preschool	84.173A	3800002-23	2	343K	59,421
IDEA Preschool	84.173A	3800002-24	2	343L	<u>34,188</u>
					<u>95,059</u>
Total Special Education Cluster					<u>1,312,990</u>
Career and Technical Education - Basic Grants to States:					
Perkins - Part C (Carry-over)	84.048	3710002-23	2	348KA	6,565
Perkins - Part C	84.048	3710002-24	2	348L	<u>82,682</u>
					<u>89,247</u>
English Language Acquisition Grants:					
Title III - Immigrant	84.365A	3300002-23	2	345K/KP	24,024
Title III Limited English Proficiency	84.365A	3300002-23	2	345KI	29,075
Title III - Immigrant	84.365A	3300002-24	2	345L/LP	<u>21,171</u>
					<u>74,270</u>
Supporting Effective Instruction State Grants:					
Title II	84.367A	3230002-22	2	401JP	21,505
Title II	84.367A	3230002-23	2	401K/KP	40,094
Title II	84.367A	3230002-24	2	401L	<u>176,107</u>
					<u>237,706</u>

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2025

<u>Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Fund Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education, Continued</u>					
Passed through Kentucky Department of Education, Continued:					
Comprehensive Literacy Development:					
KYCL: Kentucky Comprehensive Literacy Grant Round 1	84.371C	S371C190013	2	466IA	18,634
KYCL: Kentucky Comprehensive Literacy Grant Round 2	84.371C	S371C190013	2	466JA	15,401
KYCL: Kentucky Comprehensive Literacy Grant Round 3	84.371C	S371C190013	2	466KA	235,027
					<u>269,062</u>
Student Support and Academic Enrichment Grant:					
Title IV - Part A	84.424A	3420002-22	2	552JP/JW	35,499
Title IV - Part A	84.424A	3420002-23	2	552KP/KS/KT/KW	90,380
Title IV - Part A	84.424A	3420002-24	2	552LT/LW	26,040
					<u>151,919</u>
Education Stabilization Fund (COVID -19):					
FY21 American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	4300002-21	2	473GO/GS	59,715
FY22 American Rescue Plan - Homeless Children and Youth Phase II	84.425W	4980002-21	2	476IC	24,427
					<u>84,142</u>
Student Support and Academic Enrichment Program:					
Stronger Connections Grant	84.424F	3860002-22	2	617K	170,711
Passed through Kentucky Office of Vocational Rehabilitation:					
Rehabilitation Services Vocational Rehabilitation Grants to States					
Community Based Work Transition	84.126A	-	2	371L	32,370
Passed through Prichard Committee:					
Full Service Community Schools	84.215J	-	2	518KJ	80,185
Full Service Community Schools	84.215J	-	2	518LJ	240,793
					<u>320,978</u>
Passed through Green River Regional Educational Cooperative:					
School Safety National Activities:					
Project Prevent Safe Place	84.184M	-	2	534LM	2,237
Total U. S. Department of Education					\$ <u>4,831,464</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	562KP	152,191
Passed through Catholic Charities of Louisville:					
Refugee and Entrant Assistance	93.566	254-107005-2024	2	420K/KA/KB/KC	318,344
Passed through Audubon Area Community Services:					
Head Start	93.600	-	2	065LA	106,878
Total U. S. Department of Health and Human Services					\$ <u>577,413</u>
Total Federal Awards					\$ <u>10,550,865</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, 2025. 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 reimbursement.

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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 30, 2026.

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.

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 January 30, 2026.

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
January 30, 2026

Riney Hancock CPAs PSC



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

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Owensboro Independent School District’s (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. 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, 2025.

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 GAAS, GAS, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material

Auditor's Responsibilities for the Audit of Compliance, Continued

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 GAAS, GAS, 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
January 30, 2026

Riney Hancock CPAs PSC

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2025

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:
 - Child Nutrition Cluster:
 - 10.553 – School Breakfast Program
 - 10.555 – National School Lunch Program
 - 10.559 – Summer Food Service Program for Children
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 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, 2025

No audit findings were reported in the schedule of findings and questioned costs for the year ended June 30, 2024.