

DATED MARCH 31, 2021

## NEW ISSUE

**Electronic Bidding via Parity®**  
**NOT Bank Interest Deduction Eligible**  
**BOOK-ENTRY-ONLY SYSTEM**

**RATING**  
**Moody's: " "**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein).*

**\$13,250,000\***

**OWENSBORO INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2021**

**Dated with Delivery: April 22, 2021****Due: as shown below**

Interest on the Bonds is payable each May 1 and November 1, beginning November 1, 2021. The Bonds will mature as to principal on May 1, 2022 and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

| <u>Maturing</u><br><u>1-May</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Reoffering</u><br><u>Yield</u> | <u>CUSIP</u> | <u>Maturing</u><br><u>1-May</u> | <u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Reoffering</u><br><u>Yield</u> | <u>CUSIP</u> |
|---------------------------------|---------------|--------------------------------|-----------------------------------|--------------|---------------------------------|---------------|--------------------------------|-----------------------------------|--------------|
| 2022                            | \$360,000     | %                              | %                                 |              | 2032                            | \$520,000     | %                              | %                                 |              |
| 2023                            | \$365,000     | %                              | %                                 |              | 2033                            | \$535,000     | %                              | %                                 |              |
| 2024                            | \$375,000     | %                              | %                                 |              | 2034                            | \$550,000     | %                              | %                                 |              |
| 2025                            | \$375,000     | %                              | %                                 |              | 2035                            | \$570,000     | %                              | %                                 |              |
| 2026                            | \$385,000     | %                              | %                                 |              | 2036                            | \$580,000     | %                              | %                                 |              |
| 2027                            | \$390,000     | %                              | %                                 |              | 2037                            | \$1,065,000   | %                              | %                                 |              |
| 2028                            | \$405,000     | %                              | %                                 |              | 2038                            | \$1,110,000   | %                              | %                                 |              |
| 2029                            | \$435,000     | %                              | %                                 |              | 2039                            | \$815,000     | %                              | %                                 |              |
| 2030                            | \$500,000     | %                              | %                                 |              | 2040                            | \$890,000     | %                              | %                                 |              |
| 2031                            | \$510,000     | %                              | %                                 |              | 2041                            | \$2,515,000   | %                              | %                                 |              |

The Bonds are subject to redemption prior to their stated maturity.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the Owensboro Independent School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Owensboro Independent Board of Education.

The Owensboro (Kentucky) Independent School District Finance Corporation will until April 1, 2021, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$1,325,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Financial Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.



This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

**OWENSBORO INDEPENDENT, KENTUCKY  
BOARD OF EDUCATION**

Melissa Decker, Chairperson  
Michael Johnson, Vice-Chair  
Leigh Rhoads Doyal, Member  
Jeremy Edge, Member  
Dr. Jeremy Luckett, Member

Dr. Matthew Constant, Superintendent/Secretary

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION**

Melissa Decker, President  
Michael Johnson, Vice-President  
Leigh Rhoads Doyal, Member  
Jeremy Edge, Member  
Dr. Jeremy Luckett, Member

Dr. Matthew Constant, Secretary  
John David Sandefur, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**FINANCIAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Owensboro Independent School District Finance Corporation School Building Revenue Bonds, Series of 2021, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$13,250,000\***

**OWENSBORO INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2021**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Owensboro Independent School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2021 (the "Bonds").

The Bonds are being issued to finance renovations at Cravens Elementary School (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Projects (as hereinafter defined) to the Owensboro Independent Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Owensboro Independent Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated April 22, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation

may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

## **THE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

## **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$41,888 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2021. Inter alia, the Budget provides \$124,836,200 in FY 2020-21 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018 and 2020 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

| <u>Biennium</u> | <u>Appropriation</u> |
|-----------------|----------------------|
| 1986-88         | \$18,223,200         |
| 1988-90         | 14,050,700           |
| 1990-92         | 13,542,800           |
| 1992-94         | 3,075,300            |
| 1994-96         | 2,800,000            |
| 1996-98         | 4,996,000            |
| 1998-00         | 12,141,500           |
| 2000-02         | 8,100,000            |
| 2002-04         | 9,500,000            |
| 2004-06         | 14,000,000           |
| 2006-08         | 9,000,000            |
| 2008-10         | 10,968,000           |
| 2010-12         | 12,656,200           |
| 2012-14         | 8,469,200            |
| 2014-16         | 8,764,000            |
| 2016-18         | 23,019,400           |
| 2018-20         | 7,608,000            |
| 2020-21         | <u>2,946,900</u>     |
| Total           | \$183,861,200        |

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 1986 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2021 which was approved and signed by the Governor. The biennial budget will be reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov)

### **OUTSTANDING BONDS**

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:



| <b>Bond Series</b> | <b>Original Principal</b> | <b>Current Principal Outstanding</b> | <b>Principal Assigned to Board</b> | <b>Principal Assigned to Commission</b> | <b>Approximate Interest Rate Range</b> | <b>Final Maturity</b> |
|--------------------|---------------------------|--------------------------------------|------------------------------------|---|--|-----------------------|
| 2012-REF           | \$1,365,000               | \$430,000                            | \$0                                | \$1,365,000                             | 2.375% - 2.500%                        | 2024                  |
| 2015               | \$6,190,000               | \$5,650,000                          | \$5,435,683                        | \$754,317                               | 2.000% - 3.500%                        | 2035                  |
| 2016-REF           | \$16,770,000              | \$13,360,000                         | \$16,256,726                       | \$513,274                               | 3.000%                                 | 2028                  |
| 2017               | \$7,430,000               | \$7,110,000                          | \$6,075,308                        | \$1,354,692                             | 2.000% - 3.375%                        | 2037                  |
| 2019               | \$13,060,000              | \$12,850,000                         | \$12,510,399                       | \$549,601                               | 3.000%                                 | 2039                  |
| 2020 Energy        | \$13,245,000              | \$13,045,000                         | \$13,245,000                       | \$0                                     | 3.250% - 3.375%                        | 2040                  |
| <b>Totals:</b>     | <b>\$58,060,000</b>       | <b>\$52,445,000</b>                  | <b>\$53,523,116</b>                | <b>\$4,536,884</b>                      |  |                       |

## **AUTHORITY**

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$13,250,000 of Bonds subject to a permitted adjustment of \$1,325,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

## **THE BONDS**

### **General**

The Bonds will be dated April 22, 2021, will bear interest from that date as described herein, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2021, and will mature as to principal on May 1, 2022 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### **Registration, Payment and Transfer**

The Bonds are to be issued in fully-registered form (both principal and interest). US Bank, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on May 1 and November 1 of each year, beginning November 1, 2021 (Record Date is 15th day of month preceding interest due date).

### **Redemption**

The Bonds maturing on or after May 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after May 1, 2029, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

| Redemption Date            | Redemption Price |
|----------------------------|------------------|
| May 1, 2029 and thereafter | 100%             |

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project; provided, however, said lien and pledge are on parity with the liens and pledges securing the Corporation's outstanding School Building Revenue Bonds issued to improve the building in which the Project is located.

### The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from April 22, 2021, through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until May 1, 2041, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$41,888 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately five percent (5%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2021. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to

participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

### THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance renovations at Cravens Elementary School (the "Project").

The Board has reported construction bids have been let for the Project and approval of the Kentucky Department of Education, Buildings and Grounds, to award the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

### ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 95% of the debt service of the Bonds.

| Fiscal Year Ending June 30 | Current Local Bond Payments | -- Series 2021 School Building Revenue Bonds -- |                    |                     |                  |                     | Total Local Bond Payments |
|----------------------------|-----------------------------|---|--------------------|---------------------|------------------|---------------------|---------------------------|
|                            |                             | Principal Portion                               | Interest Portion   | Total Payment       | SFCC Portion     | Local Portion       |                           |
| 2022                       | \$3,430,303                 | \$360,000                                       | \$327,577          | \$687,577           | \$41,887         | \$645,690           | \$4,075,993               |
| 2023                       | \$3,425,379                 | \$365,000                                       | \$314,548          | \$679,548           | \$41,887         | \$637,660           | \$4,063,039               |
| 2024                       | \$3,425,747                 | \$375,000                                       | \$309,255          | \$684,255           | \$41,887         | \$642,368           | \$4,068,115               |
| 2025                       | \$3,431,065                 | \$375,000                                       | \$303,630          | \$678,630           | \$41,888         | \$636,742           | \$4,067,807               |
| 2026                       | \$3,426,954                 | \$385,000                                       | \$297,818          | \$682,818           | \$41,887         | \$640,930           | \$4,067,884               |
| 2027                       | \$3,431,356                 | \$390,000                                       | \$291,658          | \$681,658           | \$41,888         | \$639,770           | \$4,071,126               |
| 2028                       | \$3,424,507                 | \$405,000                                       | \$285,223          | \$690,223           | \$41,888         | \$648,335           | \$4,072,842               |
| 2029                       | \$3,960,080                 | \$435,000                                       | \$278,135          | \$713,135           | \$41,887         | \$671,248           | \$4,631,328               |
| 2030                       | \$3,593,409                 | \$500,000                                       | \$270,088          | \$770,088           | \$41,888         | \$728,200           | \$4,321,609               |
| 2031                       | \$3,612,524                 | \$510,000                                       | \$260,338          | \$770,338           | \$41,887         | \$728,450           | \$4,340,974               |
| 2032                       | \$3,627,437                 | \$520,000                                       | \$249,883          | \$769,883           | \$41,888         | \$727,995           | \$4,355,432               |
| 2033                       | \$3,638,208                 | \$535,000                                       | \$238,443          | \$773,443           | \$41,887         | \$731,555           | \$4,369,763               |
| 2034                       | \$3,649,452                 | \$550,000                                       | \$225,870          | \$775,870           | \$41,888         | \$733,982           | \$4,383,434               |
| 2035                       | \$3,714,147                 | \$570,000                                       | \$211,570          | \$781,570           | \$41,888         | \$739,682           | \$4,453,829               |
| 2036                       | \$3,729,231                 | \$580,000                                       | \$196,180          | \$776,180           | \$41,888         | \$734,292           | \$4,463,523               |
| 2037                       | \$3,194,788                 | \$1,065,000                                     | \$180,230          | \$1,245,230         | \$41,888         | \$1,203,342         | \$4,398,130               |
| 2038                       | \$3,170,200                 | \$1,110,000                                     | \$150,943          | \$1,260,943         | \$41,887         | \$1,219,056         | \$4,389,255               |
| 2039                       | \$2,429,619                 | \$815,000                                       | \$119,863          | \$934,863           | \$41,888         | \$892,975           | \$3,322,593               |
| 2040                       | \$2,377,828                 | \$890,000                                       | \$97,043           | \$987,043           | \$41,887         | \$945,155           | \$3,322,984               |
| 2041                       |                             | \$2,515,000                                     | \$71,678           | \$2,586,678         | \$41,888         | \$2,544,790         | \$2,544,790               |
| <b>Totals:</b>             | <b>\$64,692,234</b>         | <b>\$13,250,000</b>                             | <b>\$4,679,967</b> | <b>\$17,929,967</b> | <b>\$837,751</b> | <b>\$17,092,216</b> | <b>\$81,784,451</b>       |

Numbers are rounded to the nearest \$1.00

## ESTIMATED USE OF BOND PROCEEDS

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

|                             |                        |
|-----------------------------|------------------------|
| <b>Sources:</b>             |                        |
| Par Amount of Bonds         | <u>\$13,250,000.00</u> |
| Total Sources               | \$13,350,000.00        |
| <b>Uses:</b>                |                        |
| Deposit to Escrow Fund      | \$12,887,150.00        |
| Underwriter's Discount (2%) | 265,000.00             |
| Cost of Issuance            | <u>97,850.00</u>       |
| Total Uses                  | \$13,250,000.00        |

## DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Owensboro Independent School District is as follows:

| Year    | Average Daily Attendance | Year    | Average Daily Attendance |
|---------|--------------------------|---------|--------------------------|
| 2000-01 | 3,651.0                  | 2010-11 | 3,734.2                  |
| 2001-02 | 3,549.6                  | 2011-12 | 3,872.0                  |
| 2002-03 | 3,530.0                  | 2012-13 | 4,049.8                  |
| 2003-04 | 3,561.3                  | 2013-14 | 4,127.6                  |
| 2004-05 | 3,530.4                  | 2014-15 | 4,226.8                  |
| 2005-06 | 3,544.6                  | 2015-16 | 4,344.4                  |
| 2006-07 | 3,710.0                  | 2016-17 | 4,330.3                  |
| 2007-08 | 3,600.4                  | 2017-18 | 4,327.4                  |
| 2008-09 | 3,574.8                  | 2018-19 | 4,304.5                  |
| 2009-10 | 3,611.8                  | 2019-20 | 4,402.9                  |

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

**Support Education Excellence in Kentucky (SEEK).** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

**Capital Outlay Allotment.** The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Owensboro Independent School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

| <u>Year</u> | <u>Capital Outlay Allotment</u> | <u>Year</u> | <u>Capital Outlay Allotment</u> |
|-------------|---------------------------------|-------------|---------------------------------|
| 2000-01     | 365,100.0                       | 2010-11     | 373,418.0                       |
| 2001-02     | 354,960.0                       | 2011-12     | 387,196.0                       |
| 2002-03     | 353,000.0                       | 2012-13     | 404,979.0                       |
| 2003-04     | 356,130.0                       | 2013-14     | 412,755.0                       |
| 2004-05     | 353,040.0                       | 2014-15     | 422,679.0                       |
| 2005-06     | 354,460.0                       | 2015-16     | 434,440.0                       |
| 2006-07     | 371,000.0                       | 2016-17     | 433,030.0                       |
| 2007-08     | 360,040.0                       | 2017-18     | 432,740.0                       |
| 2008-09     | 357,475.0                       | 2018-19     | 430,449.5                       |
| 2009-10     | 361,175.0                       | 2019-20     | 440,290.0                       |

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

**Facilities Support Program of Kentucky.** School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

## LOCAL SUPPORT

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of

taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

***Limitation on Taxation.*** The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

***Local Thirty Cents Minimum.*** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

***Additional 15% Not Subject to Recall.*** Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

***Assessment Valuation.*** No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

***Special Voted and Other Local Taxes.*** Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

**Local Tax Rates, Property Assessments and Revenue Collections**

| <b>Tax Year</b> | <b>Combined Equivalent Rate</b> | <b>Total Property Assessment</b> | <b>Property Revenue Collections</b> |
|-----------------|---------------------------------|----------------------------------|-------------------------------------|
| 2000-01         | 81                              | 1,141,893,821                    | 9,249,340                           |
| 2001-02         | 80.3                            | 1,155,403,468                    | 9,277,890                           |
| 2002-03         | 84.4                            | 1,161,789,387                    | 9,805,502                           |
| 2003-04         | 84.4                            | 1,163,528,825                    | 9,820,183                           |
| 2004-05         | 84.1                            | 1,183,395,170                    | 9,952,353                           |
| 2005-06         | 85.7                            | 1,249,399,003                    | 10,707,349                          |
| 2006-07         | 89.4                            | 1,232,052,054                    | 11,014,545                          |
| 2007-08         | 85.7                            | 1,277,965,811                    | 10,952,167                          |
| 2008-09         | 91.2                            | 1,320,173,629                    | 12,039,983                          |
| 2009-10         | 91.2                            | 1,325,332,408                    | 12,087,032                          |
| 2010-11         | 93.1                            | 1,321,031,939                    | 12,298,807                          |
| 2011-12         | 93                              | 1,328,355,409                    | 12,353,705                          |
| 2012-13         | 96.5                            | 1,330,390,293                    | 12,838,266                          |
| 2013-14         | 98                              | 1,358,251,259                    | 13,310,862                          |
| 2014-15         | 97.9                            | 1,391,612,319                    | 13,623,885                          |
| 2015-16         | 97.7                            | 1,425,090,752                    | 13,923,137                          |
| 2016-17         | 95.1                            | 1,479,969,387                    | 14,074,509                          |
| 2017-18         | 97.8                            | 1,511,998,233                    | 14,787,343                          |
| 2018-19         | 98.8                            | 1,560,174,402                    | 15,414,523                          |
| 2019-20         | 97.4                            | 1,623,418,156                    | 15,812,093                          |

**Overlapping Bond Indebtedness**

The following table shows any other overlapping bond indebtedness of the Owensboro Independent School District or other issuing agency within the County as reported by the State Local Debt Officer for the period ending June 30, 2020.

| <b>Issuer</b>                             | <b>Original Principal Amount</b> | <b>Amount of Bonds Redeemed</b> | <b>Current Principal Outstanding</b> |
|---|----------------------------------|---------------------------------|--------------------------------------|
| <b>County of Daviess</b>                  |                                  |                                 |                                      |
| General Obligation                        | \$35,525,000                     | \$17,270,000                    | \$18,255,000                         |
| Multi-Family Housing Revenue              | \$4,155,000                      | \$0                             | \$4,155,000                          |
| Hospital/Health Care Facility             | \$49,875,000                     | \$33,895,000                    | \$15,980,000                         |
| Solid Waste Revenue                       | \$155,000,000                    | \$0                             | \$155,000,000                        |
| Building Lease Revenue                    | \$6,340,000                      | \$2,465,830                     | \$3,874,170                          |
| <b>City of Owensboro</b>                  |                                  |                                 |                                      |
| General Obligation                        | \$153,765,000                    | \$3,355,000                     | \$150,410,000                        |
| Health Care Facility Revenue              | \$201,425,000                    | \$87,400,000                    | \$114,025,000                        |
| Electric Revenue                          | \$34,905,000                     | \$0                             | \$34,905,000                         |
| Refinancing Refunding Revenue             | \$62,675,000                     | \$7,882,502                     | \$54,792,498                         |
| Multiple Purposes Revenue                 | \$41,495,000                     | \$0                             | \$41,495,000                         |
| Water Refunding Revenue                   | \$9,730,000                      | \$2,505,000                     | \$7,225,000                          |
| Improvement Project Bond Anticipation     | \$132,945,000                    | \$0                             | \$132,945,000                        |
| <b>City of Whitesville</b>                |                                  |                                 |                                      |
| Water & Sewer                             | \$119,000                        | \$100,000                       | \$19,000                             |
| Educational Development Refunding Revenue | \$2,550,000                      | \$0                             | \$2,550,000                          |

|  |                      |                      |                      |
|--|----------------------|----------------------|----------------------|
| Special Districts                                |                      |                      |                      |
| Daviess County Public Health Taxing Office       | \$5,700,000          | \$4,473,496          | \$1,226,504          |
| Daviess County Public Library                    | \$9,700,000          | \$2,945,000          | \$6,755,000          |
| Owensboro Riverport Authority                    | \$10,175,000         | \$7,690,000          | \$2,485,000          |
| Owensboro-Daviess County Regional Water Resource | \$2,570,000          | \$660,000            | \$1,910,000          |
| Agency   |                      |                      |                      |
| <b>Totals:</b>                                   | <b>\$918,649,000</b> | <b>\$170,641,828</b> | <b>\$748,007,172</b> |

Source: 2020 Kentucky Local Debt Report.

### SEEK Allotment

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education. These receipts are compared to the 1989-90 fiscal year funding prior to enactment of the Kentucky Education Reform Act:

| SEEK    | Base Funding | Local Tax Effort | Total State & Local Funding |
|---------|--------------|------------------|-----------------------------|
| 2000-01 | 12,264,629   | 9,249,340        | 21,513,969                  |
| 2001-02 | 12,118,755   | 9,277,890        | 21,396,645                  |
| 2002-03 | 12,618,389   | 9,805,502        | 22,423,891                  |
| 2003-04 | 13,394,833   | 9,820,183        | 23,215,016                  |
| 2004-05 | 13,622,755   | 9,952,353        | 23,575,108                  |
| 2005-06 | 14,675,741   | 10,707,349       | 25,383,090                  |
| 2006-07 | 16,099,010   | 11,014,545       | 27,113,555                  |
| 2007-08 | 17,228,326   | 10,952,167       | 28,180,493                  |
| 2008-09 | 17,433,430   | 12,039,983       | 29,473,413                  |
| 2009-10 | 16,316,366   | 12,087,032       | 28,403,398                  |
| 2010-11 | 16,560,209   | 12,298,807       | 28,859,016                  |
| 2011-12 | 18,248,730   | 12,353,705       | 30,602,435                  |
| 2012-13 | 19,031,679   | 12,838,266       | 31,869,945                  |
| 2013-14 | 19,396,698   | 13,310,862       | 32,707,560                  |
| 2014-15 | 20,108,357   | 13,623,885       | 33,732,242                  |
| 2015-16 | 21,024,076   | 13,923,137       | 34,947,213                  |
| 2016-17 | 21,151,267   | 14,074,509       | 35,225,776                  |
| 2017-18 | 21,397,127   | 14,787,343       | 36,184,470                  |
| 2018-19 | 21,319,364   | 15,414,523       | 36,733,887                  |
| 2019-20 | 21,706,284   | 15,812,093       | 37,518,377                  |

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.974 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.



- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

### **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board having outstanding at the time the Bonds referred to herein are offered for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

The Board and Corporation have been timely in making required filings under the terms of the Continuing Disclosure Agreement for the past five years.

The Board has adopted new procedures to assure timely and complete filings in the future with regard to the Rule in order to provide required financial reports and operating data or notices of material events.

Financial information regarding the Board may be obtained from Superintendent, Owensboro Independent Board of Education, 450 Griffith Avenue, Owensboro, Kentucky 42301, Telephone (270) 686-1000.

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel is of the opinion that:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel and Special Tax Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

### **Original Issue Premium**

Certain of the Bonds are being initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

### **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") are being initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

### **COVID-19**

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

While the collection of property taxes, which are a significant source of building fund revenue for the payment of principal and interest due on the bonds (see "LOCAL SUPPORT" herein) may be impacted by the COVID-19 emergency, the District does not expect the impact to be significant unless the economic hardship is long term. In addition, the Commonwealth of Kentucky revenues are also likely to be impacted by a long-term economic hardship caused by declining collections of sales taxes, wage taxes, income taxes, property taxes and other revenue sources. The impact of those declining revenue collections on state education funds (see "STATE SUPPORT" herein) is unknown. Although the potential impact of the virus on the Commonwealth and the Board of Education's future ability to make payments under the Lease cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Board of Education and ultimately, the Corporation.

On April 22, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On Friday, Dec. 18, 2020, Gov. Andy Beshear issued Executive Order No. 2020-1041 (EO 2020-1041), which outlines requirements and recommendations for the reopening of schools in January 2021. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

### **ABSENCE OF MATERIAL LITIGATION**

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

### **NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS**

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general

information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

### **BOND RATING**

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **FINANCIAL ADVISOR**

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Financial Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

### **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Owensboro Independent School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Owensboro Independent Board of Education or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Owensboro Independent School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By /s/ \_\_\_\_\_  
President

By /s/ \_\_\_\_\_  
Secretary

## **APPENDIX A**

**Owensboro Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Demographic and Economic Data**

## **OWENSBORO INDEPENDENT, KENTUCKY**

Owensboro, the county seat of Daviess County, is Kentucky's third largest city with a 2020 population of 60,163. Located on the bank of the Ohio River in northwestern Kentucky, Owensboro, is 40 miles southeast of Evansville, Indiana; 110 miles southwest of Louisville, Kentucky; 132 miles north of Nashville, Tennessee; 208 miles southeast of St. Louis, Missouri; and 211 miles southwest of Cincinnati, Ohio.

Daviess County covers a total land area of 462 square miles in the Western Kentucky Coal Field Region. The Ohio River forms the northern boundary of the county and the Green River flows along part of the western border. In 2020, Daviess County has a population of 101,835.

### **The Economic Framework**

The total number of people employed in Owensboro in 2020 averaged 39,136. Owensboro has a labor force of 28,612 people. The top 5 jobs by occupation are as follows: office and administrative support - 5,505 (14.07%); sales - 4,497 (11.49%); executive, managers and administrators - 3,649 (9.32%); health diagnosis and treating practitioners - 2,662 (6.8%); and, education, training/library - 2,620 (6.69%).

### **Transportation**

CSX Transportation provides Owensboro with mail line rail service and a variety of other services including piggyback facilities. Direct highway access to Owensboro is provided by the Audubon Parkway, the William Natcher Parkway, and U.S. Highways 60, 231, and 431, all "AAA"-rated trucking routes. The Western Kentucky Parkway, the Pennyrile Parkway, Interstate 65 and Interstate 64 are all located within 70 miles of Owensboro. Of the thirty-one common carrier trucking companies which serve Owensboro, four maintain local terminals. Commuter air carrier service is available at the Owensboro-Daviess County Airport, which has a 6,500-foot and a 3,700-foot paved runway. Scheduled commercial airline service is available at three airports within 140 miles of Owensboro. The Owensboro Riverport, a public river terminal located on the Ohio River, provides excellent water transportation facilities.

### **Power and Fuel**

Electric power is provided to Owensboro and part of Daviess County by Owensboro Municipal Utilities. Daviess County is also provided electric power by Kenergy, a rural electric cooperative corporation, and by Kentucky Utilities Company. Owensboro is provided natural gas service by Atmos Energy.

### **Education**

Primary and secondary education is provided by the Owensboro Independent School System and the Daviess County School System, which are both accredited by the Southern Association of Colleges and Schools. Fifteen nonpublic schools also provide educational opportunities for approximately 4,000 kindergarten through high school students. There are two fully-accredited, coeducational, senior colleges located in the city: Brescia University College and Kentucky Wesleyan College. Both colleges confer associate and baccalaureate degrees and have graduate level course offerings in cooperation with Western Kentucky University and Murray State University. Two vocational training facilities are located in Owensboro - the Daviess County Regional Technology Center and the Owensboro Regional Technology Center.

## **LOCAL GOVERNMENT**

### **Structure**

Owensboro is served by a mayor, four commissioners, and a city manager. The mayor serves a four-year term, while the commissioners each serve two-year terms. Daviess County is served by a county judge/executive and three commissioners. The county judge/executive and commissioners all serve four-year terms.

## Planning and Zoning

Joint agency - Owensboro Metropolitan Planning Commission (includes Daviess County)  
Participating cities - Owensboro, Whitesville  
Zoning enforced - All areas  
Subdivision regulations enforced - All areas  
Local codes enforced - Building (all areas), Housing ( Owensboro only)  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code,  
Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## Local Fees and Licenses

The city of Owensboro levies a one percent (1%) occupational license fee on all gross wages, salaries, commissions, and other compensation earned in the city. The one percent tax is also levied on net profits on sales of all businesses, professions or occupations for activities conducted inside the city limits.

## State and Local Property Taxes

All property in Kentucky, except items exempted by the state constitution, is taxed by the state. Property which also may be taxed by local jurisdictions includes land and buildings, finished goods inventories, automobiles, trucks, office furniture and office equipment. Local taxing jurisdictions in Kentucky include counties, cities, and school districts. All property in Kentucky is assessed at 100 percent of fair cash value.

## LABOR MARKET STATISTICS

The Owensboro Labor Market Area includes Daviess County and the adjoining Kentucky counties of Butler, Hancock, Henderson, McLean, Muhlenberg and Ohio. The Labor Market Area also includes the Indiana counties of Spencer, Warrick and a portion of Vanderburgh.

### Population

| <u>Area</u>    | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|----------------|-------------|-------------|-------------|
| Daviess County | 100,887     | 100,855     | 101,835     |
| Owensboro      | 59,648      | 59,700      | 60,163      |

*Source: U.S. Department of Commerce, Bureau of the Census, Annual Estimates*

### Population Projections

| <u>Area</u>    | <u>2025</u> | <u>2030</u> | <u>2035</u> |
|----------------|-------------|-------------|-------------|
| Daviess County | 104,517     | 106,676     | 108,502     |

*Source: Kentucky State Data Center, University of Louisville*

## EDUCATION

### Public Schools

|                               | <u>Owensboro Ind.</u> | <u>Daviess Co.</u> |
|-------------------------------|-----------------------|--------------------|
| Total Enrollment (2018-19)    | 4,740                 | 11,142             |
| Pupil-Teacher Ratio (2018-19) | 13.0 - 1              | 16.0 - 1           |

## Technical Schools

| <u>Name</u>                               | <u>Location</u> | <u>Enrollment<br/>(2019-2020)</u> |
|---|-----------------|-----------------------------------|
| Ohio County ATC                           | Hartford, KY    | 533                               |
| Henderson County ATC                      | Henderson, KY   | N/A                               |
| Webster County ATC                        | Dixon, KY       | 405                               |
| Muhlenberg County CTC                     | Greenville, KY  | N/A                               |
| Breckinridge County ATC                   | Harned, KY      | 523                               |
| Union County ATC                          | Morganfield, KY | N/A                               |
| Butler County ATC                         | Morgantown, KY  | 315                               |
| Grayson County Area Vocational Ed. Center | Leitchfield, KY | N/A                               |
| Meade County ATC                          | Brandenburg, KY | 581                               |

## Area Colleges and Universities

| <u>Name</u>                        | <u>Location</u>  | <u>Enrollment<br/>(Fall 2019)</u> |
|------------------------------------|------------------|-----------------------------------|
| Brescia University                 | Owensboro, KY    | 1,015                             |
| Kentucky Wesleyan College          | Owensboro, KY    | 840                               |
| Owensboro Community & Tech College | Owensboro, KY    | 4,015                             |
| Henderson Community College        | Henderson, KY    | 1,609                             |
| Madisonville Community College     | Madisonville, KY | 3,787                             |

## FINANCIAL INSTITUTIONS

| <u>Institution</u> | <u>Total Assets</u> | <u>Total Deposits</u> |
|--------------------|---------------------|-----------------------|
| Independence Bank  | \$2,528,725,000     | \$1,922,773,000       |

*Source: McFadden American Financial Directory, June - December 2020 Edition.*



**EXISTING INDUSTRY**

| <u>Firm</u>                             | <u>Product</u>   | <u>Total<br/>Employed</u> |
|---|--|---------------------------|
| <b>Owensboro</b>                        |  |                           |
| Bruce's Tri-state Roofing & Sheet Metal | Sheet metal fabricating  | 41                        |
| Cabaxis, Inc.                           | Cabinets   | 13                        |
| Castlen Steel, LLC                      | Manufacture material handling equipment  | 50                        |
| Consolidated Mechanical Inc.            | Pipe fabrication for industrial applications   | 36                        |
| Dahl & Groezinger Inc.                  | Scrap iron, ferrous & nonferrous metal processing  | 20                        |
| Daramic, LLC                            | Automotive & industrial battery separators   | 158                       |
| Dart Polymers, Inc.                     | Polystyrene pellets & EPS  | 180                       |
| De Am-Ron Building Systems LLC          | Precast concrete building panels   | 90                        |
| Domtar Paper Company LLC                | Paper converting   | 70                        |
| Echo Lake Foods                         | Egg processing   | 100                       |
| Fastenlink LLC                          | Manufacturing dowel rods for casegoods industry  | 2                         |
| Glenmore Distillery                     | Whiskey, gin, vodka, wines, brandy & cocktail<br>bottling  | 425                       |
| Greenwell-Chisholm Printing Co.         | Offset printing  | 33                        |
| Gryphon Environmental LLC               | Industrial drying technologies   | 6                         |
| Hausner Hard-Chrome Inc.                | Industrial chrome plating service, roll & shaft<br>fabrication   | 88                        |
| Hendrick Screen Co.                     | Profile wire screens, water intake screens, grating,<br>petro chemical screens, food processor screens                       | 50                        |
| Hickory Springs Manufacturing Co.       | Foam fabricating, furniture supplies, bed frames   | 35                        |
| Hudson Manufacturing & Machine Shop     | Machine shop   | 14                        |
| Hunter Douglas, Inc.                    | Window coverings and components  | 177                       |
| Hymark                                  | Manufacturing and distribution of motion control,<br>length measuring, and machine tool equipment                            | 8                         |
| Industrial Mold & Machine Co.           | Machine shop   | 20                        |
| Irving Materials Inc.                   | Ready-mix concrete   | 16                        |
| Ken-Tron MFG Inc.                       | Wire drawing & precision stampings for aerospace,<br>electronics, battery, medical, automotive and tv                        | 60                        |
| Kentucky BioProcessing Inc.             | Research and manufacturing organization focusing<br>on plant made proteins   | 35                        |
| Kentucky Building Systems, LLC          | Steel fabrication and coating; headquarters  | 30                        |
| Kimberly-Clark Corporation              | Tissue paper & towels  | 340                       |
| Lee Masonry Products Inc.               | Concrete blocks and masonry accessories  | 15                        |
| Messenger-Inquirer                      | Newspaper publishing, commercial offset<br>printing & typesetting  | 140                       |
| Metalsa Structural Products Inc.        | Steel pickup truck frames  | 240                       |
| Mizkan American Inc.                    | Tomato-based pasta sauces, pizza sauces, dairy-based<br>alfredo sauces   | 400                       |
| Modern Welding Co. Of Owensboro         | Steel (cs&ss) storage tanks, pressure vessels  | 50                        |
| MPD, Inc.                               | Commercial tubes & components, microwave &<br>police radar equipment, breath analyzers,<br>ceramics & ceramic to metal seals | 210                       |
| Oberst Printing Co.                     | Commercial letterpress & offset printing   | 4                         |
| Omico Plastics Inc.                     | Blow molded plastic parts and assemblies   | 67                        |
| Opportunity Center Workshop             | Work Center  | 14                        |
| Owensboro Concrete                      | Ready-mix concrete   | 18                        |
| Owensboro Grain Bio Products LLC        | Glycerin refinery  | 10                        |
| Owensboro Grain Company LLC             | Soybean crude oil & meal; biodiesel  | 162                       |
| Owensboro Grain Edible Oils             | Refined vegetable oil  | 26                        |
| Owensboro Manufacturing LLC             | Metal stampings, production machining  | 30                        |
| Owensboro Specialty Polymers Inc.       | Water emulsion adhesives   | 46                        |
| Perfect Patterns Central Inc.           | Wood, metal & plastic industrial patterns  | 9                         |
| Pilot Steel Inc.                        | Fabricated structural steel  | 25                        |

| <u>Firm</u>                            | <u>Product</u>                                       | <u>Total<br/>Employed</u> |
|--|--|---------------------------|
| <b>Owensboro cont.</b>                 |  |                           |
| RC Bratcher Welding Service            | Arc, heliarc, MIG & TIG welding                      | 8                         |
| S&V Fabrication                        | Steel, aluminum & stainless steel fabricating        | 10                        |
| Southern Tank & Manufacturing Co. Inc. | Machine shop   | 30                        |
| Specialty Foods Field Packing Div.     | Processed meat products                              | 643                       |
| Sun Windows Inc.                       | Aluminum clad wood and vinyl windows and doors       | 90                        |
| Swedish Match North America            | Smokeless tobacco products                           | 345                       |
| Titan Contracting & Leasing Company    | Power plant construction and maintenance services    | 160                       |
| TerrePURE Kentucky Distillers Inc.     | Distilled spirits/bourbon                            | 60                        |
| Titan Contracting & Leasing Company    | Power plant construction and maintenance services    | 300                       |
| Titan Fabricators Inc.                 | Steel fabricated tanks, boiler components            | 45                        |
| Toolco Inc.                            | Tools, dies, jigs, fixtures & industrial molds       | 12                        |
| Toyotetsu Mid America LLC              | Automotive stampings and welded assemblies           | 588                       |
| Tri-Star Metals Inc.                   | Steel bar distributor                                | 1                         |
| Unifirst                               | Uniform distribution                                 | 450                       |
| Unique Granite and Marble Inc.         | Natural and man made countertops                     | 48                        |
| Yater Marine                           | Barges, conveyors, dredge, tow boat                  | 19                        |
| Yager Materials, LLC                   | Ready-mix concrete, crushed limestone, sand & gravel | 192                       |

*Source: Kentucky Directory of Manufacturers (2020).*

**APPENDIX B**

**Owensboro Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Audited Financial Statement ending June 30, 2020**

***OWENSBORO INDEPENDENT SCHOOL DISTRICT***

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

***Year Ended June 30, 2020***

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

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INDEPENDENT AUDITOR'S REPORT

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Kentucky Public School Districts' Audit Contract and Requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Owensboro Independent School District as of June 30, 2020, 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.

### **Change in Accounting Principle**

As discussed in Note 19 to the financial statements, in 2020 the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the budgetary comparison schedules on pages 60-61, and the pension and other postemployment benefits schedules on pages 62-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental funds combining financial statements, and the school activity fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The nonmajor governmental funds combining financial statements, the school activity fund schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 2, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Ring Hand CP&PS*



**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year ended June 30, 2020**

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As management of the Owensboro Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. 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, 2019 for the District was \$17,126,381. The final ending General Fund balance at June 30, 2020 was \$17,743,602.
- Various construction projects are in progress. Projects include a renovation of alternative high school facilities, middle school renovations, and a district-wide energy savings project.
- For the past nine years, the District has had a one-to-one initiative to provide laptops to all 5<sup>th</sup> through 12<sup>th</sup> grade students to enhance student learning and teacher instruction. The program changed to 6<sup>th</sup> through 12<sup>th</sup> grade students for FY 2019. In FY 2020, the District purchased additional devices in order to accommodate all 3<sup>rd</sup> through 12<sup>th</sup> grade students at a cost of \$334,355.
- The Commonwealth of Kentucky makes payments on behalf of the District for Teachers' Retirement System of the State of Kentucky (TRS), Kentucky Retirement System (KRS 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 (SFCC). 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, 2020 was \$15,137,662 which was an increase of \$1,016,808 over the previous fiscal year. This increase is primarily due to the increase in the state contribution to the Kentucky Teacher's Retirement System.

**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.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

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**Overview of the Financial Statements, continued**

**Government-Wide Financial Statements, continued**

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 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.

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 Food Service and After-School Day Care. Both Food Service and Day Care receive funding through program fees, as well as state and federal grants.

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

**Fund Financial Statements**

The Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds.

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those 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.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

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**Overview of the Financial Statements, continued**

**Fund Financial Statements, continued**

*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.

*Fiduciary Funds* – Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. The Scholarship Fund is reported as a fiduciary fund.

The fund financial statements can be found on pages 14 through 22 of this report.

**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 23 of this report.

**District-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government'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 \$12,937,166 as of June 30, 2020. This was a decrease of \$177,288 over the restated, 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, 2020**

**Government-Wide Statement of Net Position**

|  | Governmental Activities |                      | Business-Type Activities |                     | District Total      |                       | Total<br>District<br>Percentage<br>Change |
|--|-------------------------|----------------------|--------------------------|---------------------|---------------------|-----------------------|---|
|  | FY2019                  | FY2020               | FY2019                   | FY2020              | FY2019              | FY2020                |   |
| <b>Assets</b>  |                         |                      |                          |                     |                     |                       |   |
| Current and other assets   | \$ 24,423,810           | \$ 32,923,362        | \$ 1,483,944             | \$ 1,350,077        | \$ 25,907,754       | \$ 34,273,439         | 32.3%                                     |
| Capital assets   | 58,397,275              | 77,407,108           | 477,694                  | 693,616             | 58,874,969          | 78,100,724            | 32.7%                                     |
| <b>Total Assets</b>  | <b>82,821,085</b>       | <b>110,330,470</b>   | <b>1,961,638</b>         | <b>2,043,693</b>    | <b>84,782,723</b>   | <b>112,374,163</b>    | <b>32.5%</b>                              |
| <b>Deferred Outflows of Resources</b>                                    |                         |                      |                          |                     |                     |                       |   |
| Related to pension & other postemployment benefit liabilities            | 4,977,492               | 7,537,487            | 801,783                  | 1,034,370           | 5,779,275           | 8,571,857             | 48.3%                                     |
| Bond deferrals on refunding  | 1,136,566               | 1,008,310            | -                        | -                   | 1,136,566           | 1,008,310             | -11.3%                                    |
| <b>Total Deferred Outflows</b>   | <b>6,114,058</b>        | <b>8,545,797</b>     | <b>801,783</b>           | <b>1,034,370</b>    | <b>6,915,841</b>    | <b>9,580,167</b>      | <b>38.5%</b>                              |
| <b>Total Assets and Deferred Outflows of Resources</b>                   | <b>\$88,935,143</b>     | <b>\$118,876,267</b> | <b>\$ 2,763,421</b>      | <b>\$ 3,078,063</b> | <b>\$91,698,564</b> | <b>\$ 121,954,330</b> | <b>33.0%</b>                              |
| <b>Liabilities</b>   |                         |                      |                          |                     |                     |                       |   |
| Long term liabilities  | \$ 66,012,841           | \$ 91,142,147        | \$ 3,702,761             | \$ 4,144,247        | \$ 69,715,602       | \$ 95,286,394         | 36.7%                                     |
| Other liabilities (current)  | 6,606,557               | 8,020,940            | 23,657                   | 32,404              | 6,630,214           | 8,053,344             | 21.5%                                     |
| <b>Total Liabilities</b>   | <b>72,619,398</b>       | <b>99,163,087</b>    | <b>3,726,418</b>         | <b>4,176,651</b>    | <b>76,345,816</b>   | <b>103,339,738</b>    | <b>35.4%</b>                              |
| <b>Deferred Inflows of Resources</b>                                     |                         |                      |                          |                     |                     |                       |   |
| Related to pension & other postemployment benefits liabilities           | 2,486,510               | 5,248,452            | 332,631                  | 428,974             | 2,819,141           | 5,677,426             | 101.4%                                    |
| <b>Total Liabilities and Deferred Inflows of Resources</b>               | <b>75,105,908</b>       | <b>104,411,539</b>   | <b>4,059,049</b>         | <b>4,605,625</b>    | <b>79,164,957</b>   | <b>109,017,164</b>    | <b>37.7%</b>                              |
| <b>Net Position</b>  |                         |                      |                          |                     |                     |                       |   |
| Net investment in capital assets   | 29,240,170              | 23,784,636           | 477,694                  | 693,616             | 29,717,864          | 24,478,252            | -17.6%                                    |
| Restricted   | 674,159                 | 7,299,659            | -                        | -                   | 674,159             | 7,299,659             | 982.8%                                    |
| Unrestricted   | (16,085,094)            | (16,619,567)         | (1,773,322)              | (2,221,178)         | (17,858,416)        | (18,840,745)          | 5.5%                                      |
| <b>Total Net Position</b>  | <b>13,829,235</b>       | <b>14,464,728</b>    | <b>(1,295,628)</b>       | <b>(1,527,562)</b>  | <b>12,533,607</b>   | <b>12,937,166</b>     | <b>3.2%</b>                               |
| <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> | <b>\$88,935,143</b>     | <b>\$118,876,267</b> | <b>\$ 2,763,421</b>      | <b>\$ 3,078,063</b> | <b>\$91,698,564</b> | <b>\$ 121,954,330</b> | <b>33.0%</b>                              |



**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

**Government-Wide Revenues and Expenditures**

| Revenues   | Governmental Activities |                      | Business-Type Activities |                       | District Total       |                      | Total<br>District %<br>Change |
|--|-------------------------|----------------------|--------------------------|-----------------------|----------------------|----------------------|-------------------------------|
|  | FY2019                  | FY2020               | FY2019                   | FY2020                | FY2019               | FY2020               | FY2020                        |
| Charges for Services                             | \$ 606,315              | \$ 1,500,669         | \$ 170,872               | \$ 149,326            | \$ 777,187           | \$ 1,649,995         | 112.3%                        |
| Operating Grants and Contributions               | 8,001,630               | 8,667,082            | 4,200,526                | 4,109,410             | 12,202,156           | 12,776,492           | 4.7%                          |
| Capital Grants and Contributions                 | 1,887,610               | 1,280,351            | -                        | -                     | 1,887,610            | 1,280,351            | -32.2%                        |
| Property Tax                                     | 13,491,660              | 13,969,906           | -                        | -                     | 13,491,660           | 13,969,906           | 3.5%                          |
| Utilities Tax                                    | 2,314,327               | 2,172,424            | -                        | -                     | 2,314,327            | 2,172,424            | -6.1%                         |
| State and Formula Grants                         | 20,888,914              | 21,265,998           | -                        | -                     | 20,888,914           | 21,265,998           | 1.8%                          |
| State On-Behalf Payments                         | 13,888,756              | 14,888,200           | 232,098                  | 249,462               | 14,120,854           | 15,137,662           | 7.2%                          |
| Interest income                                  | 606,864                 | 780,608              | 18,629                   | 23,393                | 625,493              | 804,001              | 28.5%                         |
| Gain/Loss on Disposition of Capital Assets       | 29,705                  | 565,422              | (1,764)                  | (1,583)               | 27,941               | 563,839              | 1918.0%                       |
| Miscellaneous                                    | 288,624                 | 561,559              | -                        | -                     | 288,624              | 561,559              | 94.6%                         |
| Transfers  | 181,692                 | 83,882               | (181,692)                | (83,882)              | -                    | -                    | 0.0%                          |
| <b>Total Revenues</b>                            | <b>62,186,097</b>       | <b>65,736,101</b>    | <b>4,438,669</b>         | <b>4,446,126</b>      | <b>66,624,766</b>    | <b>70,182,227</b>    | <b>5.3%</b>                   |
| <b>Expenses</b>                                  |                         |                      |                          |                       |                      |                      |                               |
| Instruction                                      | 38,994,102              | 40,856,936           | -                        | -                     | 38,994,102           | 40,856,936           | 4.8%                          |
| Student Support Services                         | 3,431,589               | 3,910,526            | -                        | -                     | 3,431,589            | 3,910,526            | 14.0%                         |
| Instructional Staff Support Services             | 4,064,506               | 4,145,959            | -                        | -                     | 4,064,506            | 4,145,959            | 2.0%                          |
| District Administration                          | 1,348,627               | 1,566,905            | -                        | -                     | 1,348,627            | 1,566,905            | 16.2%                         |
| School Administration                            | 3,497,819               | 3,686,049            | -                        | -                     | 3,497,819            | 3,686,049            | 5.4%                          |
| Business   | 1,804,825               | 2,081,837            | -                        | -                     | 1,804,825            | 2,081,837            | 15.3%                         |
| Plant Operations & Maintenance                   | 5,213,945               | 5,216,557            | -                        | -                     | 5,213,945            | 5,216,557            | 0.1%                          |
| Student Transportation                           | 2,201,172               | 2,246,358            | -                        | -                     | 2,201,172            | 2,246,358            | 2.1%                          |
| Architectural/engineering                        | 34,695                  | -                    | -                        | -                     | 34,695               | -                    | -100.0%                       |
| Community Services                               | 573,104                 | 548,161              | -                        | -                     | 573,104              | 548,161              | -4.4%                         |
| Day Care Program                                 | -                       | -                    | 209,020                  | 162,243               | 209,020              | 162,243              | -22.4%                        |
| Building Renovations/ Additions                  | -                       | -                    | -                        | -                     | -                    | -                    | 0.0%                          |
| Interest on Long-term Debt                       | 1,024,579               | 1,422,167            | -                        | -                     | 1,024,579            | 1,422,167            | 38.8%                         |
| Food Service                                     | -                       | -                    | 4,182,749                | 4,515,817             | 4,182,749            | 4,515,817            | 8.0%                          |
| <b>Total Expenses</b>                            | <b>62,188,963</b>       | <b>65,681,455</b>    | <b>4,391,769</b>         | <b>4,678,060</b>      | <b>66,580,732</b>    | <b>70,359,515</b>    | <b>5.7%</b>                   |
| <b>Change in net position</b>                    | <b>(2,866)</b>          | <b>54,646</b>        | <b>46,900</b>            | <b>(231,934)</b>      | <b>44,034</b>        | <b>(177,288)</b>     |                               |
| <b>Net position, beginning of year</b>           | <b>13,832,101</b>       | <b>13,829,235</b>    | <b>(1,342,528)</b>       | <b>(1,295,628)</b>    | <b>12,489,573</b>    | <b>12,533,607</b>    |                               |
| <b>Restatements:</b>                             |                         |                      |                          |                       |                      |                      |                               |
| <b>Implementation of GASB No. 84</b>             | -                       | 580,847              | -                        | -                     | -                    | 580,847              |                               |
| <b>Net position, beginning of year, restated</b> | <b>13,832,101</b>       | <b>14,410,082</b>    | <b>(1,342,528)</b>       | <b>(1,295,628)</b>    | <b>12,489,573</b>    | <b>13,114,454</b>    |                               |
| <b>Net position, end of year</b>                 | <b>\$ 13,829,235</b>    | <b>\$ 14,464,728</b> | <b>\$ (1,295,628)</b>    | <b>\$ (1,527,562)</b> | <b>\$ 12,533,607</b> | <b>\$ 12,937,166</b> |                               |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

**Governmental Activities**

State and formula grants and on-behalf payments represented 51.9% of the government-wide revenues; operating and capital grants and contributions provided 20.0%; property taxes provided 19.9%; and utilities taxes provided 3.1%. Instruction, Instructional Staff Support, and Student Support Services comprised the majority of government-wide program expenses and accounted for 69.5% of the total expenses while plant operations and maintenance represented 7.4% of the 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 breakfast and lunch 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 expenses for these business-type activities exceeded revenues by \$231,934 for FY 2020. Revenues included charges for services totaling \$149,326, state and federal grants and on-behalf payments totaling \$4,356,872 and other revenue of \$23,810. During FY 2020, indirect costs of \$83,882 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 2019,<br>restated  | FY 2020               | Amount of<br>Change | Percent of<br>Change |
|----------------------------------|-----------------------|-----------------------|---------------------|----------------------|
| General Fund                     | \$ 17,126,381         | \$ 17,743,602         | \$ 617,221          | 3.6%                 |
| Special Revenue Fund             | -                     | -                     | -                   | -                    |
| School Activity Fund             | 580,847               | 545,758               | (35,089)            | -6.0%                |
| Construction Fund                | -                     | 5,774,757             | 5,774,757           | 100%                 |
| SEEK Capital Outlay Fund         | -                     | 31,372                | 31,372              | -                    |
| FSPK Building Fund               | 674,159               | 947,772               | 273,613             | 40.6%                |
| <b>Total Governmental Funds</b>  | <b>\$ 18,381,387</b>  | <b>\$ 25,043,261</b>  | <b>\$ 6,661,874</b> |                      |
| Food Service Fund                | \$ (1,121,310)        | \$ (1,329,181)        | \$ (207,871)        | 18.5%                |
| Day Care Fund                    | (174,318)             | (198,381)             | (24,063)            | 13.8%                |
| <b>Total Proprietary Funds</b>   | <b>\$ (1,295,628)</b> | <b>\$ (1,527,562)</b> | <b>\$ (231,934)</b> |                      |

- The Fund Balance in the General Fund increased primarily due to the sale of capital assets and refund of prior year utility expense.
- The Fund Balance in the Construction Fund increased from the previous year due to the issuance of bonds for the innovation campus project and energy savings project.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Summary of Capital Assets**

At June 30, 2020, the District has invested \$78,100,724 in net capital assets for both governmental and business-type activities. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total cost of assets was \$113,365,498 with accumulated depreciation of \$35,264,774. The net investment is summarized in the following chart.

|                                 | Governmental Activities |                     | Business-Type Activities |                   | District Total      |                     | Total<br>District %<br>Change |
|---------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|-------------------------------|
|                                 | FY2019                  | FY2020              | FY2019                   | FY2020            | FY2019              | FY2020              | FY2020                        |
| Land & Improvements             | \$ 8,338,777            | \$ 8,551,583        | \$ 11,818                | \$ 10,805         | \$ 8,350,595        | \$ 8,562,388        | 2.5%                          |
| Construction in Progress        | 17,114,596              | 20,423,691          | -                        | -                 | 17,114,596          | 20,423,691          | 19.3%                         |
| Buildings and Improvements      | 30,989,202              | 46,200,814          | 3,744                    | 3,474             | 30,992,946          | 46,204,288          | 49.1%                         |
| Equipment, Furniture & Vehicles | 1,954,700               | 2,231,020           | 462,132                  | 679,337           | 2,416,832           | 2,910,357           | 20.4%                         |
| <b>Total Assets</b>             | <b>\$58,397,275</b>     | <b>\$77,407,108</b> | <b>\$ 477,694</b>        | <b>\$ 693,616</b> | <b>\$58,874,969</b> | <b>\$78,100,724</b> | <b>32.7%</b>                  |

**Long-Term Debt**

At June 30, 2020 the District had \$54,705,000 in general obligation bonds outstanding (including the Kentucky School Facilities Construction-SFCC portion). The net increase of these general obligation bonds was \$24,520,000, which resulted from bond issuance and principal retirements.

| General Obligation Bonds                 | FY 2019              | FY 2020              |
|--|----------------------|----------------------|
| Series 2012R (Partial Refinancing 2004)  | 695,000              | 565,000              |
| Series 2015 Sutton                       | 5,860,000            | 5,755,000            |
| Series 2016 (Partial Refinancing 2008)   | 16,310,000           | 14,865,000           |
| Series 2017 Newton Parrish               | 7,320,000            | 7,215,000            |
| Series 2019 Innovation Campus Renovation | -                    | 13,060,000           |
| Series 2020 Guaranteed Energy Savings    | -                    | 13,245,000           |
| <b>Total</b>                             | <b>\$ 30,185,000</b> | <b>\$ 54,705,000</b> |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

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**BUDGETARY IMPLICATIONS**

It is important that the District continue to budget conservatively. The District received 68.6% of its General Fund revenue for FY 2020 through state funding (which includes SEEK state funds). If the state does not receive their anticipated revenue from taxing sources during the fiscal year, an adjustment may be made to SEEK funding. The District should always be prepared for such reductions in funding.

Approximately 30.7% of the General Fund revenue is from local revenue. Property taxes provide 76.3% 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 law the budget must include a minimum 2% contingency. The District adopted a budget with \$3,000,000 in contingency (4.7% of total revised budget). The beginning General Fund balance for fiscal year 2020 was \$17,126,381. Significant Board actions that impacted finances for this year included a 1% pay raise for all classified and certified employees, construction projects, spending toward instructional and technology programs, 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.

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

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

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



**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
For the Fiscal Year ended June 30, 2020**

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**DISTRICT CHALLENGES FOR THE FUTURE, continued**

In an effort to increase the graduation rate, the District continues to partner with local colleges to increase career and technical education opportunities for our students, as well as increased partnerships for dual high school and college credit courses. Additionally, we currently partner with the New Tech Network for the Innovation Campus that houses Owensboro Innovation Academy and iMiddle. The New Tech Network emphasizes contextual learning in a project-based environment. Owensboro Innovation Academy has expanded to serve 350 to 400 students in all four high school grades, and iMiddle serves 250 to 300 students in grades six through eight. The District also has a long-term vision to maintain a split screen philosophy of offering rigorous and exemplary conventional schools as well as cutting edge and innovative options for families.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. In response, the Centers for Disease Control and the Kentucky Department of Education have issued many health and safety guidelines for school operations. The District is applying this guidance in consultation with the Green River Regional Health District in order to safely meet our mission. Governmental assistance was allocated to the District as a result of COVID-19. We have corralled some of our resources to ensure that small, targeted groups of students are receiving academic interventions. Additionally, we have increased our technology footprint and purchased personal protective equipment. The District continues to monitor guidance and information received from the State to assess the impact of COVID-19 on current and future resources.

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

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

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

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

June 30, 2020

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                                   |                            |                             |                      |
| Cash and cash equivalents                       | \$ 30,613,267              | \$ 1,077,202                | \$ 31,690,469        |
| Accounts receivable:                            |                            |                             |                      |
| Taxes   | 695,012                    | -                           | 695,012              |
| Other   | 547,983                    | 4,060                       | 552,043              |
| Due from other governments                      | 1,021,041                  | 192,424                     | 1,213,465            |
| Inventory                                       | 27,533                     | 61,891                      | 89,424               |
| Prepaid expenses                                | 18,526                     | 14,500                      | 33,026               |
| Capital assets, net                             | <u>77,407,108</u>          | <u>693,616</u>              | <u>78,100,724</u>    |
| <b>Total assets</b>                             | <u>110,330,470</u>         | <u>2,043,693</u>            | <u>112,374,163</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                            |                             |                      |
| Deferred charges on refunding                   | 1,008,310                  | -                           | 1,008,310            |
| Pension deferred outflows                       | 3,759,562                  | 714,438                     | 4,474,000            |
| Other postemployment benefits deferred outflows | <u>3,777,925</u>           | <u>319,932</u>              | <u>4,097,857</u>     |
| <b>Total deferred outflows of resources</b>     | <u>8,545,797</u>           | <u>1,034,370</u>            | <u>9,580,167</u>     |
| <b>LIABILITIES</b>                              |                            |                             |                      |
| Accounts payable                                | 3,614,924                  | 26,457                      | 3,641,381            |
| Accrued salaries and benefits                   | 1,837,600                  | -                           | 1,837,600            |
| Payroll withholdings                            | 1,511,990                  | -                           | 1,511,990            |
| Accrued interest payable                        | 533,954                    | -                           | 533,954              |
| Unearned revenue                                | 522,472                    | 5,947                       | 528,419              |
| Long-term liabilities:                          |                            |                             |                      |
| Due within one year                             | 2,521,587                  | -                           | 2,521,587            |
| Due in more than one year                       | 54,126,624                 | -                           | 54,126,624           |
| Other liabilities due in more than one year:    |                            |                             |                      |
| Net pension liability                           | 17,971,415                 | 3,276,608                   | 21,248,023           |
| Net other postemployment benefits liabilities   | <u>16,522,521</u>          | <u>867,639</u>              | <u>17,390,160</u>    |
| <b>Total liabilities</b>                        | <u>99,163,087</u>          | <u>4,176,651</u>            | <u>103,339,738</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                            |                             |                      |
| Pension deferred inflows                        | 581,769                    | 119,672                     | 701,441              |
| Other postemployment benefits deferred inflows  | <u>4,666,683</u>           | <u>309,302</u>              | <u>4,975,985</u>     |
| <b>Total deferred inflows of resources</b>      | <u>5,248,452</u>           | <u>428,974</u>              | <u>5,677,426</u>     |
| <b>NET POSITION</b>                             |                            |                             |                      |
| Net investment in capital assets                | 23,784,636                 | 693,616                     | 24,478,252           |
| Restricted for:                                 |                            |                             |                      |
| Capital projects                                | 6,753,901                  | -                           | 6,753,901            |
| Other   | 545,758                    | -                           | 545,758              |
| Unrestricted                                    | <u>(16,619,567)</u>        | <u>(2,221,178)</u>          | <u>(18,840,745)</u>  |
| <b>Total net position</b>                       | <u>\$ 14,464,728</u>       | <u>\$ (1,527,562)</u>       | <u>\$ 12,937,166</u> |

OWENSBORO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

| 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                                  | \$ 40,856,936        | \$ 1,438,911         | \$ 5,189,258                       | \$ -                             | \$ (34,228,767)                                  |                          | \$ (34,228,767)      |
| Support services:                            |                      |                      |                                    |                                  |  |                          |                      |
| Student                                      | 3,910,526            | 1,180                | 1,282,438                          | -                                | (2,626,908)                                      |                          | (2,626,908)          |
| Instructional staff                          | 4,145,959            | 11,330               | 902,298                            | -                                | (3,232,331)                                      |                          | (3,232,331)          |
| District administration                      | 1,566,905            | -                    | 58,085                             | -                                | (1,508,820)                                      |                          | (1,508,820)          |
| School administration                        | 3,686,049            | -                    | 134,631                            | -                                | (3,551,418)                                      |                          | (3,551,418)          |
| Business                                     | 2,081,837            | -                    | -                                  | -                                | (2,081,837)                                      |                          | (2,081,837)          |
| Plant operation and maintenance              | 5,216,557            | 5,603                | 111,290                            | -                                | (5,099,664)                                      |                          | (5,099,664)          |
| Student transportation                       | 2,246,358            | 43,645               | 443,763                            | -                                | (1,758,950)                                      |                          | (1,758,950)          |
| Community services                           | 548,161              | -                    | 545,310                            | -                                | (2,842)  |                          | (2,842)              |
| Building renovations / additions             | -                    | -                    | -                                  | 1,280,351                        | 1,280,351  |                          | 1,280,351            |
| Interest on long-term liabilities            | 1,422,167            | -                    | -                                  | -                                | (1,422,167)                                      |                          | (1,422,167)          |
| Total governmental activities                | <u>65,681,455</u>    | <u>1,500,669</u>     | <u>8,667,082</u>                   | <u>1,280,351</u>                 | <u>(54,233,353)</u>                              |                          | <u>(54,233,353)</u>  |
| Business-type activities:                    |                      |                      |                                    |                                  |  |                          |                      |
| Food service                                 | 4,515,817            | 73,686               | 4,060,452                          | -                                | -  | \$ (381,679)             | (381,679)            |
| Day care                                     | 162,243              | 75,640               | 48,958                             | -                                | -  | (37,645)                 | (37,645)             |
| Total business-type activities               | <u>4,678,060</u>     | <u>149,326</u>       | <u>4,109,410</u>                   | <u>-</u>                         | <u>-</u>   | <u>(419,324)</u>         | <u>(419,324)</u>     |
| Total district                               | <u>\$ 70,359,515</u> | <u>\$ 1,649,995</u>  | <u>\$ 12,776,492</u>               | <u>\$ 1,280,351</u>              | <u>(54,233,353)</u>                              | <u>(419,324)</u>         | <u>(54,652,677)</u>  |
| General revenues:                            |                      |                      |                                    |                                  |  |                          |                      |
| Property taxes                               |                      |                      |                                    |                                  | 13,969,906                                       | -                        | 13,969,906           |
| Utility taxes                                |                      |                      |                                    |                                  | 2,172,424  | -                        | 2,172,424            |
| State aid formula grants                     |                      |                      |                                    |                                  | 21,265,998                                       | -                        | 21,265,998           |
| On-behalf payments                           |                      |                      |                                    |                                  | 14,888,200                                       | 249,462                  | 15,137,662           |
| Interest income                              |                      |                      |                                    |                                  | 780,608  | 23,393                   | 804,001              |
| Gain (loss) on disposition of capital assets |                      |                      |                                    |                                  | 565,422  | (1,583)                  | 563,839              |
| Miscellaneous                                |                      |                      |                                    |                                  | 561,559  | -                        | 561,559              |
| Transfers                                    |                      |                      |                                    |                                  | 83,882   | (83,882)                 | -                    |
| Total general revenues and transfers         |                      |                      |                                    |                                  | <u>54,287,999</u>                                | <u>187,390</u>           | <u>54,475,389</u>    |
| Change in net position                       |                      |                      |                                    |                                  | 54,646   | (231,934)                | (177,288)            |
| Net Position, June 30, 2019, restated        |                      |                      |                                    |                                  | <u>14,410,082</u>                                | <u>(1,295,628)</u>       | <u>13,114,454</u>    |
| Net position, June 30, 2020                  |                      |                      |                                    |                                  | <u>\$ 14,464,728</u>                             | <u>\$ (1,527,562)</u>    | <u>\$ 12,937,166</u> |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2020

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Construction<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|------------------------------|--|---|
| <b>ASSETS</b>  |                         |                                     |                              |  |   |
| Cash and cash equivalents  | \$ 19,747,071           | \$ -                                | \$ 9,276,595                 | \$ 1,589,601                               | \$ 30,613,267                           |
| Accounts receivable:   |                         |                                     |                              |  |   |
| Taxes  | 695,012                 | -                                   | -                            | -  | 695,012                                 |
| Other  | 368,345                 | 178,753                             | -                            | 885  | 547,983                                 |
| Due from other governments   | 21,511                  | 999,530                             | -                            | -  | 1,021,041                               |
| Due from other funds   | 719,073                 | 89,673                              | -                            | 880  | 809,626                                 |
| Inventory  | -                       | -                                   | -                            | 27,533                                     | 27,533                                  |
| Prepaid expenses   | 18,527                  | -                                   | -                            | -  | 18,527                                  |
| <b>Total assets</b>  | <u>\$ 21,569,539</u>    | <u>\$ 1,267,956</u>                 | <u>\$ 9,276,595</u>          | <u>\$ 1,618,899</u>                        | <u>\$ 33,732,989</u>                    |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b>       |                         |                                     |                              |  |   |
| Liabilities:   |                         |                                     |                              |  |   |
| Accounts payable   | \$ 82,351               | \$ 30,735                           | \$ 3,501,838                 | \$ -                                       | \$ 3,614,924                            |
| Due to other funds   | 880                     | 714,749                             | -                            | 93,997                                     | 809,626                                 |
| Accrued salaries and benefits  | 1,837,600               | -                                   | -                            | -  | 1,837,600                               |
| Payroll withholdings   | 1,511,990               | -                                   | -                            | -  | 1,511,990                               |
| Unearned revenue   | -                       | 522,472                             | -                            | -  | 522,472                                 |
| <b>Total liabilities</b>   | <u>3,432,821</u>        | <u>1,267,956</u>                    | <u>3,501,838</u>             | <u>93,997</u>                              | <u>8,296,612</u>                        |
| Deferred inflows of resources:   |                         |                                     |                              |  |   |
| Unavailable revenue - delinquent property<br>taxes                             | 393,116                 | -                                   | -                            | -  | 393,116                                 |
| Fund balances:   |                         |                                     |                              |  |   |
| Nonspendable   | -                       | -                                   | -                            | -  | -                                       |
| Restricted   | -                       | 50,056                              | 5,774,757                    | 1,524,902                                  | 7,349,715                               |
| Committed  | 2,940,323               | -                                   | -                            | -  | 2,940,323                               |
| Assigned   | 74,721                  | -                                   | -                            | -  | 74,721                                  |
| Unassigned   | 14,728,558              | (50,056)                            | -                            | -  | 14,678,502                              |
| <b>Total fund balances</b>   | <u>17,743,602</u>       | <u>-</u>                            | <u>5,774,757</u>             | <u>1,524,902</u>                           | <u>25,043,261</u>                       |
| <b>Total liabilities, deferred inflows of resources,<br/>and fund balances</b> | <u>\$ 21,569,539</u>    | <u>\$ 1,267,956</u>                 | <u>\$ 9,276,595</u>          | <u>\$ 1,618,899</u>                        | <u>\$ 33,732,989</u>                    |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

June 30, 2020

|   |    |                    |                          |
|---|----|--------------------|--------------------------|
| Total fund balances - governmental funds  |    | \$                 | 25,043,261               |
| 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:              |    |                    | 77,407,108               |
| Certain assets are not available to pay for current period expenditures:  |    |                    |                          |
| Taxes receivable  |    |                    | 393,115                  |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds:          |    |                    |                          |
| Bonds payable   | \$ | (54,705,000)       |                          |
| Issuance premiums   |    | (132,114)          |                          |
| Issuance discounts  |    | 206,332            |                          |
| Deferred charges on refunding   |    | 1,008,310          |                          |
| KSBIT assessment  |    | (33,282)           |                          |
| Compensated absences  |    | (1,984,147)        |                          |
| Net pension liability   |    | (17,971,415)       |                          |
| Net other postemployment benefits liabilities   |    | (16,522,521)       |                          |
| Accrued interest payable  |    | <u>(533,954)</u>   | (90,667,791)             |
| Certain amounts related to the net pension liability are not reported in the governmental funds, but are deferred in the statement of net position: |    |                    |                          |
| Pension deferred outflows   | \$ | 3,759,562          |                          |
| Pension deferred inflows  |    | (581,769)          |                          |
| Other postemployment benefits deferred outflows   |    | 3,777,925          |                          |
| Other postemployment benefits deferred inflows  |    | <u>(4,666,683)</u> | <u>2,289,035</u>         |
| Net position of governmental activities   |    | \$                 | <u><u>14,464,728</u></u> |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

**GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

|  | General<br>Fund      | Special<br>Revenue<br>Fund | Construction<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------------|----------------------|-----------------------------------|--------------------------------|
| <b>Revenues:</b>   |                      |                            |                      |                                   |                                |
| Property taxes   | \$ 12,263,030        | \$ -                       | \$ -                 | \$ 1,623,418                      | \$ 13,886,448                  |
| Utility taxes  | 2,172,424            | -                          | -                    | -                                 | 2,172,424                      |
| Tuition and fees   | 581,612              | -                          | -                    | -                                 | 581,612                        |
| Interest income  | 592,423              | -                          | 187,277              | 908                               | 780,608                        |
| Other local revenue  | 468,838              | 1,309,040                  | -                    | 922,000                           | 2,699,878                      |
| State aid  | 35,934,502           | 2,448,237                  | -                    | 2,081,254                         | 40,463,993                     |
| Federal aid  | 338,017              | 4,080,359                  | -                    | -                                 | 4,418,376                      |
| <b>Total revenues</b>  | <u>52,350,846</u>    | <u>7,837,636</u>           | <u>187,277</u>       | <u>4,627,580</u>                  | <u>65,003,339</u>              |
| <b>Expenditures:</b>   |                      |                            |                      |                                   |                                |
| Instruction  | 32,489,335           | 5,894,473                  | -                    | 720,802                           | 39,104,610                     |
| Support services:  |                      |                            |                      |                                   |                                |
| Student  | 2,980,380            | 835,666                    | -                    | 1,180                             | 3,817,226                      |
| Instructional staff  | 3,227,869            | 837,789                    | -                    | 11,330                            | 4,076,988                      |
| District administration                                      | 1,413,379            | -                          | -                    | -                                 | 1,413,379                      |
| School administration  | 3,393,244            | 134,631                    | -                    | -                                 | 3,527,875                      |
| Business   | 1,898,738            | -                          | -                    | -                                 | 1,898,738                      |
| Plant operation and maintenance                              | 4,663,378            | 111,291                    | -                    | -                                 | 4,774,669                      |
| Student transportation                                       | 2,330,242            | 3,477                      | -                    | 30,805                            | 2,364,524                      |
| Community services   | -                    | 545,319                    | -                    | -                                 | 545,319                        |
| Building renovations / additions                             | -                    | -                          | 20,706,983           | -                                 | 20,706,983                     |
| Debt service:  |                      |                            |                      |                                   |                                |
| Principal  | -                    | -                          | -                    | 1,785,000                         | 1,785,000                      |
| Interest   | -                    | -                          | -                    | 1,058,741                         | 1,058,741                      |
| Bond issuance costs  | -                    | -                          | 178,130              | -                                 | 178,130                        |
| <b>Total expenditures</b>                                    | <u>52,396,565</u>    | <u>8,362,646</u>           | <u>20,885,113</u>    | <u>3,607,858</u>                  | <u>85,252,182</u>              |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <u>(45,719)</u>      | <u>(525,010)</u>           | <u>(20,697,836)</u>  | <u>1,019,722</u>                  | <u>(20,248,843)</u>            |
| <b>Other financing sources (uses):</b>                       |                      |                            |                      |                                   |                                |
| Proceeds from sale of capital assets                         | 566,060              | -                          | -                    | -                                 | 566,060                        |
| Proceeds from issuance of bonds                              | -                    | -                          | 26,305,000           | -                                 | 26,305,000                     |
| Discount on bonds issued                                     | -                    | -                          | (172,430)            | -                                 | (172,430)                      |
| Operating transfers in                                       | 2,119,975            | 528,057                    | 1,835,468            | 2,483,384                         | 6,966,884                      |
| Operating transfers out                                      | <u>(2,023,095)</u>   | <u>(3,047)</u>             | <u>(1,495,445)</u>   | <u>(3,233,210)</u>                | <u>(6,754,797)</u>             |
| <b>Total other financing sources (uses)</b>                  | <u>662,940</u>       | <u>525,010</u>             | <u>26,472,593</u>    | <u>(749,826)</u>                  | <u>26,910,717</u>              |
| <b>Net change in fund balances</b>                           | 617,221              | -                          | 5,774,757            | 269,896                           | 6,661,874                      |
| <b>Fund balance, June 30, 2019, restated</b>                 | <u>17,126,381</u>    | <u>-</u>                   | <u>-</u>             | <u>1,255,006</u>                  | <u>18,381,387</u>              |
| <b>Fund balance, June 30, 2020</b>                           | <u>\$ 17,743,602</u> | <u>\$ -</u>                | <u>\$ 5,774,757</u>  | <u>\$ 1,524,902</u>               | <u>\$ 25,043,261</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, 2020

Net change in fund balances - total governmental funds \$ 6,661,874

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      | \$ 21,294,880      |            |
| Depreciation expense | <u>(2,284,409)</u> | 19,010,471 |

Governmental funds report the disposal of capital assets to the extent proceeds  
are received. However, the statement of activities reports the gain or loss. (638)

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the governmental funds:  
Increase in taxes receivable 83,458

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                   | \$ 1,785,000     |              |
| Proceeds from issuance of bonds               | (26,305,000)     |              |
| Discount on bonds issued                      | 172,430          |              |
| Amortization of premiums on bonds             | 17,706           |              |
| Amortization of discounts on bonds            | (7,247)          |              |
| Amortization of deferred charges on refunding | <u>(128,256)</u> | (24,465,367) |

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 accrued sick leave liability          | \$ (59,928)      |             |
| Increase in pension expense                       | (1,676,322)      |             |
| Decrease in other postemployment benefits expense | 89,623           |             |
| Decrease in lease obligation                      | 619,203          |             |
| Decrease in KSBIT assessment                      | 33,282           |             |
| Increase in accrued interest payable              | <u>(241,010)</u> | (1,235,152) |

Change in net position of governmental activities \$ 54,646

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2020

|   | Enterprise Funds        |                     |                       |
|---|-------------------------|---------------------|-----------------------|
|   | Food<br>Service<br>Fund | Day<br>Care<br>Fund | Total                 |
| <b>ASSETS</b>                                   |                         |                     |                       |
| Current assets:                                 |                         |                     |                       |
| Cash  | \$ 988,652              | \$ 88,550           | \$ 1,077,202          |
| Accounts receivable:                            |                         |                     |                       |
| Operating                                       | -                       | 4,060               | 4,060                 |
| Due from other governments                      | 192,424                 | -                   | 192,424               |
| Inventory                                       | 61,891                  | -                   | 61,891                |
| Prepaid expenses                                | 14,500                  | -                   | 14,500                |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| Total current assets                            | 1,257,467               | 92,610              | 1,350,077             |
| Noncurrent assets:                              |                         |                     |                       |
| Capital assets                                  | 1,281,083               | 28,063              | 1,309,146             |
| Less accumulated depreciation                   | <u>(601,836)</u>        | <u>(13,694)</u>     | <u>(615,530)</u>      |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| Total noncurrent assets                         | 679,247                 | 14,369              | 693,616               |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| <b>Total assets</b>                             | <b>1,936,714</b>        | <b>106,979</b>      | <b>2,043,693</b>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                         |                     |                       |
| Pension deferred outflows                       | 648,029                 | 66,409              | 714,438               |
| Other postemployment benefits deferred outflows | <u>285,971</u>          | <u>33,961</u>       | <u>319,932</u>        |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| <b>Total deferred outflows of resources</b>     | <b>934,000</b>          | <b>100,370</b>      | <b>1,034,370</b>      |
| <b>LIABILITIES</b>                              |                         |                     |                       |
| Current liabilities:                            |                         |                     |                       |
| Accounts payable                                | 26,457                  | -                   | 26,457                |
| Unearned revenue                                | <u>5,947</u>            | <u>-</u>            | <u>5,947</u>          |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| Total current liabilities                       | 32,404                  | -                   | 32,404                |
| Non-current liabilities:                        |                         |                     |                       |
| Net pension liability                           | 3,019,426               | 257,182             | 3,276,608             |
| Net other postemployment benefits liability     | <u>764,031</u>          | <u>103,608</u>      | <u>867,639</u>        |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| Total noncurrent liabilities                    | 3,783,457               | 360,790             | 4,144,247             |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| <b>Total liabilities</b>                        | <b>3,815,861</b>        | <b>360,790</b>      | <b>4,176,651</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                         |                     |                       |
| Pension deferred inflows                        | 105,429                 | 14,243              | 119,672               |
| Other postemployment benefits deferred inflows  | <u>278,605</u>          | <u>30,697</u>       | <u>309,302</u>        |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| <b>Total deferred inflows of resources</b>      | <b>384,034</b>          | <b>44,940</b>       | <b>428,974</b>        |
| <b>NET POSITION</b>                             |                         |                     |                       |
| Net investment in capital assets                | 679,247                 | 14,369              | 693,616               |
| Unrestricted                                    | <u>(2,008,428)</u>      | <u>(212,750)</u>    | <u>(2,221,178)</u>    |
|   | <hr/>                   | <hr/>               | <hr/>                 |
| <b>Total net position</b>                       | <b>\$ (1,329,181)</b>   | <b>\$ (198,381)</b> | <b>\$ (1,527,562)</b> |



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

PROPRIETARY FUNDS

Year Ended June 30, 2020

|  | Enterprise Funds        |                     |                |
|--|-------------------------|---------------------|----------------|
|  | Food<br>Service<br>Fund | Day<br>Care<br>Fund | Total          |
| Operating revenues:                          |                         |                     |                |
| Charges for services                         | \$ 73,516               | \$ 75,640           | \$ 149,156     |
| Other operating revenues                     | 170                     | -                   | 170            |
|  | 73,686                  | 75,640              | 149,326        |
| Operating expenses:                          |                         |                     |                |
| Salaries and wages                           | 1,229,090               | 93,914              | 1,323,004      |
| Employee benefits                            | 899,618                 | 64,093              | 963,711        |
| Professional and technical services          | 8,363                   | 685                 | 9,048          |
| Property services                            | 13,820                  | -                   | 13,820         |
| Other purchased services                     | 34,865                  | -                   | 34,865         |
| Supplies and materials                       | 2,219,789               | 1,050               | 2,220,839      |
| Property                                     | 3,270                   | -                   | 3,270          |
| Miscellaneous                                | 15,631                  | 1,112               | 16,743         |
| Depreciation                                 | 91,371                  | 1,389               | 92,760         |
| Total operating expenses                     | 4,515,817               | 162,243             | 4,678,060      |
| Operating income (loss)                      | (4,442,131)             | (86,603)            | (4,528,734)    |
| Nonoperating revenues (expenses):            |                         |                     |                |
| Federal government grants                    | 3,767,438               | 42,538              | 3,809,976      |
| Donated commodities                          | 258,375                 | -                   | 258,375        |
| State government grants                      | 32,639                  | 6,420               | 39,059         |
| Contributions                                | 2,000                   | -                   | 2,000          |
| On-behalf payments                           | 235,880                 | 13,582              | 249,462        |
| Gain (loss) on disposition of capital assets | (1,583)                 | -                   | (1,583)        |
| Interest income                              | 23,393                  | -                   | 23,393         |
| Total nonoperating revenues (expenses)       | 4,318,142               | 62,540              | 4,380,682      |
| Income (loss) before transfers               | (123,989)               | (24,063)            | (148,052)      |
| Capital contribution                         | 128,205                 | -                   | 128,205        |
| Transfers out                                | (212,087)               | -                   | (212,087)      |
| Change in net position                       | (207,871)               | (24,063)            | (231,934)      |
| Net position, June 30, 2019                  | (1,121,310)             | (174,318)           | (1,295,628)    |
| Net position, June 30, 2020                  | \$ (1,329,181)          | \$ (198,381)        | \$ (1,527,562) |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

Year Ended June 30, 2020

|  | Enterprise Funds        |                     |                       |
|--|-------------------------|---------------------|-----------------------|
|  | Food<br>Service<br>Fund | Day<br>Care<br>Fund | Total                 |
| <b>Cash flows from operating activities:</b>   |                         |                     |                       |
| Cash received from:  |                         |                     |                       |
| Charges for services   | \$ 74,432               | \$ 72,472           | \$ 146,904            |
| Other revenues   | 170                     | -                   | 170                   |
| Cash paid to / for:  |                         |                     |                       |
| Employees  | (1,843,816)             | (137,657)           | (1,981,473)           |
| Supplies   | (1,982,684)             | (1,424)             | (1,984,108)           |
| Other services   | (78,817)                | (2,635)             | (81,452)              |
| Net cash provided by (used in) operating activities  | <u>(3,830,715)</u>      | <u>(69,244)</u>     | <u>(3,899,959)</u>    |
| <b>Cash flows from noncapital financing activities:</b>  |                         |                     |                       |
| Federal government grants  | 3,685,927               | 48,802              | 3,734,729             |
| State government grants  | 32,639                  | 6,420               | 39,059                |
| Contributions  | 2,000                   | -                   | 2,000                 |
| On-behalf payments   | 235,880                 | 13,582              | 249,462               |
| Transfers out  | (212,087)               | -                   | (212,087)             |
| Net cash provided by noncapital financing activities   | <u>3,744,359</u>        | <u>68,804</u>       | <u>3,813,163</u>      |
| <b>Cash flows from capital and related financing activities:</b>   |                         |                     |                       |
| Acquisition of capital assets  | (182,061)               | -                   | (182,061)             |
| Net cash provided by (used in) capital and related financing activities                                  | <u>(182,061)</u>        | <u>-</u>            | <u>(182,061)</u>      |
| <b>Cash flows from investing activities:</b>   |                         |                     |                       |
| Interest income  | 23,393                  | -                   | 23,393                |
| Net cash provided by investing activities  | <u>23,393</u>           | <u>-</u>            | <u>23,393</u>         |
| Net increase (decrease) in cash and cash equivalents   | <u>(245,024)</u>        | <u>(440)</u>        | <u>(245,464)</u>      |
| <b>Cash and cash equivalents:</b>  |                         |                     |                       |
| Beginning of year  | 1,233,676               | 88,990              | 1,322,666             |
| End of year  | \$ <u>988,652</u>       | \$ <u>88,550</u>    | \$ <u>1,077,202</u>   |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b>                        |                         |                     |                       |
| Operating income (loss)  | \$ (4,442,131)          | \$ (86,603)         | \$ (4,528,734)        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                         |                     |                       |
| Depreciation expense   | 91,371                  | 1,389               | 92,760                |
| Commodities used   | 258,375                 | -                   | 258,375               |
| Changes in assets and liabilities:   |                         |                     |                       |
| Accounts receivable - operating  | -                       | (3,168)             | (3,168)               |
| Inventory  | (18,682)                | -                   | (18,682)              |
| Prepaid expenses   | (14,500)                | -                   | (14,500)              |
| Accounts payable   | 9,044                   | (1,212)             | 7,832                 |
| Net other postemployment benefits liability and deferral   | 8,792                   | 628                 | 9,420                 |
| Net pension liability and deferrals  | 276,100                 | 19,722              | 295,822               |
| Deferred revenue   | 916                     | -                   | 916                   |
| Net cash provided by (used in) operating activities  | \$ <u>(3,830,715)</u>   | \$ <u>(69,244)</u>  | \$ <u>(3,899,959)</u> |
| <b>Noncash noncapital financing activities:</b>  |                         |                     |                       |
| Food commodities from the U.S. Department of Agriculture   | \$ <u>258,375</u>       |                     |                       |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUND**

June 30, 2020

|                           | <u>Private Purpose<br/>Trust Fund<br/>Scholarship<br/>Fund</u> |
|---------------------------|--|
| <b>ASSETS</b>             |  |
| Cash                      | \$ -   |
| Accounts receivable       | -  |
| Inventory                 | -  |
|                           | <u>          -</u>   |
| <b>Total assets</b>       | <u>          -</u>   |
| <b>LIABILITIES</b>        |  |
| Accounts payable          | -  |
| Due to student groups     | -  |
|                           | <u>          -</u>   |
| <b>Total liabilities</b>  | <u>          -</u>   |
| <b>NET POSITION</b>       |  |
| Reserved for scholarships | \$ <u><u>          -</u></u>                                   |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Year Ended June 30, 2020

|  | <u>Private Purpose<br/>Trust Fund<br/>Scholarship<br/>Fund</u> |
|--|--|
| Additions:   |  |
| Contributions  | \$ 1,255   |
| Interest income  | 8,708  |
|  | <u>9,963</u>   |
| Deductions:  |  |
| Scholarships   | (10,000)   |
| Transfer to Foundation for Excellence<br>Owensboro Independent Schools | (426,461)  |
|  | <u>(436,461)</u>   |
| Change in net position   | (426,498)  |
| Net position, June 30, 2019  | <u>426,498</u>   |
| Net position, June 30, 2020  | <u>\$ -</u>  |

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

### 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, except for fiduciary funds. 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, 2020

### 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. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a 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 and fiduciary 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, 2020

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

#### Basis of Presentation, Continued

##### Special Revenue Funds, Continued:

###### Student Activity Fund:

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

###### Capital Projects Funds:

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

###### SEEK Capital Outlay Fund:

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

###### FSPK Building Fund:

The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the Kentucky School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

###### Construction Fund:

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

###### Debt Service Fund:

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

##### Proprietary Funds (Enterprise):

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

###### Food Service Fund:

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

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

#### Basis of Presentation, Continued

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

###### Day Care Fund:

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

##### Fiduciary Fund:

###### Scholarship Fund:

The Scholarship Fund is a private purpose trust fund which accounts for assets held by the District in a trustee capacity for scholarships. During fiscal year 2020, the District transferred the assets of this fund to the Foundation for Excellence Owensboro Independent Schools.

#### Basis of Accounting

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

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

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end.

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



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

#### Basis of Accounting, Continued

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.

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 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 (expenditures) rather than revenues (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.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

#### 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.

#### 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.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

#### Property Taxes, Continued

The assessed value of the roll on January 1, 2019, on which the levy for the 2020 fiscal year was based, totaled \$1,623,418,156. 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, 2020, to finance General Fund and FSPK Building Fund operations were 75.2 cents and 11.4 cents per \$100 valuation, respectively, for a total of 86.6 cents per \$100 valuation. In addition, the tax rate assessed for motor vehicles totaled 64.1 cents per \$100 valuation.

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

#### Unearned Revenue (Advances from Grantors)

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

#### Interfund Receivables, Payables, and Transfers

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

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

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

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

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

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 (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.



# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

#### Net Position, Continued

- 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 of Education has the authority to revisit or alter this designation.

#### 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 of Education). 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 of Education 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 of Education 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).

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Fund Balance Classification, Continued

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.

Recently Issued Accounting Standard

The following recently issued accounting standard was implemented by the District at June 30, 2020:

*GASBS No. 84 Fiduciary Activities*

In January of 2017, the GASB issued Statement No. 84 to improve guidance regarding the identification, accounting and financial reporting for fiduciary activities. This Statement establishes criteria for identifying fiduciary activities for all state and local governments, and requires that activities meeting such criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement is effective for reporting periods beginning after December 31, 2019; however, the District, at the direction of the Kentucky Department of Education, elected to early-implement this standard. The cumulative effect of this change in accounting principle is disclosed in Note 19.

**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.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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### 3. Deposits, Continued

At June 30, 2020, the book balance of the District's bank deposits was \$31,690,469 and the bank balances were \$31,734,655. Of the bank balances, \$250,258 was covered by federal depository insurance and \$31,484,397 was collateralized by securities held by the pledging financial institution. There were no uninsured or uncollateralized balances.

The District maintains a common checking account for all governmental funds, proprietary funds and the scholarship fund.

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, 2020

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

|  | Balance<br>June 30, 2019 | Additions            | Disposals              | Balance<br>June 30, 2020 |
|--|--------------------------|----------------------|------------------------|--------------------------|
| <u>Governmental activities:</u>              |                          |                      |                        |                          |
| Capital assets, not being depreciated:       |                          |                      |                        |                          |
| Land   | \$ 4,062,813             | \$ -                 | \$ -                   | \$ 4,062,813             |
| Construction in progress                     | 17,114,596               | 20,578,778           | (17,269,683)           | 20,423,691               |
| Total capital assets, not being depreciated  | <u>21,177,409</u>        | <u>20,578,778</u>    | <u>(17,269,683)</u>    | <u>24,486,504</u>        |
| Capital assets, being depreciated:           |                          |                      |                        |                          |
| Land improvements                            | 7,945,093                | 521,429              | (1,583)                | 8,464,939                |
| Buildings and improvements                   | 55,395,819               | 16,748,254           | -                      | 72,144,073               |
| Technology equipment                         | 1,394,281                | 40,218               | (44,748)               | 1,389,751                |
| Vehicles                                     | 3,989,990                | 646,639              | -                      | 4,636,629                |
| General equipment                            | 946,012                  | 29,245               | (40,801)               | 934,456                  |
| Total capital assets, being depreciated      | <u>69,671,195</u>        | <u>17,985,785</u>    | <u>(87,132)</u>        | <u>87,569,848</u>        |
| Less accumulated depreciation:               |                          |                      |                        |                          |
| Land improvements                            | (3,669,129)              | (308,623)            | 1,583                  | (3,976,169)              |
| Buildings and improvements                   | (24,406,617)             | (1,536,642)          | -                      | (25,943,259)             |
| Technology equipment                         | (1,134,389)              | (60,102)             | 44,748                 | (1,149,743)              |
| Vehicles                                     | (2,539,402)              | (302,386)            | -                      | (2,841,788)              |
| General equipment                            | (701,792)                | (76,656)             | 40,163                 | (738,285)                |
| Total accumulated depreciation               | <u>(32,451,329)</u>      | <u>(2,284,409)</u>   | <u>86,494</u>          | <u>(34,649,244)</u>      |
| Total capital assets, being depreciated, net | <u>37,219,866</u>        | <u>15,701,376</u>    | <u>(638)</u>           | <u>52,920,604</u>        |
| Governmental activities:                     |                          |                      |                        |                          |
| Capital assets, net                          | \$ <u>58,397,275</u>     | \$ <u>36,280,154</u> | \$ <u>(17,270,321)</u> | \$ <u>77,407,108</u>     |
| <u>Business-type activities:</u>             |                          |                      |                        |                          |
| Capital assets, being depreciated:           |                          |                      |                        |                          |
| Land improvements                            | \$ 20,259                | \$ -                 | \$ -                   | \$ 20,259                |
| Building and improvements                    | 6,738                    | -                    | -                      | 6,738                    |
| Vehicles                                     | 39,655                   | 23,858               | -                      | 63,513                   |
| General equipment                            | 951,445                  | 286,407              | (19,216)               | 1,218,636                |
| Total capital assets, being depreciated      | <u>1,018,097</u>         | <u>310,265</u>       | <u>(19,216)</u>        | <u>1,309,146</u>         |
| Less accumulated depreciation:               |                          |                      |                        |                          |
| Land improvements                            | (8,441)                  | (1,013)              | -                      | (9,454)                  |
| Building and improvements                    | (2,994)                  | (270)                | -                      | (3,264)                  |
| Vehicles                                     | (34,335)                 | (5,978)              | -                      | (40,313)                 |
| General equipment                            | (494,633)                | (85,499)             | 17,633                 | (562,499)                |
| Total accumulated depreciation               | <u>(540,403)</u>         | <u>(92,760)</u>      | <u>17,633</u>          | <u>(615,530)</u>         |
| Business-type activities:                    |                          |                      |                        |                          |
| Capital assets, net                          | \$ <u>477,694</u>        | \$ <u>217,505</u>    | \$ <u>(1,583)</u>      | \$ <u>693,616</u>        |



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**4. Capital Assets, Continued**

Depreciation expense was charged to governmental functions as follows:

|                                |                     |
|--------------------------------|---------------------|
| Instructional                  | \$ 1,874,003        |
| Support services:              |                     |
| Student                        | -                   |
| Instructional staff            | 972                 |
| District administration        | 34,116              |
| School administration          | 278                 |
| Business                       | 58,636              |
| Plant operation and management | 63,103              |
| Student transportation         | <u>253,301</u>      |
| Total depreciation expense     | \$ <u>2,284,409</u> |

**5. Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2020, was as follows:

|                               | <u>Balance<br/>June 30,<br/>2019</u> | <u>Additions</u>     | <u>Deductions</u>     | <u>Balance<br/>June 30,<br/>2020</u> | <u>Due<br/>Within<br/>One Year</u> |
|-------------------------------|--------------------------------------|----------------------|-----------------------|--------------------------------------|------------------------------------|
| Governmental activities:      |                                      |                      |                       |                                      |                                    |
| Long-term debt:               |                                      |                      |                       |                                      |                                    |
| School building revenue bonds | \$ 30,185,000                        | \$ 26,305,000        | \$ (1,785,000)        | \$ 54,705,000                        | \$ 2,260,000                       |
| Deferred amounts:             |                                      |                      |                       |                                      |                                    |
| For issuance premiums         | 149,820                              | -                    | (17,706)              | 132,114                              | -                                  |
| For issuance discounts        | <u>(41,149)</u>                      | <u>(172,430)</u>     | <u>7,247</u>          | <u>(206,332)</u>                     | <u>-</u>                           |
| Total long-term debt          | 30,293,671                           | 26,132,570           | (1,795,459)           | 54,630,782                           | 2,260,000                          |
| KSBIT assessment              | 66,564                               | -                    | (33,282)              | 33,282                               | 33,282                             |
| Lease obligation              | 619,203                              | -                    | (619,203)             | -                                    | -                                  |
| Compensated absences:         |                                      |                      |                       |                                      |                                    |
| Accrued sick leave            | <u>1,924,219</u>                     | <u>279,916</u>       | <u>(219,988)</u>      | <u>1,984,147</u>                     | <u>228,305</u>                     |
| Total governmental activities | \$ <u>32,903,657</u>                 | \$ <u>26,412,486</u> | \$ <u>(2,667,932)</u> | \$ <u>56,648,211</u>                 | \$ <u>2,521,587</u>                |

The KSBIT assessment is expected to be liquidated by the General Fund. Compensated absences is expected to be liquidated by the funds which incurred the related salary and wage costs.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

School Building Revenue Bonds

The District is obligated to make lease 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 lease payments are recorded in the Debt Service Fund.

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, 2020, is as follows:

|                        |    | <u>District</u>    |    | <u>Commission</u> |    | <u>Total</u>       |
|------------------------|----|--------------------|----|-------------------|----|--------------------|
| Balance, June 30, 2019 | \$ | 27,037,779         | \$ | 3,147,221         | \$ | 30,185,000         |
| Issued                 |    | 25,755,399         |    | 549,601           |    | 26,305,000         |
| Retired                |    | <u>(1,515,738)</u> |    | <u>(269,262)</u>  |    | <u>(1,785,000)</u> |
| Balance, June 30, 2020 | \$ | <u>51,277,440</u>  | \$ | <u>3,427,560</u>  | \$ | <u>54,705,000</u>  |

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

|             |                               |                   | <u>Balance, June 30, 2020</u> |                     |                      |
|-------------|-------------------------------|-------------------|-------------------------------|---------------------|----------------------|
|             | Range of<br>Interest<br>Rates | Final<br>Maturity | <u>District</u>               | <u>Commission</u>   | <u>Total</u>         |
| 2012R Issue | 2.00 – 2.500%                 | 2024              | \$ -                          | \$ 565,000          | \$ 565,000           |
| 2015 Issue  | 2.00 – 3.500%                 | 2036              | 5,136,951                     | 618,049             | 5,755,000            |
| 2016R Issue | 2.00 – 4.000%                 | 2029              | 14,415,619                    | 449,381             | 14,865,000           |
| 2017 Issue  | 2.00 – 3.375%                 | 2038              | 5,969,471                     | 1,245,529           | 7,215,000            |
| 2019 Issue  | 3.00%                         | 2040              | 12,510,399                    | 549,601             | 13,060,000           |
| 2020 Issue  | 3.25 – 3.375%                 | 2040              | <u>13,245,000</u>             | <u>-</u>            | <u>13,245,000</u>    |
|             |                               |                   | <u>\$ 51,277,440</u>          | <u>\$ 3,427,560</u> | <u>\$ 54,705,000</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, 2020, for debt service (principal and interest) are as follows:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

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

School Building Revenue Bonds, Continued

| Year<br>Ending<br>June 30, | Owensboro Independent<br>School District |                      |                      | Kentucky School Facility<br>Construction Commission |                   |                     |                      |
|----------------------------|--|----------------------|----------------------|---|-------------------|---------------------|----------------------|
|                            | Principal                                | Interest             | District<br>Total    | Principal   | Interest          | Commission<br>Total | Total                |
| 2021                       | \$ 1,963,352                             | \$ 1,498,413         | \$ 3,461,765         | \$ 296,648  | \$ 91,691         | \$ 388,339          | \$ 3,850,104         |
| 2022                       | 2,030,956                                | 1,440,534            | 3,471,490            | 304,044   | 84,296            | 388,340             | 3,859,830            |
| 2023                       | 2,113,881                                | 1,387,385            | 3,501,266            | 311,119   | 77,220            | 388,339             | 3,889,605            |
| 2024                       | 2,161,605                                | 1,338,580            | 3,500,185            | 318,395   | 69,944            | 388,339             | 3,888,524            |
| 2025                       | 2,242,666                                | 1,286,449            | 3,529,115            | 167,334   | 62,506            | 229,840             | 3,758,955            |
| 2026–                      |  |                      |                      |   |                   |                     |                      |
| 2030                       | 12,318,714                               | 5,464,655            | 17,783,369           | 831,286   | 243,936           | 1,075,222           | 18,858,591           |
| 2031–                      |  |                      |                      |   |                   |                     |                      |
| 2035                       | 14,500,428                               | 3,483,127            | 17,983,555           | 749,572   | 133,060           | 882,632             | 18,866,187           |
| 2036–                      |  |                      |                      |   |                   |                     |                      |
| 2040                       | 13,945,838                               | 1,138,934            | 15,084,772           | 449,162   | 24,528            | 473,690             | 15,558,462           |
|                            | <u>\$ 51,277,440</u>                     | <u>\$ 17,038,077</u> | <u>\$ 68,315,517</u> | <u>\$ 3,427,560</u>                                 | <u>\$ 787,181</u> | <u>\$ 4,214,741</u> | <u>\$ 72,530,258</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 payable for the year ended June 30, 2020, totaled \$1,417,548, of which \$1,326,193 was paid by the District, and \$91,355 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, 2020, \$14,905,000 of bonds outstanding are considered defeased.

KSBIT Assessment

In years prior to fiscal year 2000, the District participated in the Kentucky School Boards Insurance Trust, which has become insolvent. In accordance with the original participation agreement and a court order dated June 4, 2014, each participant in the trust in any prior year was levied an assessment to cover the deficit in order to close the trust. The final installment to be paid by the District for the year ending June 30, 2021, is \$33,282.

Lease Obligation

The District's obligation under a lease agreement for the purchase of laptop computers was paid off during fiscal year. Interest expense on the lease obligation for the year ended June 30, 2020, totaled \$4,619.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Compensated Absences

Upon retirement, as defined by the Teachers' Retirement System of the State of Kentucky or the County Employees Retirement System, certified and classified employees receive an amount equal to 30% of the value of accumulated sick leave based on the individual final salary. This liability totaled \$1,984,147 at June 30, 2020, and is recorded as a long-term liability in the district-wide financial statements. Unused accumulated vacation leave does not vest and, therefore, is not recorded as a liability in the financial statements.

For governmental fund financial statements, the amount of compensated absences recorded as a liability would be the amount expected to be paid using expendable available resources. These obligations for June 30, 2020, were paid prior to fiscal year end and, therefore, no amount has been accrued in the governmental fund financial statements.

**6. Leases**

The District leases equipment under cancelable operating leases. Commitments under these agreements provide for minimum future rental payments as of June 30, 2020, as follows:

|                       |    |               |
|-----------------------|----|---------------|
| Year ending June 30:  |    |               |
| 2021                  | \$ | 46,190        |
| 2022                  |    | 46,190        |
| 2023                  |    | 2,484         |
| 2024                  |    | <u>1,242</u>  |
| Total minimum rentals | \$ | <u>96,106</u> |

Rental expense for operating leases, including contingent rentals on a per copy basis of \$41,251, totaled \$87,124 for the year ended June 30, 2020.

**7. Interfund Receivables and Payables**

| <u>Fund</u>          | <u>Receivable</u> | <u>Payable</u>    |
|----------------------|-------------------|-------------------|
| General Fund         | \$ 719,073        | \$ 880            |
| Special Revenue Fund | 89,673            | 714,749           |
| Activity Funds       | <u>880</u>        | <u>93,997</u>     |
|                      | <u>\$ 809,626</u> | <u>\$ 809,626</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.

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

### 8. Pension Benefits – Teachers' Retirement System of the State of Kentucky

#### Plan Description

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

#### Benefits Provided

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002, receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002, who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members 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.

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.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

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

Benefits Provided, Continued

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 12.855% of their salaries to TRS for the year ended June 30, 2020. The State, as a non-employer contributing entity, contributes 13.105% of the salaries of school district members who joined before July 1, 2008 and 14.105 % for those who joined thereafter. For local school district members whose salaries are federally funded, the District contributes 16.105% of salaries.

If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member’s request.

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

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, 2020, 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>107,907,345</u> |
| Total   | \$ | <u>107,907,345</u> |

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the measurement date, the District’s proportion of the TRS net pension liability was 0.7909%, an increase of .0397% from its proportion measured as of June 30, 2018, of 0.7512%.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

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

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

For the year ended June 30, 2020, the District recognized on-behalf pension expense and revenue of \$8,120,628 for contributions provided by the State.

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |                |
|--|----------------|
| Inflation  | 3.00%          |
| Salary increases, including inflation  | 3.50 to 7.30%  |
| Long-term investment rate of return,<br>net of pension plan investment<br>expense, including inflation | 7.50%          |
| Municipal Bond Index Rate:   |                |
| Prior Measurement Date   | 3.89%          |
| Measurement Date   | 3.50%          |
| Single Equivalent Interest Rate, net of<br>pension plan investment expense,<br>including inflation:    |                |
| Prior Measurement Date   | 7.50%          |
| Measurement Date   | 7.50%          |
| Post-Retirement Benefit Increases  | 1.50% annually |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females, with a setback of one year for females.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015, adopted by the TRS Board on November 19, 2016.

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

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Actuarial Assumptions, Continued

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 are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-----------------------|--------------------------|---|
| U.S. equity           | 40%                      | 4.2%  |
| International         | 22                       | 5.2%  |
| Fixed income          | 15                       | 1.2%  |
| Additional categories | 8                        | 3.3%  |
| Real estate           | 6                        | 3.8%  |
| Private equity        | 7                        | 6.3%  |
| Cash                  | <u>2</u>                 | 0.9%  |
|                       | <u>100%</u>              |   |

Discount Rate

The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.50%. 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 statutorily required rates, adjusted by 95% 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 District’s Proportionate Share of the 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 7.50%, as well as what the State’s proportionate



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

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

share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (8.50%) or 1-percentage-point higher (6.50%) than the current rate:

|                       | <u>Discount rate</u> | <u>State’s proportionate share of net pension liability associated with the District</u> |
|-----------------------|----------------------|--|
| 1% decrease           | 6.50%                | \$137,784,792  |
| Current discount rate | 7.50%                | \$107,907,345  |
| 1% increase           | 8.50%                | \$ 82,768,377  |

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, 2020.

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

Medical Insurance Plan (MIP)

*Plan description* – In addition to the pension benefits described in Note 7, Kentucky Revised Statute 161.675 requires KTRS 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 KTRS 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. KTRS retired members are given a supplement to be used for payment of their health

# OWENSBORO INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

#### Medical Insurance Plan (MIP), Continued

insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the KTRS 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 KTRS Medicare Eligible Health Plan.

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

At June 30, 2020, 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* – KTRS 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 KTRS Board of Trustees and the General Assembly.

*Benefits provided* – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS 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, 2020, 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 KTRS on behalf of the District, and the District does not contribute to the LIP.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**9. 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

At June 30, 2020, the District reported a liability of \$12,310,000 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, 2019, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District’s long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At the June 30, 2019, measurement date, the District’s proportion was 0.420591%, an increase of 0.033619% from its proportion measured as of June 30, 2018 of 0.386972%.

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:

|  | <u>MIP</u>           | <u>LIP</u>        |
|--|----------------------|-------------------|
| District’s proportionate share of the net OPEB liability                           | \$ 12,310,000        | \$ -              |
| State’s proportionate share of the net OPEB liability associated with the District | <u>9,941,000</u>     | <u>231,000</u>    |
| Total  | \$ <u>22,251,000</u> | \$ <u>231,000</u> |

For the year ended June 30, 2020, the District recognized MIP OPEB expense of \$666,076. In addition, on-behalf MIP and LIP OPEB revenue and expense for support provided by the State totaled \$591,436 and \$9,765 for the year ended June 30, 2020. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

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

|  | MIP                                  |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience   | \$ -                                 | \$ 2,979,000                        |
| Changes of assumptions   | 327,000                              | -                                   |
| Net difference between projected and actual earnings on plan investments                             | 52,000                               | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,034,000                            | 90,000                              |
| District contributions subsequent to the measurement date  | 746,326                              | -                                   |
| <b>Total</b>   | <b>\$ 2,159,326</b>                  | <b>\$ 3,069,000</b>                 |

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$746,326 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, 2021. 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, |                       |
|---------------------|-----------------------|
| 2021                | \$ (323,000)          |
| 2022                | (323,000)             |
| 2023                | (296,000)             |
| 2024                | (301,000)             |
| 2025                | (256,000)             |
| 2026                | (157,000)             |
|                     | <u>\$ (1,656,000)</u> |

*Actuarial assumptions* – The total MIP and LIP OPEB liabilities in the June 30, 2018, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

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

|  |              |
|--|--------------|
| Inflation  | 3.00%        |
| Real Wage Growth   | 0.50%        |
| Wage Inflation   | 3.50%        |
| Salary increases, including wage inflation   | 3.50 – 7.20% |
| Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation:             |              |
| MIP  | 8.00%        |
| LIP  | 7.50%        |
| Municipal Bond Index Rate  | 3.50%        |
| Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation (Discount rate): |              |
| MIP  | 8.00%        |
| LIP  | 7.50%        |

MIP Health Care Cost Trends:

|                          |  |
|--------------------------|--|
| Under 65                 | 7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024 |
| Ages 65 and Older        | 5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021 |
| Medicare Part B Premiums | 2.63% for FY 2019 with an ultimate rate of 5.00% by 2031             |

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018, valuation were based on a review of recent plan experience done concurrently with the June 30, 2018, valuation.



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS’s investment consultant, are summarized in the following table:

| Asset Class                 | Target Allocation |      | 30 Year Expected Geometric Real Rate of Return |      |
|-----------------------------|-------------------|------|--|------|
|                             | MIP               | LIP  | MIP  | LIP  |
| Global Equity               | 58.0%             | 0.0% | 5.1%   | -    |
| U.S. Equity                 | 0.0               | 40.0 | -  | 4.3% |
| International Equity        | 0.0               | 23.0 | -  | 5.2% |
| Fixed Income                | 9.0               | 18.0 | 1.2%   | 1.2% |
| Real Estate                 | 6.5               | 6.0  | 3.8%   | 3.8% |
| Private Equity              | 8.5               | 5.0  | 6.3%   | 6.3% |
| Other Additional Categories | 17.0              | 6.0  | 3.2%   | 3.2% |
| Cash (LIBOR)                | 1.0               | 2.0  | 0.9%   | 0.9% |
| Total                       | 100%              | 100% |  |      |

*Discount rate* - The discount rates used to measure the total MIP and LIP OPEB liabilities were 8.00% and 7.50%, respectively. 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 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**9. 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

|                        | <u>1% decrease<br/>(7.00%)</u> | <u>Current<br/>discount rate<br/>(8.00%)</u> | <u>1% increase<br/>(9.00%)</u> |
|------------------------|--------------------------------|--|--------------------------------|
| Net MIP OPEB liability | \$ 14,582,000                  | \$ 12,310,000                                | \$ 10,406,000                  |

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

|                        | <u>1% decrease</u> | <u>Current<br/>trend rate</u> | <u>1% increase</u> |
|------------------------|--------------------|-------------------------------|--------------------|
| Net MIP OPEB liability | \$ 10,021,000      | \$ 12,310,000                 | \$ 15,125,000      |

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

Payable to the OPEB Plans

The District reported payables of \$84,417 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2020.

**10. Pension and Other Postemployment Benefits – CERS**

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 Kentucky Retirement Systems (KRS) that covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

OWENSBORO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

10. Pension and Other Postemployment Benefits – CERS, Continued

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. Plan members with a participation date prior to September 1, 2008, are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

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

Contributions

State statute requires active members 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 KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the year ended June 30, 2020, were as follows:

|         | <u>Contribution<br/>Rates</u> | <u>Contributions</u> |
|---------|-------------------------------|----------------------|
| Pension | 19.30%                        | \$ 1,560,452         |
| OPEB    | 4.76                          | 384,857              |
| Total   | <u>24.06%</u>                 | <u>\$ 1,945,309</u>  |



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**10. Pension and Other Postemployment Benefits – CERS, Continued**

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

The net pension and OPEB liabilities reported as of June 30, 2020, were measured as of June 30, 2019, and the total pension and OPEB liabilities used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. Changes in the District's pension and OPEB proportions as of the measurement dates were as follows:

|               | <u>Pension</u>   | <u>OPEB</u>      |
|---------------|------------------|------------------|
| June 30, 2018 | 0.297263%        | 0.297425%        |
| Decrease      | <u>0.004854</u>  | <u>0.004614</u>  |
| June 30, 2019 | <u>0.302117%</u> | <u>0.302039%</u> |

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2020, were as follows:

|                      | <u>Net Pension Liability</u> | <u>Net OPEB Liability</u> |
|----------------------|------------------------------|---------------------------|
| Proportionate Share  | \$ <u>21,248,023</u>         | \$ <u>5,080,160</u>       |
| Pension/OPEB Expense | \$ <u>3,531,953</u>          | \$ <u>447,501</u>         |

At June 30, 2020, 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   | \$ 542,526                            | \$ 89,778                            | \$ -                                  | \$ 1,532,802                         |
| Changes of assumptions   | 2,150,541                             | -                                    | 1,503,266                             | 10,052                               |
| Net difference between projected and actual earnings on plan investments                             | -                                     | 342,527                              | -                                     | 225,639                              |
| Changes in proportion and differences between contributions and proportionate share of contributions | 220,481                               | 269,136                              | 50,408                                | 138,492                              |
| Contributions subsequent to the measurement date   | <u>1,560,452</u>                      | <u>-</u>                             | <u>384,857</u>                        | <u>-</u>                             |
| Total  | \$ <u>4,474,000</u>                   | \$ <u>701,441</u>                    | \$ <u>1,938,531</u>                   | \$ <u>1,906,985</u>                  |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**10. Pension and Other Postemployment Benefits – CERS, Continued**

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

The \$1,560,452 and \$384,857 of deferred outflows of resources resulting from the District’s pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2021. 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, | <u>Pension</u>      | <u>OPEB</u>         |
|----------------------|---------------------|---------------------|
| 2021                 | \$ 1,373,855        | \$ (61,087)         |
| 2022                 | 562,078             | (61,087)            |
| 2023                 | 251,873             | 10,653              |
| 2024                 | 24,301              | (126,721)           |
| 2025                 | -                   | (100,031)           |
| 2026                 | -                   | (15,038)            |
|                      | <u>\$ 2,212,107</u> | <u>\$ (353,311)</u> |

Actuarial Assumptions

The total pension/OPEB liabilities in the June 30, 2018, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                    |   |
|------------------------------------|---|
| Inflation                          | 2.30%   |
| Healthcare payroll growth rate     | 2.00%   |
| Salary increases                   | 3.30% to 10.30%, varies by service  |
| Net investment rate                | 6.25%   |
| Healthcare cost trend rates (OPEB) | Pre-65: Initial trend starting at 7.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.<br>Post-65: Initial trend starting at 5.0% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**10. Pension and Other Postemployment Benefits – CERS, Continued**

Actuarial Assumptions, Continued

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

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2018.

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 |
|-----------------------------|-------------------|--|
| Growth                      |                   |  |
| US equity                   | 18.75%            | 4.30%                                  |
| Non US equity               | 18.75             | 4.80%                                  |
| Private equity              | 10.00             | 6.65%                                  |
| Specialty credit/high yield | 15.00             | 2.60%                                  |
| Liquidity                   |                   |  |
| Core bonds                  | 13.50             | 1.35%                                  |
| Cash                        | 1.00              | .20%                                   |
| Diversifying strategies     |                   |  |
| Real estate                 | 5.00              | 4.85%                                  |
| Opportunistic               | 3.00              | 2.97%                                  |
| Real return                 | 15.00             | 4.10%                                  |
| Total                       | 100.00%           |  |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**10. Pension and Other Postemployment Benefits – CERS, Continued**

Discount Rate

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

|                              | <u>Pension</u> | <u>OPEB</u>  |
|------------------------------|----------------|--------------|
| Discount rate, June 30, 2018 | 6.25%          | 5.85%        |
| Increase (decrease)          | -              | ( 0.17)      |
| Discount rate, June 30, 2019 | <u>6.25%</u>   | <u>5.68%</u> |

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.68% used to measure the total OPEB liability was based on the expected rate of return of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019.

The projection of cash flows used to determine the pension discount rate assumed that the funds would receive the required employer contributions in each future year, as determined by the current funding policy established in Statute last amended by House Bill 362 (passed in 2018). The projection of cash flows used to determine the OPEB discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability.

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

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

|                       | <u>District’s Proportionate Share</u> |                              |                      |                           |
|-----------------------|---------------------------------------|------------------------------|----------------------|---------------------------|
|                       | <u>Discount Rate</u>                  | <u>Net pension Liability</u> | <u>Discount Rate</u> | <u>Net OPEB Liability</u> |
| 1% decrease           | 5.25%                                 | \$ 26,575,250                | 4.68%                | \$ 6,805,324              |
| Current discount rate | 6.25%                                 | \$ 21,248,023                | 5.68%                | \$ 5,080,160              |
| 1% increase           | 7.25%                                 | \$ 16,807,831                | 6.68%                | \$ 3,658,739              |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**10. Pension and Other Postemployment Benefits – CERS, Continued**

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

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

|                                     | <u>Healthcare Cost<br/>Trend Rates</u> |    | <u>District’s Proportionate<br/>Share of Net OPEB<br/>Liability</u> |
|-------------------------------------|--|----|---|
| 1% decrease                         | 6.0% Pre-65 or 4.0% Post-65            | \$ | 3,778,141   |
| Current healthcare cost trend rates | 7.0% Pre-65 or 5.0% Post-65            | \$ | 5,080,160   |
| 1% increase                         | 8.0% Pre-65 or 6.0% Post-65            | \$ | 6,659,012   |

Plan Fiduciary Net Position

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

Payables to the Pension/OPEB Plans

The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2020.

|  | <u>Pension</u> |  | <u>OPEB</u> |
|--|----------------|--|-------------|
|  | \$ 217,836     |  | \$ 53,725   |

**11. 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 funds of the District, and are comprised of the following for the year ended June 30, 2020:



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

**11. On-Behalf Payments, Continued**

|                             |                      |
|-----------------------------|----------------------|
| TRS:                        |                      |
| Pension                     | \$ 8,120,628         |
| Retiree health insurance    | 591,436              |
| Retiree life insurance      | 9,765                |
| Health insurance            | 5,465,493            |
| HRA and administrative fees | 430,531              |
| State life insurance        | 9,370                |
| Technology                  | 149,822              |
| KSFCC debt service          | 360,617              |
|                             | <u>\$ 15,137,662</u> |

**12. Deferred Compensation**

The District offers its employees participation 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.

**13. Fund Balance Classification**

The composition of the fund balance classifications at June 30, 2020, is as follows:

|                         | Major Governmental Funds |                      |                     | Nonmajor Governmental Funds |                          |                    | Total                |
|-------------------------|--------------------------|----------------------|---------------------|-----------------------------|--------------------------|--------------------|----------------------|
|                         | General Fund             | Special Revenue Fund | Construction Fund   | School Activity Fund        | SEEK Capital Outlay Fund | FSPK Building Fund |                      |
| Fund balances:          |                          |                      |                     |                             |                          |                    |                      |
| Nonspendable:           | \$ -                     | \$ -                 | \$ -                | \$ -                        | \$ -                     | \$ -               | \$ -                 |
| Restricted for:         |                          |                      |                     |                             |                          |                    |                      |
| Future capital needs    | -                        | -                    | 5,774,757           | -                           | 31,372                   | 947,772            | 979,144              |
| Other                   | -                        | 50,056               | -                   | 545,758                     | -                        | -                  | 545,758              |
|                         | <u>-</u>                 | <u>50,056</u>        | <u>5,774,757</u>    | <u>545,758</u>              | <u>31,372</u>            | <u>947,772</u>     | <u>1,524,902</u>     |
| Committed:              |                          |                      |                     |                             |                          |                    |                      |
| Sick leave              | 299,088                  | -                    | -                   | -                           | -                        | -                  | 299,088              |
| Construction            | 646,013                  | -                    | -                   | -                           | -                        | -                  | 646,013              |
| Technology              | 1,634,335                | -                    | -                   | -                           | -                        | -                  | 1,634,335            |
| Site-based carryforward | 360,887                  | -                    | -                   | -                           | -                        | -                  | 360,887              |
|                         | <u>2,940,323</u>         | <u>-</u>             | <u>-</u>            | <u>-</u>                    | <u>-</u>                 | <u>-</u>           | <u>2,940,323</u>     |
| Assigned:               |                          |                      |                     |                             |                          |                    |                      |
| Purchase obligations    | 74,721                   | -                    | -                   | -                           | -                        | -                  | 74,721               |
| Unassigned              | 14,728,558               | (50,056)             | -                   | -                           | -                        | -                  | 14,678,502           |
| Total fund balances     | \$ <u>17,743,602</u>     | \$ <u>-</u>          | \$ <u>5,774,757</u> | \$ <u>545,758</u>           | \$ <u>31,372</u>         | \$ <u>947,772</u>  | \$ <u>1,524,902</u>  |
|                         |                          |                      |                     |                             |                          |                    | \$ <u>25,043,261</u> |

The District has \$178,822 of encumbrances of operating funds in major and nonmajor funds at June 30, 2020, rolled over into the next fiscal year.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

**14. Net Position Deficits**

The net position deficits reported by the Food Service Fund and the Day Care Fund in the amounts of \$(1,329,181) and \$(198,381), respectively, resulted from the recording of the net pension and OPEB liabilities and related deferrals.

**15. Transfers**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

|                                     | Transfers in:            |                      |                     |                             |                     |                                   | Total               |
|-------------------------------------|--------------------------|----------------------|---------------------|-----------------------------|---------------------|-----------------------------------|---------------------|
|                                     | Major Governmental Funds |                      |                     | Nonmajor Governmental Funds |                     |                                   |                     |
|                                     | General Fund             | Special Revenue Fund | Construction Fund   | FSPK Building Fund          | Debt Service Fund   | Total Nonmajor Governmental Funds |                     |
| <u>Transfers out:</u>               |                          |                      |                     |                             |                     |                                   |                     |
| <b>Major Governmental Funds:</b>    |                          |                      |                     |                             |                     |                                   |                     |
| General Fund                        | \$ -                     | \$ 335,085           | \$ 1,688,010        | \$ -                        | \$ -                | \$ -                              | \$ 2,023,095        |
| Special Revenue Fund                | 3,047                    | -                    | -                   | -                           | -                   | -                                 | 3,047               |
| Construction Fund                   | 1,495,185                | -                    | -                   | 260                         | -                   | 260                               | 1,495,445           |
|                                     |                          |                      |                     |                             |                     |                                   | <u>3,521,587</u>    |
| <b>Nonmajor Governmental Funds:</b> |                          |                      |                     |                             |                     |                                   |                     |
| School Activity Fund                | -                        | 192,972              | -                   | -                           | -                   | -                                 | 192,972             |
| SEEK Capital Outlay Fund            | 409,656                  | -                    | -                   | -                           | -                   | -                                 | 409,656             |
| FSPK Building Fund                  | -                        | -                    | 147,458             | -                           | 2,483,124           | 2,483,124                         | 2,630,582           |
|                                     |                          |                      |                     |                             |                     |                                   | <u>3,233,210</u>    |
| <b>Major Enterprise Fund:</b>       |                          |                      |                     |                             |                     |                                   |                     |
| Food Service Fund                   | 212,087                  | -                    | -                   | -                           | -                   | -                                 | 212,087             |
|                                     | <u>\$ 2,119,975</u>      | <u>\$ 528,057</u>    | <u>\$ 1,835,468</u> | <u>\$ 260</u>               | <u>\$ 2,483,124</u> | <u>\$ 2,483,384</u>               | <u>\$ 6,966,884</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.

During fiscal year 2020, capital assets totaling \$128,205 were transferred from governmental activities to the Food Service Fund. This transaction is reflected as a capital contribution in the Food Service Fund, but as a transfer in the entity-wide financial statements as follows:

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

**15. Transfers, Continued**

|   |                    |
|---|--------------------|
| Transfers out per Proprietary Funds, Statement of Revenue,<br>Expenses, and Changes in Net Position | \$ (212,087)       |
| Capital contribution  | <u>128,205</u>     |
| Net transfers in per Statement of Activities, Business-Type<br>Activities                           | <u>\$ (83,882)</u> |

**16. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**17. 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.

**18. Commitments**

The District has entered into construction contracts totaling \$31,535,335 for various facility improvements. Remaining commitments under these contracts totaled \$8,039,971 at June 30, 2020, of which \$3,316,470 was included in accounts payable in the Construction Fund.

**19. Impact of Recently Issued Accounting Standard**

In fiscal year 2020, as disclosed in Note 2, the District implemented GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities for all state and local governments.

As a result of implementing this Statement, the fiduciary fund which previously reported the school activity funds is now reported as a special revenue fund identified as the Student Activity Fund, and beginning fund balance/net position was restated as follows:



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2020

**19. Impact of Recently Issued Accounting Standard, Continued**

|  | Fund Balance          |                             |                          | Net Position            |
|--|-----------------------|-----------------------------|--------------------------|-------------------------|
|  | Student Activity Fund | Nonmajor Governmental Funds | Total Governmental Funds | Governmental Activities |
| Balance, June 30, 2019, as previously reported | \$ -                  | \$ 674,159                  | \$ 17,800,540            | \$ 13,829,235           |
| Restatement                                    | 580,847               | 580,847                     | 580,847                  | 580,847                 |
| Balance, June 30, 2019, restated               | \$ 580,847            | \$ 1,255,006                | \$ 18,381,387            | \$ 14,410,082           |

**20. Accounting Standard Effective in Future Periods**

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

*GASBS No. 87 Leases*

In June of 2017, the GASB issued Statement No. 87 to improve accounting and financial reporting for leases by governments, by establishing standards for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources. The Statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact that the standard will have on its financial statements.

**21. 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 moved to nontraditional instruction from March 16, 2020, through the end of the school year. In response to COVID-19, governmental assistance received included the following:

- 1) Federal CARES Act funds totaling \$1,491,534 were awarded to the District through the Kentucky Department of Education, of which \$361,222 was expended and recognized as grant revenue in fiscal year 2020. The remainder of the awards totaling \$1,130,312 is available to draw in fiscal year 2021 for eligible expenditures. These funds are required to be used to support remote learning and other initiatives resulting from the COVID-19 recommendations and regulations.
- 2) Federal CARES Act funds totaling \$3,000 were awarded to the District through the Kentucky Cabinet for Health and Family Services, none of which was expended or recognized as grant revenue in fiscal year 2020. The remainder of the award is available to draw in fiscal year 2021 for eligible expenditures. These funds are for the sustainment of childcare programs operating at the Estes Elementary School.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Year Ended June 30, 2020

|  | Budget              |                     | Actual               | Variance with<br>Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
|  | Original            | Final               |                      |                               |
| <b>Revenues:</b>   |                     |                     |                      |                               |
| Property taxes   | \$ 11,060,000       | \$ 11,910,000       | \$ 12,263,030        | \$ 353,030                    |
| Utility taxes  | 2,000,000           | 1,700,000           | 2,172,424            | 472,424                       |
| Tuition and fees   | 445,000             | 595,000             | 581,612              | (13,388)                      |
| Interest income  | 250,000             | 500,000             | 592,423              | 92,423                        |
| Other local revenue                                      | 66,783              | 166,783             | 468,838              | 302,055                       |
| State aid  | 33,885,757          | 34,051,755          | 35,934,502           | 1,882,747                     |
| Federal aid  | 286,500             | 286,500             | 338,017              | 51,517                        |
| <b>Total revenues</b>                                    | <u>47,994,040</u>   | <u>49,210,038</u>   | <u>52,350,846</u>    | <u>3,140,808</u>              |
| <b>Expenditures:</b>                                     |                     |                     |                      |                               |
| Instruction  | 39,020,739          | 40,646,555          | 32,489,335           | 8,157,220                     |
| Support services:  |                     |                     |                      |                               |
| Student  | 2,633,869           | 2,633,869           | 2,980,380            | (346,511)                     |
| Instructional staff                                      | 2,981,297           | 2,969,310           | 3,227,869            | (258,559)                     |
| District administration                                  | 1,412,345           | 1,412,345           | 1,413,379            | (1,034)                       |
| School administration                                    | 3,300,389           | 3,300,389           | 3,393,244            | (92,855)                      |
| Business   | 1,761,078           | 1,761,078           | 1,898,738            | (137,660)                     |
| Plant operation and maintenance                          | 5,337,262           | 5,337,262           | 4,663,378            | 673,884                       |
| Student transportation                                   | 2,330,422           | 2,740,078           | 2,330,242            | 409,836                       |
| Community services                                       | -                   | -                   | -                    | -                             |
| Building renovations / additions                         | -                   | -                   | -                    | -                             |
| Land / site acquisitions                                 | 50,000              | 50,000              | -                    | 50,000                        |
| Contingency  | 3,000,000           | 3,000,000           | -                    | 3,000,000                     |
| <b>Total expenditures</b>                                | <u>61,827,401</u>   | <u>63,850,886</u>   | <u>52,396,565</u>    | <u>11,454,321</u>             |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>(13,833,361)</u> | <u>(14,640,848)</u> | <u>(45,719)</u>      | <u>14,595,129</u>             |
| <b>Other financing sources (uses):</b>                   |                     |                     |                      |                               |
| Proceeds from sale of capital assets                     | 560,000             | 560,000             | 566,060              | 6,060                         |
| Operating transfers in                                   | 205,118             | 2,055,843           | 2,119,975            | 64,132                        |
| Operating transfers out                                  | (339,183)           | (339,183)           | (2,023,095)          | (1,683,912)                   |
| <b>Total other financing sources (uses)</b>              | <u>425,935</u>      | <u>2,276,660</u>    | <u>662,940</u>       | <u>(1,613,720)</u>            |
| <b>Net change in fund balance</b>                        | <u>(13,407,426)</u> | <u>(12,364,188)</u> | <u>617,221</u>       | <u>12,981,409</u>             |
| <b>Fund balance, June 30, 2019</b>                       | <u>17,126,381</u>   | <u>17,126,381</u>   | <u>17,126,381</u>    | <u>-</u>                      |
| <b>Fund balance, June 30, 2020</b>                       | <u>\$ 3,718,955</u> | <u>\$ 4,762,193</u> | <u>\$ 17,743,602</u> | <u>\$ 12,981,409</u>          |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

Year Ended June 30, 2020

|   | Budget           |                   | Actual           | Variance with<br>Final Budget |
|---|------------------|-------------------|------------------|-------------------------------|
|   | Original         | Final             |                  |                               |
| Revenues:   |                  |                   |                  |                               |
| Other local revenue                               | \$ 270,440       | \$ 1,567,153      | \$ 1,309,040     | \$ (258,113)                  |
| State aid   | 2,218,040        | 2,378,707         | 2,448,237        | 69,530                        |
| Federal aid                                       | 2,086,108        | 5,506,644         | 4,080,359        | (1,426,285)                   |
| Total revenues                                    | <u>4,574,588</u> | <u>9,452,504</u>  | <u>7,837,636</u> | <u>(1,614,868)</u>            |
| Expenditures:                                     |                  |                   |                  |                               |
| Instruction                                       | 2,847,167        | 6,865,520         | 5,894,473        | 971,047                       |
| Support services:                                 |                  |                   |                  |                               |
| Student   | 644,097          | 852,923           | 835,666          | 17,257                        |
| Instructional staff                               | 725,343          | 976,353           | 837,789          | 138,564                       |
| School administration                             | 81,513           | 81,513            | 134,631          | (53,118)                      |
| Plant operation and maintenance                   | 62,430           | 62,976            | 111,291          | (48,315)                      |
| Student transportation                            | -                | 386,924           | 3,477            | 383,447                       |
| Community services                                | 550,203          | 565,393           | 545,319          | 20,074                        |
| Total expenditures                                | <u>4,910,753</u> | <u>9,791,602</u>  | <u>8,362,646</u> | <u>1,428,956</u>              |
| Excess (deficiency) of revenues over expenditures | <u>(336,165)</u> | <u>(339,098)</u>  | <u>(525,010)</u> | <u>(185,912)</u>              |
| Other financing sources (uses):                   |                  |                   |                  |                               |
| Operating transfers in                            | 339,183          | 340,116           | 528,057          | 187,941                       |
| Operating transfers out                           | <u>(3,018)</u>   | <u>(3,018)</u>    | <u>(3,047)</u>   | <u>(29)</u>                   |
| Total other financing sources (uses)              | <u>336,165</u>   | <u>337,098</u>    | <u>525,010</u>   | <u>187,912</u>                |
| Net change in fund balance                        | -                | (2,000)           | -                | 2,000                         |
| Fund balance, June 30, 2019                       | <u>-</u>         | <u>-</u>          | <u>-</u>         | <u>-</u>                      |
| Fund balance, June 30, 2020                       | <u>\$ -</u>      | <u>\$ (2,000)</u> | <u>\$ -</u>      | <u>\$ 2,000</u>               |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

Last 10 Fiscal Years \*

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

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

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

Last 10 Fiscal Years \*

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

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

OWENSBORO INDEPENDENT SCHOOL DISTRICT

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

Last 10 Fiscal Years \*

|   | 2020                 | 2019                 | 2018                 |
|---|----------------------|----------------------|----------------------|
| <b><u>MEDICAL INSURANCE PLAN (MIP)</u></b>  |                      |                      |                      |
| District's proportion of the plan total net MIP OPEB liability                                      | 0.420591%            | 0.386972%            | 0.390612%            |
| District's proportionate share of the net MIP OPEB liability associated with the District           | \$ 12,310,000        | \$ 13,427,000        | \$ 13,928,000        |
| State's proportionate share of the net MIP OPEB liability associated with the District              | <u>9,941,000</u>     | <u>11,571,000</u>    | <u>11,377,000</u>    |
| Total   | <u>\$ 22,251,000</u> | <u>\$ 24,998,000</u> | <u>\$ 25,305,000</u> |
| District's covered payroll  | \$ 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 | 50.43%               | 58.44%               | 62.44%               |
| Plan fiduciary net position as a percentage of the total MIP OPEB liability                         | 32.58%               | 25.50%               | 21.18%               |
| <b><u>LIFE INSURANCE PLAN (LIP)</u></b>   |                      |                      |                      |
| District's proportion of the plan total net LIP OPEB liability                                      | 0.00%                | 0.00%                | 0.00%                |
| 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>231,000</u>       | <u>199,000</u>       | <u>152,000</u>       |
| Total   | <u>\$ 231,000</u>    | <u>\$ 199,000</u>    | <u>\$ 152,000</u>    |
| District's covered payroll  | \$ 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%                |
| Plan fiduciary net position as a percentage of the total LIP OPEB liability                         | 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>2020</u>      | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|------------------|
| <u>MEDICAL INSURANCE PLAN (MIP)</u>  |                  |                  |                  |
| District's contractually required contributions                                  | \$ 746,326       | \$ 732,257       | \$ 689,320       |
| District's contributions in relation to the contractually required contributions | <u>(746,326)</u> | <u>(732,257)</u> | <u>(689,320)</u> |
| Contribution deficiency (excess)   | \$ <u>-</u>      | \$ <u>-</u>      | \$ <u>-</u>      |
| <br>   |                  |                  |                  |
| District's covered payroll   | \$ 24,884,409    | \$ 24,408,634    | \$ 22,977,182    |
| Contributions as a percentage of covered payroll                                 | 3.00%            | 3.00%            | 3.00%            |
| <u>LIFE INSURANCE PLAN (MIP)</u>   |                  |                  |                  |
| District's contractually required contributions                                  | \$ -             | \$ -             | \$ -             |
| District's contributions in relation to the contractually required contributions | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| Contribution deficiency (excess)   | \$ <u>-</u>      | \$ <u>-</u>      | \$ <u>-</u>      |
| <br>   |                  |                  |                  |
| District's covered payroll   | \$ 24,884,409    | \$ 24,408,634    | \$ 22,977,182    |
| Contributions as a percentage of covered payroll                                 | 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, 2020

PENSION

Changes of Benefit Terms

|      |      |
|------|------|
| 2020 | None |
| 2019 | None |
| 2018 | None |
| 2017 | None |
| 2016 | None |

Changes of Assumptions

|      |  |
|------|--|
| 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%.<br>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%.<br>The discount rate decreased from 4.88% to 4.2%.  |
| 2016 | None   |

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

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

Changes of Assumptions

|      |  |
|------|--|
| 2020 | The municipal bond index rate decreased from 3.89% to 3.50%.<br>Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50%.<br>Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50%.<br>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%.<br>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

|      |      |
|------|------|
| 2020 | None |
| 2019 | None |
| 2018 | None |

Changes of Assumptions

|      |  |
|------|--|
| 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>2020</u>   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the plan total net pension liability                                      | 0.302117%     | 0.297263%     | 0.307326%     | 0.318599%     | 0.314419%     | 0.317190%     |
| District's proportionate share of the net pension liability associated with the District           | \$ 21,248,023 | \$ 18,104,223 | \$ 17,988,736 | \$ 15,686,615 | \$ 13,518,528 | \$ 10,291,000 |
| District's covered payroll   | \$ 7,660,709  | \$ 7,450,922  | \$ 7,546,092  | \$ 7,605,201  | \$ 7,356,431  | \$ 7,236,435  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 277.36%       | 242.98%       | 238.38%       | 205.19%       | 183.76%       | 141.84%       |
| Plan fiduciary net position as a percentage of the total pension liability                         | 50.45%        | 53.54%        | 55.30%        | 55.50%        | 59.97%        | 66.80%        |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
PENSION FUND

Last 10 Fiscal Years \*

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

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

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

Last 10 Fiscal Years \*

|  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  |
|--|--------------|--------------|--------------|
| District's proportion of the net OPEB liability  | 0.302039%    | 0.297263%    | 0.307326%    |
| District's proportionate share of the net OPEB liability   | \$ 5,080,160 | \$ 5,280,722 | \$ 6,178,304 |
| District's covered payroll   | \$ 7,660,709 | \$ 7,450,922 | \$ 7,546,092 |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered payroll | 66.31%       | 70.87%       | 81.87%       |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability                         | 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>2020</u>      | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|------------------|
| Contractually required contributions                                     | \$ 384,857       | \$ 402,953       | \$ 350,041       |
| Contributions in relation to the contractually<br>required contributions | <u>(384,857)</u> | <u>(402,953)</u> | <u>(350,041)</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 8,085,241     | \$ 7,660,709     | \$ 7,450,922     |
| Contributions as a percentage of covered payroll                         | 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, 2020

Changes of Benefit Terms

2020 None  
2019 None  
2018 None  
2017 None  
2016 None

Changes of Assumptions

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, 2020

|  | <u>Special Revenue</u>     | <u>Capital Projects</u>           |                          |                         |  |
|--|----------------------------|-----------------------------------|--------------------------|-------------------------|--|
|  | School<br>Activity<br>Fund | SEEK<br>Capital<br>Outlay<br>Fund | FSPK<br>Building<br>Fund | Debt<br>Service<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
| <b>ASSETS</b>  |                            |                                   |                          |                         |  |
| Cash and cash equivalents  | \$ 610,457                 | \$ 31,372                         | \$ 947,772               | \$ -                    | \$ 1,589,601                               |
| Accounts receivable:   |                            |                                   |                          |                         |  |
| Other  | 885                        | -                                 | -                        | -                       | 885  |
| Due from other funds   | 880                        | -                                 | -                        | -                       | 880  |
| Inventory  | 27,533                     | -                                 | -                        | -                       | 27,533                                     |
| <b>Total assets</b>  | <u>\$ 639,755</u>          | <u>\$ 31,372</u>                  | <u>\$ 947,772</u>        | <u>\$ -</u>             | <u>\$ 1,618,899</u>                        |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>       |                            |                                   |                          |                         |  |
| Liabilities:   |                            |                                   |                          |                         |  |
| Due to other funds   | \$ 93,997                  | \$ -                              | \$ -                     | \$ -                    | \$ 93,997                                  |
| <b>Total liabilities</b>   | <u>93,997</u>              | <u>-</u>                          | <u>-</u>                 | <u>-</u>                | <u>93,997</u>                              |
| Deferred inflows of resources  | -                          | -                                 | -                        | -                       | -  |
| Fund balances:   |                            |                                   |                          |                         |  |
| Restricted   | 545,758                    | 31,372                            | 947,772                  | -                       | 1,524,902                                  |
| <b>Total fund balances</b>   | <u>545,758</u>             | <u>31,372</u>                     | <u>947,772</u>           | <u>-</u>                | <u>1,524,902</u>                           |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <u>\$ 639,755</u>          | <u>\$ 31,372</u>                  | <u>\$ 947,772</u>        | <u>\$ -</u>             | <u>\$ 1,618,899</u>                        |



**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

**NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

|   | Special Revenue      | Capital Projects         |                    | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|----------------------|--------------------------|--------------------|-------------------|-----------------------------------|
|   | School Activity Fund | SEEK Capital Outlay Fund | FSPK Building Fund |                   |                                   |
| <b>Revenues:</b>                                  |                      |                          |                    |                   |                                   |
| Property taxes                                    | \$ -                 | \$ -                     | \$ 1,623,418       | \$ -              | \$ 1,623,418                      |
| Interest income                                   | -                    | 742                      | 166                | -                 | 908                               |
| Other local revenue                               | 922,000              | -                        | -                  | -                 | 922,000                           |
| State aid   | -                    | 440,286                  | 1,280,351          | 360,617           | 2,081,254                         |
| <b>Total revenues</b>                             | <b>922,000</b>       | <b>441,028</b>           | <b>2,903,935</b>   | <b>360,617</b>    | <b>4,627,580</b>                  |
| <b>Expenditures:</b>                              |                      |                          |                    |                   |                                   |
| Instruction                                       | 720,802              | -                        | -                  | -                 | 720,802                           |
| Support services:                                 |                      |                          |                    |                   |                                   |
| Student   | 1,180                | -                        | -                  | -                 | 1,180                             |
| Instructional staff                               | 11,330               | -                        | -                  | -                 | 11,330                            |
| District administration                           | -                    | -                        | -                  | -                 | -                                 |
| School administration                             | -                    | -                        | -                  | -                 | -                                 |
| Business  | -                    | -                        | -                  | -                 | -                                 |
| Plant operation and maintenance                   | -                    | -                        | -                  | -                 | -                                 |
| Student transportation                            | 30,805               | -                        | -                  | -                 | 30,805                            |
| Community services                                | -                    | -                        | -                  | -                 | -                                 |
| Building renovations / additions                  | -                    | -                        | -                  | -                 | -                                 |
| Debt service:                                     |                      |                          |                    |                   |                                   |
| Principal   | -                    | -                        | -                  | 1,785,000         | 1,785,000                         |
| Interest  | -                    | -                        | -                  | 1,058,741         | 1,058,741                         |
| <b>Total expenditures</b>                         | <b>764,117</b>       | <b>-</b>                 | <b>-</b>           | <b>2,843,741</b>  | <b>3,607,858</b>                  |
| Excess (deficiency) of revenues over expenditures | 157,883              | 441,028                  | 2,903,935          | (2,483,124)       | 1,019,722                         |
| Other financing sources (uses):                   |                      |                          |                    |                   |                                   |
| Operating transfers in                            | -                    | -                        | 260                | 2,483,124         | 2,483,384                         |
| Operating transfers out                           | (192,972)            | (409,656)                | (2,630,582)        | -                 | (3,233,210)                       |
| <b>Total other financing sources (uses)</b>       | <b>(192,972)</b>     | <b>(409,656)</b>         | <b>(2,630,322)</b> | <b>2,483,124</b>  | <b>(749,826)</b>                  |
| <b>Net change in fund balances</b>                | <b>(35,089)</b>      | <b>31,372</b>            | <b>273,613</b>     | <b>-</b>          | <b>269,896</b>                    |
| Fund balances, June 30, 2019, restated            | 580,847              | -                        | 674,159            | -                 | 1,255,006                         |
| <b>Fund balances, June 30, 2020</b>               | <b>\$ 545,758</b>    | <b>\$ 31,372</b>         | <b>\$ 947,772</b>  | <b>\$ -</b>       | <b>\$ 1,524,902</b>               |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

SCHOOL ACTIVITY FUND

Year Ended June 30, 2020

|                                    | Cash<br>June 30, 2019 | Receipts          | Disbursements     | Cash<br>June 30, 2020 | Accounts<br>Receivable | Inventory        | Accounts<br>Payable | Fund Balance<br>June 30, 2020 |
|------------------------------------|-----------------------|-------------------|-------------------|-----------------------|------------------------|------------------|---------------------|-------------------------------|
| Cravens Elementary                 | \$ 18,404             | \$ 20,201         | \$ 17,428         | \$ 21,177             | \$ 42                  | \$ -             | \$ -                | \$ 21,219                     |
| Estes Elementary                   | 13,033                | 28,949            | 25,611            | 16,371                | 162                    | -                | 1,931               | 14,602                        |
| Foust Elementary                   | 7,603                 | 27,406            | 19,887            | 15,122                | 73                     | 278              | 163                 | 15,310                        |
| Emerson Academy                    | 689                   | 419               | 261               | 847                   | -                      | -                | -                   | 847                           |
| Hager Preschool                    | 9,762                 | 6,735             | 5,377             | 11,120                | 146                    | -                | 101                 | 11,165                        |
| Newton Parrish Elementary          | 8,241                 | 22,951            | 19,899            | 11,293                | 1,060                  | -                | 885                 | 11,468                        |
| Owensboro High School              | 401,418               | 490,505           | 463,926           | 427,997               | -                      | 20,467           | 89,105              | 359,359                       |
| Owensboro Innovation Academy       | 7,481                 | 19,410            | 21,091            | 5,800                 | 106                    | -                | 55                  | 5,851                         |
| Owensboro Middle School            | 76,462                | 235,859           | 242,644           | 69,677                | 122                    | 3,911            | 1,757               | 71,953                        |
| Owensboro Innovation Middle School | 23,101                | 38,597            | 36,697            | 25,001                | -                      | 2,877            | -                   | 27,878                        |
| Sutton Elementary                  | 1,818                 | 31,657            | 27,423            | 6,052                 | 54                     | -                | -                   | 6,106                         |
|                                    | <u>\$ 568,012</u>     | <u>\$ 922,689</u> | <u>\$ 880,244</u> | <u>\$ 610,457</u>     | <u>\$ 1,765</u>        | <u>\$ 27,533</u> | <u>\$ 93,997</u>    | <u>\$ 545,758</u>             |

OWENSBORO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2020

|                         | Cash<br>June 30, 2019 | Receipts   | Disbursements | Transfers | Cash<br>June 30, 2020 | Accounts<br>Receivable | Inventory | Accounts<br>Payable | Fund Balance<br>June 30, 2020 |
|-------------------------|-----------------------|------------|---------------|-----------|-----------------------|------------------------|-----------|---------------------|-------------------------------|
| ATHLETICS               | \$ 70,863             | \$ 118,543 | \$ 94,210     | \$ 5,050  | \$ 100,246            | \$ -                   | \$ -      | \$ 5,363            | \$ 94,883                     |
| DISTRICT ATHLETIC FUND  | -                     | 32         | 5,989         | 7,650     | 1,693                 | -                      | -         | 1,693               | -                             |
| DISTRICT ACTIVITY FUND  | -                     | 164        | 38,164        | 38,000    | -                     | -                      | -         | -                   | -                             |
| FOOTBALL SUPPORT        | 7,636                 | 6,887      | 11,000        | 1,748     | 5,271                 | -                      | -         | -                   | 5,271                         |
| GIRLS SOCCER SUPPORT    | 2,277                 | 52         | 1,429         | 1,470     | 2,370                 | -                      | -         | -                   | 2,370                         |
| BOYS SOCCER SUPPORT     | 4,173                 | 782        | 3,286         | 1,470     | 3,139                 | -                      | -         | -                   | 3,139                         |
| BOWLING SUPPORT         | 1,939                 | 281        | 970           | 1,705     | 2,955                 | -                      | -         | -                   | 2,955                         |
| SWIM TEAM FUND.         | 1,596                 | 1,415      | 1,619         | -         | 1,392                 | -                      | -         | -                   | 1,392                         |
| LACROSSE BOYS SUPPORT   | 3,142                 | 146        | 2,506         | 3,093     | 3,875                 | -                      | -         | -                   | 3,875                         |
| LACROSSE GIRLS SUPPORT  | -                     | 1,352      | 79            | 40        | 1,313                 | -                      | -         | -                   | 1,313                         |
| GIRLS BASKETBALL FUNDS  | 8,024                 | 2,242      | 4,839         | (47)      | 5,380                 | -                      | -         | -                   | 5,380                         |
| GIRLS TRACK FUNDRAISING | 2,027                 | 190        | (11)          | -         | 2,228                 | -                      | -         | -                   | 2,228                         |
| CHEER                   | 9,942                 | 83,188     | 94,900        | 1,770     | -                     | -                      | -         | -                   | -                             |
| BOYS' BASKETBALL FUNDS  | 3,679                 | 870        | 1,783         | 403       | 3,169                 | -                      | -         | -                   | 3,169                         |
| SOFTBALL FUNDRAISING    | 3,429                 | 3,965      | 1,809         | 1,698     | 7,283                 | -                      | -         | -                   | 7,283                         |
| BASEBALL FUNDRAISING    | 15,472                | 1,319      | 9,057         | 5,067     | 12,801                | -                      | -         | -                   | 12,801                        |
| CROSS COUNTRY INVIT.    | 3,020                 | 3,830      | 2,754         | -         | 4,096                 | -                      | -         | -                   | 4,096                         |
| GIRLS CC SUPPORT        | 3,251                 | 81         | 46            | -         | 3,286                 | -                      | -         | -                   | 3,286                         |
| BOYS CC SUPPORT         | 4,551                 | 112        | 93            | -         | 4,570                 | -                      | -         | -                   | 4,570                         |
| WRESTLING INVITATIONAL  | 685                   | 17         | 61            | -         | 641                   | -                      | -         | -                   | 641                           |
| DANCE CLASS             | 180                   | 2,207      | 1,304         | -         | 1,083                 | -                      | -         | -                   | 1,083                         |
| INSTRUCTIONAL FEES      | 92,312                | 26,283     | 80            | (38,120)  | 80,395                | -                      | -         | 80,395              | -                             |
| ART FEES                | 620                   | 1,642      | 2,214         | -         | 48                    | -                      | -         | -                   | 48                            |
| CARPENTRY               | -                     | 1,627      | 597           | -         | 1,030                 | -                      | -         | -                   | 1,030                         |
| DRIVER'S ED FEES        | 2,080                 | 790        | -             | -         | 2,870                 | -                      | -         | -                   | 2,870                         |
| FC SCIENCE              | 362                   | 9          | -             | -         | 371                   | -                      | -         | -                   | 371                           |
| STEP TEAM               | 1,088                 | 2,715      | 2,564         | -         | 1,239                 | -                      | -         | -                   | 1,239                         |
| PE FEES-9TH GR.         | 3,289                 | 3,546      | 2,869         | -         | 3,966                 | -                      | -         | -                   | 3,966                         |
| LAPTOP FEES CO          | -                     | 1,654      | -             | -         | 1,654                 | -                      | -         | 1,654               | -                             |
| VENDING - STUDENT       | 630                   | 1,337      | 1,906         | 4,000     | 4,061                 | -                      | -         | -                   | 4,061                         |
| VENDING - ADULT         | 1,379                 | 2,967      | 2,911         | -         | 1,435                 | -                      | -         | -                   | 1,435                         |
| VOLLEYBALL FUNDRAISER   | 14,123                | 5,327      | 12,879        | (117)     | 6,454                 | -                      | -         | -                   | 6,454                         |
| MAGAZINE SALES          | 10,615                | 10,628     | 5,343         | (6,150)   | 9,750                 | -                      | -         | -                   | 9,750                         |
| OHS CONCESSIONS         | 23,316                | 59,728     | 32,352        | (32,692)  | 18,000                | -                      | 14,896    | -                   | 32,896                        |
| SCHOOL STORE ATHLETICS  | 7,517                 | 4,005      | 5,307         | (4,695)   | 1,520                 | -                      | 5,571     | -                   | 7,091                         |
| KNOTHOLES               | 716                   | 149        | 709           | -         | 156                   | -                      | -         | -                   | 156                           |
| YEARBOOK                | 9,186                 | 7,890      | 6,762         | 120       | 10,434                | -                      | -         | -                   | 10,434                        |
| STUDENT-Y               | 944                   | 6,746      | 8,598         | 1,000     | 92                    | -                      | -         | -                   | 92                            |
| ACADEMIC TEAM           | 524                   | 548        | 326           | (50)      | 696                   | -                      | -         | -                   | 696                           |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF RECEIPTS, DISBURSEMENTS, ACCRUALS, AND FUND BALANCE

OWENSBORO HIGH SCHOOL

Year Ended June 30, 2020

|                        | Cash<br>June 30, 2019 | Receipts          | Disbursements     | Transfers   | Cash<br>June 30, 2020 | Accounts<br>Receivable | Inventory        | Accounts<br>Payable | Fund Balance<br>June 30, 2020 |
|------------------------|-----------------------|-------------------|-------------------|-------------|-----------------------|------------------------|------------------|---------------------|-------------------------------|
| GSA                    | 176                   | 5                 | -                 | -           | 181                   | -                      | -                | -                   | 181                           |
| F.B.L.A.               | 62                    | 355               | 112               | -           | 305                   | -                      | -                | -                   | 305                           |
| HOSA                   | 177                   | 229               | 231               | -           | 175                   | -                      | -                | -                   | 175                           |
| NATIONAL HONOR SOCIETY | 1,869                 | 1,458             | 1,300             | 75          | 2,102                 | -                      | -                | -                   | 2,102                         |
| JROTC                  | 10,484                | 5,995             | 6,155             | -           | 10,324                | -                      | -                | -                   | 10,324                        |
| TENNIS FUNDRAISING     | 1,153                 | 29                | -                 | -           | 1,182                 | -                      | -                | -                   | 1,182                         |
| SIA/INTERACT           | 5,306                 | 1,875             | 1,724             | (55)        | 5,402                 | -                      | -                | -                   | 5,402                         |
| STUDENT COUNCIL        | 4,410                 | 2,804             | 1,639             | (75)        | 5,500                 | -                      | -                | -                   | 5,500                         |
| AOK                    | 254                   | 7                 | -                 | -           | 261                   | -                      | -                | -                   | 261                           |
| BAND                   | 4,177                 | 32,256            | 26,076            | 3,884       | 14,241                | -                      | -                | -                   | 14,241                        |
| ORCHESTRA              | 271                   | 7                 | -                 | -           | 278                   | -                      | -                | -                   | 278                           |
| CHORUS                 | 4,449                 | 1,973             | 2,707             | -           | 3,715                 | -                      | -                | -                   | 3,715                         |
| PSTO                   | 21,476                | 20,907            | 10,276            | 3,573       | 35,680                | -                      | -                | -                   | 35,680                        |
| FLOWER FUND            | 1,113                 | 151               | -                 | -           | 1,264                 | -                      | -                | -                   | 1,264                         |
| DRAMA                  | 2,734                 | 8,444             | 4,837             | -           | 6,341                 | -                      | -                | -                   | 6,341                         |
| YOUTH SERVICE CENTER   | 3,502                 | 481               | 837               | -           | 3,146                 | -                      | -                | -                   | 3,146                         |
| PROJ.PROM/GRAD.        | 234                   | -                 | -                 | (234)       | -                     | -                      | -                | -                   | -                             |
| JUNIOR CLASS / PROM    | 10,456                | 259               | 367               | -           | 10,348                | -                      | -                | -                   | 10,348                        |
| SOCIAL STUDIES TRIP    | 5,481                 | 24,748            | 30,213            | -           | 16                    | -                      | -                | -                   | 16                            |
| SENIOR ACTIVITIES      | 11                    | 439               | -                 | (11)        | 439                   | -                      | -                | -                   | 439                           |
| TEXTBOOK LOST          | -                     | -                 | -                 | -           | -                     | -                      | -                | -                   | -                             |
| RENAISSANCE            | 1,468                 | 24                | 1,230             | 430         | 692                   | -                      | -                | -                   | 692                           |
| IN AND OUT             | 7,568                 | 22,793            | 14,918            | -           | 15,443                | -                      | -                | -                   | 15,443                        |
|                        | <u>\$ 401,418</u>     | <u>\$ 490,505</u> | <u>\$ 463,926</u> | <u>\$ -</u> | <u>\$ 427,997</u>     | <u>\$ -</u>            | <u>\$ 20,467</u> | <u>\$ 89,105</u>    | <u>\$ 359,359</u>             |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2020

| Grantor / Program Title                                  | CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Fund<br>Number | Project<br>Number | Federal<br>Expenditures |
|--|----------------|--|----------------|-------------------|-------------------------|
| <b>U.S. Department of Agriculture</b>                    |                |  |                |                   |                         |
| Passed through Kentucky Department of Agriculture:       |                |  |                |                   |                         |
| Food Donation  | 10.550         | 057502                                       | 51             | N/A               | \$ 258,375              |
| Passed through Kentucky Department of Education:         |                |  |                |                   |                         |
| Child Nutrition Cluster:                                 |                |  |                |                   |                         |
| School Breakfast Program                                 | 10.553         | 7760005                                      | 51             | N/A               | 832,463                 |
| National School Lunch Program                            | 10.555         | 7730002                                      | 51             | N/A               | 1,945,581               |
| Summer Food Service Program for Children                 | 10.559         | 7740023                                      | 51             | 209E              | 93,160                  |
| Summer Food Service Program for Children                 | 10.559         | 7740023                                      | 51             | 209F              | 719,284                 |
| Total Child Nutrition Cluster                            |                |  |                |                   | <u>3,590,488</u>        |
| Child and Adult Care Food Program                        | 10.558         | 7790021 & 7800016                            | 51             | N/A               | 42,700                  |
| NSLP Equipment Grant                                     | 10.579         | 7840027                                      | 51             | 216F              | 69,500                  |
| Fresh Fruit and Vegetable Program                        | 10.582         | 7720012                                      | 51             | 215F              | 64,750                  |
| Total U.S. Department of Agriculture                     |                |  |                |                   | <u>\$ 4,025,813</u>     |
| <b>U.S. Department of Defense</b>                        |                |  |                |                   |                         |
| Direct Program:  |                |  |                |                   |                         |
| ROTC   | 12.000         | 504F   | 2              | 504F              | \$ 61,685               |
| Total U.S. Department of Defense                         |                |  |                |                   | <u>\$ 61,685</u>        |
| <b>U.S. Department of Education</b>                      |                |  |                |                   |                         |
| Direct Program:  |                |  |                |                   |                         |
| Impact Aid (Title VII of ESEA)                           | 84.041         | 5041B-2020-2027                              | 1              | N/A               | \$ 6,590                |
| Impact Aid (Title VII of ESEA)                           | 84.041         | 5041B-2019-2027                              | 1              | N/A               | 2,130                   |
|  |                |  |                |                   | <u>8,720</u>            |
| Passed through Daviess County Public Schools:            |                |  |                |                   |                         |
| Migrant Education - State Grant Program                  | 84.011A        | 3110002-19                                   | 2              | 311F              | 29,577                  |
| Passed through Kentucky Department of Education:         |                |  |                |                   |                         |
| Title I Grants to Local Educational Agencies:            |                |  |                |                   |                         |
| Title I - Local Educational Agencies                     | 84.010A        | 3100002-17                                   | 2              | 310D/DM           | 21,293                  |
| Title I - Local Educational Agencies                     | 84.010A        | 3100002-18                                   | 2              | 310E EM/EN/EP     | 656,483                 |
| Title I - Local Educational Agencies                     | 84.010A        | 3100002-19                                   | 2              | 310F FM/EN/FP     | 807,316                 |
| Title I - Part D, Subpart 2                              | 84.010A        | 3100102-18                                   | 2              | 314E              | 8,983                   |
| Title I - Part D, Subpart 2                              | 84.010A        | 3100102-19                                   | 2              | 314F              | 12,282                  |
| Education Recovery Specialist                            | 84.010         | 3100202-19                                   | 2              | 320FE             | 116,068                 |
|  |                |  |                |                   | <u>1,622,425</u>        |
| Special Education Cluster:                               |                |  |                |                   |                         |
| Special Education - Grants to States:                    |                |  |                |                   |                         |
| IDEA, Part B   | 84.027A        | 3810002-18                                   | 2              | 337E/EP           | 16,420                  |
| IDEA, Part B   | 84.027A        | 3810002-19                                   | 2              | 337F/FP           | 1,171,911               |
|  |                |  |                |                   | <u>1,188,331</u>        |
| Special Education - Preschool Grants:                    |                |  |                |                   |                         |
| IDEA Preschool   | 84.173A        | 3800002-19                                   | 2              | 343F              | 44,008                  |
| Total Special Education Cluster                          |                |  |                |                   | <u>1,232,339</u>        |
| Career and Technical Education - Basic Grants to States: |                |  |                |                   |                         |
| Perkins - Part C (Carry-over)                            | 84.048         | 3710002-18                                   | 2              | 348EA             | 2,132                   |
| Perkins - Part C   | 84.048         | 3710002-19                                   | 2              | 348F              | 55,309                  |
|  |                |  |                |                   | <u>57,441</u>           |
| Community Based Work Transition                          | 84.126A        |  | 2              | 371F              | 12,626                  |
| English Language Acquisition Grants:                     |                |  |                |                   |                         |
| Title III Limited English Proficiency                    | 84.365A        | 3300002-18                                   | 2              | 343E              | 1,903                   |
| Title III Limited English Proficiency                    | 84.365A        | 3300002-19                                   | 2              | 343F              | 35,450                  |
|  |                |  |                |                   | <u>37,353</u>           |

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

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

Year Ended June 30, 2020

| <u>Grantor / Program Title</u>   | <u>CFDA 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:              |                    |   |                    |                       |                             |
| Improving Teacher Quality State Grants:                                  |                    |   |                    |                       |                             |
| Title II   | 84.367A            | 3230002-18                                    | 2                  | 401E/EP               | 31,913                      |
| Title II   | 84.367A            | 3230002-19                                    | 2                  | 401F                  | 195,940                     |
|  |                    |   |                    |                       | <u>227,853</u>              |
| Striving Readers Comprehensive Literacy Grant                            | 84.371C            | S371C170016                                   | 2                  | 446F                  | <u>183,146</u>              |
| 21st Century Learning Center:  |                    |   |                    |                       |                             |
| 21st Century Learning Center 2017  | 84.287C            | 3400002-17                                    | 2                  | 550DC                 | 14,028                      |
| 21st Century Learning Center 2018  | 84.287C            | 3400002-18                                    | 2                  | 550EC/EJ              | 63,987                      |
|  |                    |   |                    |                       | <u>78,015</u>               |
| Student Support and Academic Enrichment Grant:                           |                    |   |                    |                       |                             |
| Title IV - Part A  | 84.424A            | 3420002-17                                    | 2                  | 552D/DP               | 11,388                      |
| Title IV - Part A - Non-Public   | 84.424A            | 3420002-18                                    | 2                  | 552EP/ES/ET/EW        | 51,521                      |
| Title IV - Part A - Safe and Healthy Students                            | 84.424A            | 3420002-19                                    | 2                  | 552FS/FT/FW           | 67,420                      |
|  |                    |   |                    |                       | <u>130,329</u>              |
| CARES Act (COVID-19):  |                    |   |                    |                       |                             |
| Elementary and Secondary School Emergency Relief Fund                    | 84.425D            | 4000002-20                                    | 2                  | 613F/FP               | 361,222                     |
| Governor's Emergency Education Relief Fund                               | 84.425C            | CARE-20                                       | 2                  | 633F/FP               | -                           |
|  |                    |   |                    |                       | <u>361,222</u>              |
| Passed through Green River Regional Educational Cooperative:             |                    |   |                    |                       |                             |
| Project Prevent  | 84.1846I           | -   | 2                  | 534F                  | <u>12,245</u>               |
| Total U. S. Department of Education                                      |                    |   |                    |                       | <u>\$ 3,995,191</u>         |
| <u>U. S. Department of Health and Human Services</u>                     |                    |   |                    |                       |                             |
| Passed through Kentucky Department of Education:                         |                    |   |                    |                       |                             |
| Promoting Adolescent Health Through School-Based Surveillance (COVID-19) |                    |   |                    |                       |                             |
|  | 93.079             | -   | 1                  | 493F                  | <u>\$ 300</u>               |
| Every Student Succeeds Act/Preschool Development Grant                   | 93.434             | -   | 2                  | 644F                  | <u>27,204</u>               |
| Passed through Kentucky Department for Community Based Services          |                    |   |                    |                       |                             |
| Division of Child Care:  |                    |   |                    |                       |                             |
| Child Care and Development Block Grant                                   | 93.575             | -   | 52                 | N/A                   | 42,538                      |
| Child Care and Development Block Grant (COVID-19)                        | 93.575             | -   | 2                  | 658FC                 | -                           |
|  |                    |   |                    |                       | <u>42,538</u>               |
| Passed through Catholic Charities of Louisville, KY:                     |                    |   |                    |                       |                             |
| Refugee School Impact  | 93.566             | 420D  | 2                  | 008F                  | <u>15,361</u>               |
| Passed through Audubon Area Community Services:                          |                    |   |                    |                       |                             |
| Head Start   | 93.600             | -   | 2                  | 655F                  | <u>5,000</u>                |
| Total U. S. Department of Health and Human Services                      |                    |   |                    |                       | <u>\$ 90,403</u>            |
| Total Federal Awards   |                    |   |                    |                       | <u>\$ 8,173,092</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, 2020. 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 minimis 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### **Internal Control Over Financial Reporting, Continued**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 November 2, 2020.

### **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  
November 2, 2020

*Ringham* 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**

We have audited Owensboro Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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  
November 2, 2020

*Ringhamer CPA's PSC*

**OWENSBORO INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2020

**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:
  - Special Education Cluster:
    - 84.027 – IDEA, Part B
    - 84.173 – IDEA Preschool
  - 84.010 – Title I Grants to Local Educational Agencies
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The District was determined to be a low-risk auditee.

**B. Findings - Financial Statements**

None

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

None

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2020

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No audit findings were reported in the schedule of findings and questioned costs for the year ended June 30, 2019.

## **APPENDIX C**

**Owensboro Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Continuing Disclosure Undertaking Agreement**



## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 22nd day of April, 2021 by and between the Board of Education of Owensboro, Kentucky Independent School District ("Board"); the Owensboro Independent School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$13,250,000 of the Corporation's School Building Revenue Bonds, Series of 2021, dated April 22, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

### 1. ANNUAL FINANCIAL INFORMATION

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.



The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

## **2. MATERIAL EVENTS NOTICES**

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

1. Principal/interest payment delinquency;
2. Nonpayment related default, if material;
3. Unscheduled draw on debt service reserve reflecting financial difficulties;
4. Unscheduled draw on credit enhancement reflecting financial difficulties;
5. Substitution of credit or liquidity provider, or its failure to perform;
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond call, if material and tender offers;
9. Defeasance;
10. Release, substitution or sale of property securing the repayment of the security, if material;
11. Rating change;
12. Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
13. Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. Successor, additional or change in trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term "financial obligation" means:

- (A) Debt obligation;

(B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before September 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

### **3. SPECIAL REQUESTS FOR INFORMATION**

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

### **4. DISCLAIMER OF LIABILITY**

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

### **5. FINAL OFFICIAL STATEMENT**

That the Final Official Statement prepared by the Municipal Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

### **6. DURATION OF THE AGREEMENT**

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

### **7. AMENDMENT; WAIVER**

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

## **8. DEFAULT**

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF  
OWENSBORO, KENTUCKY**

\_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

**OWENSBORO INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

## **APPENDIX D**

**Owensboro Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$13,250,000\***

**Owensboro Independent School District Finance Corporation  
School Building Revenue Bonds, Series of 2021  
Dated as of April 22, 2021**

**SALE: April 1, 2021 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Owensboro Independent School District Finance Corporation ("Corporation") will until April 1, 2021, at the hour of 11:00 A.M., ES.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$1,325,000.

**OWENSBORO INDEPENDENT SCHOOL  
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non profit, non stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of the Owensboro, Kentucky Independent School District (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of *White v. City of Middlesboro*, Ky. 414 S.W.2d 569.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance renovations at Cravens Elementary School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2021.

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the Project but foreclosure and sale are not available as remedies.

The rental of the Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the Project is leased to the Board for the initial period ending June 30, 2021, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the

Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements for the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Construction Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually directly to the Paying Agent for the Bonds a stated Agreed Participation equal to approximately \$41,888 to be applied to the annual debt service requirements for the Bonds herein identified until their retirement, subject to the constitutional restrictions limiting the commitment to the biennium; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of said Agreed Participation for each year in which the Lease is renewed.

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION**

The Commission is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$41,888 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2022. Inter alia, the Budget provides \$129,504,400 in FY 2018-19 and \$128,672,400 in FY 2020-20 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$58,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2022.

### **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.



## BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from April 22, 2021, payable on November 1, 2021, and semi annually thereafter and shall mature as to principal on May 1 in each of the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|
| 2022        | \$360,000      | 2032        | \$ 520,000     |
| 2023        | 365,000        | 2033        | 535,000        |
| 2024        | 375,000        | 2034        | 550,000        |
| 2025        | 375,000        | 2035        | 570,000        |
| 2026        | 385,000        | 2036        | 580,000        |
| 2027        | 390,000        | 2037        | 1,065,000      |
| 2028        | 405,000        | 2038        | 1,110,000      |
| 2029        | 435,000        | 2039        | 815,000        |
| 2030        | 500,000        | 2040        | 890,000        |
| 2031        | 510,000        | 2041        | 2,515,000      |

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$1,325,000 which may be applied in any or all maturities.

The Bonds maturing on or after May 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after May 1, 2029, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). US Bank, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on November 1 and May 1 of each year, beginning November 1, 2021 (Record Date is the 15th day of month preceding interest due date).

### BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the

sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$12,985,000 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$13,250,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$1,325,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$11,925,000 or a maximum of \$14,575,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$13,250,000 of Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 1, 2021.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on May 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Refunding Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

## **STATE SUPPORT OF EDUCATION**

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of

Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at \$57,158 to be applied to fair cash value.

## **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative

sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

Due to the unforeseen nature on the economy of the Commonwealth caused by the COVID-19 pandemic, in its 2020 regular session, the General Assembly adopted only a one-year budget for the biennial period ending June 30, 2022 which was approved and signed by the Governor. The biennial budget will be reviewed and supplemented during the General Assembly's 2021 regular session. Such budget became effective beginning July 1, 2020. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Proposals are currently pending in both Federal houses which, if passed, would eliminate the ability of the issuer to advance refund the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

### **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Owensboro Independent Board of Education, 450 Griffith Avenue, Owensboro, Kentucky 42301, Telephone (270) 686-1000.

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel is of the opinion that the Bonds are NOT "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended, and therefore advises as follows:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of computing the Federal alternative minimum tax.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of MORE than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2021, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

### **BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**OWENSBORO INDEPENDENT SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Dr. Matthew Constant  
Secretary



**APPENDIX E**

**Owensboro Independent School District Finance Corporation  
School Building Revenue Bonds  
Series of 2021**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Owensboro Independent School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.S.T., on April 1, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, KY 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$13,250,000 School Building Revenue Bonds, Series of 2021, dated April 22, 2021; maturing May 1, 2022 through 2041 ("Bonds").

We hereby bid for said \$13,250,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$12,985,000) plus accrued interest from April 22, 2021 payable November 1, 2021 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on May 1 in the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Rate</u> | <u>Year</u> | <u>Amount*</u> | <u>Rate</u> |
|-------------|----------------|-------------|-------------|----------------|-------------|
| 2022        | \$360,000      | _____ %     | 2032        | \$ 520,000     | _____ %     |
| 2023        | 365,000        | _____ %     | 2033        | 535,000        | _____ %     |
| 2024        | 375,000        | _____ %     | 2034        | 550,000        | _____ %     |
| 2025        | 375,000        | _____ %     | 2035        | 570,000        | _____ %     |
| 2026        | 385,000        | _____ %     | 2036        | 580,000        | _____ %     |
| 2027        | 390,000        | _____ %     | 2037        | 1,065,000      | _____ %     |
| 2028        | 405,000        | _____ %     | 2038        | 1,110,000      | _____ %     |
| 2029        | 435,000        | _____ %     | 2039        | 815,000        | _____ %     |
| 2030        | 500,000        | _____ %     | 2040        | 890,000        | _____ %     |
| 2031        | 510,000        | _____ %     | 2041        | 2,515,000      | _____ %     |

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$14,575,000 of Bonds or as little as \$11,925,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

For purposes of the above the following terms are defined as follows:

(a)*Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 1, 2021.

(e)*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on May 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire

transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about April 22, 2021 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

|   |          |
|---|----------|
| Total interest cost from April 22, 2021 to final maturity                 | \$ _____ |
| Plus discount or less any premium   | \$ _____ |
| Net interest cost (Total interest cost plus discount or less any premium) | \$ _____ |
| Average interest rate or cost (ie NIC)                                    | _____ %  |

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Agent for the Owensboro Independent School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Year</u> | <u>Amount</u> | <u>Rate</u> |
|-------------|---------------|-------------|-------------|---------------|-------------|
| 2022        | _____,000     | _____%      | 2032        | _____,000     | _____%      |
| 2023        | _____,000     | _____%      | 2033        | _____,000     | _____%      |
| 2024        | _____,000     | _____%      | 2034        | _____,000     | _____%      |
| 2025        | _____,000     | _____%      | 2035        | _____,000     | _____%      |
| 2026        | _____,000     | _____%      | 2036        | _____,000     | _____%      |
| 2027        | _____,000     | _____%      | 2037        | _____,000     | _____%      |
| 2028        | _____,000     | _____%      | 2038        | _____,000     | _____%      |
| 2029        | _____,000     | _____%      | 2039        | _____,000     | _____%      |
| 2030        | _____,000     | _____%      | 2040        | _____,000     | _____%      |
| 2031        | _____,000     | _____%      | 2041        | _____,000     | _____%      |

Dated: April 1, 2020

\_\_\_\_\_  
RSA Advisors, LLC,  
Financial Advisor and Agent for Owensboro Independent  
School District Finance Corporation