

Owensboro Independent School District

Independent Auditors' Report on Basic Financial Statements and
Supplementary Information
For the fiscal year ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Dr. Nicholas Brake, Superintendent and
Members of the Board of Education
Owensboro Independent School District
Owensboro, Kentucky

Report on 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 Owensboro Independent School District as of and for the year ended June 30, 2014 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, maintenance, and implementation of internal control relevant to the fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2014, and the respective changes in financial position and where applicable, cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information on pages 3 to 17 and page 46 to 47, respectively, be presented to supplement the basic financial statements, and 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods preparation of the supplemental 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 other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in our audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 information is fairly stated in all material aspects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of the Owensboro Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Owensboro, Kentucky
October 13, 2014

**OWENSBORO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
For the Fiscal Year ended June 30, 2014**

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, 2014. We encourage readers to consider the MD&A information presented in conjunction with additional information found within the body of the audit.

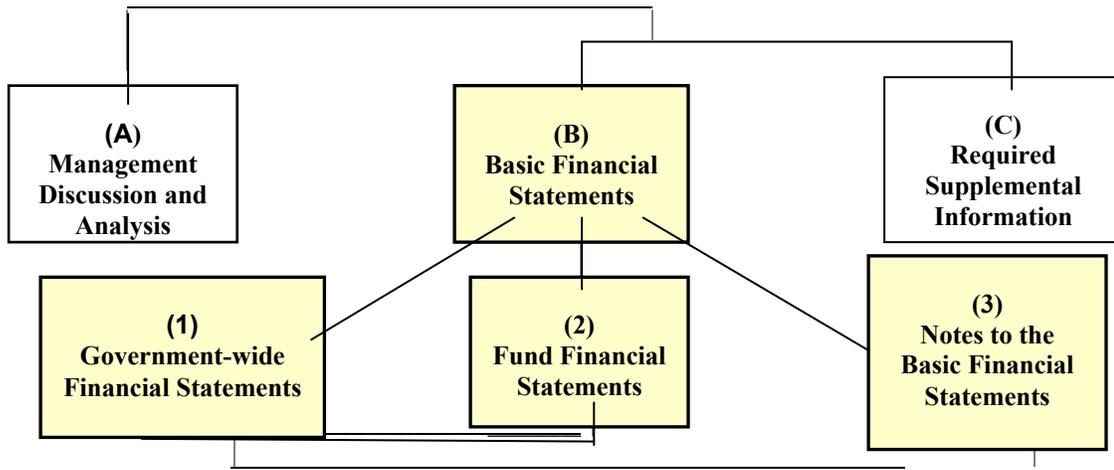
FINANCIAL HIGHLIGHTS

- The beginning General Fund balance at July 1, 2013 for the District was \$12,238,738. The final ending General Fund balance at June 30, 2014 was \$10,686,823. During fiscal year 2014, several minor maintenance projects occurred which were non-recurring outlays of General Fund cash, Building Fund cash and Capital Outlay cash.
- The Annual Financial Report includes an increase in state revenue due to an increase in the state on-behalf payments mandated by the Kentucky Department of Education (KDE). The state's contribution for on-behalf payments is included in the District's revenues and expenditures. The amount contributed for the fiscal year ended June 30, 2014 was \$8,295,451. The payments made by the state on behalf of the District were for Kentucky Teachers Retirement System (KTRS), 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 expenditure of these monies is recorded within the appropriate funds and functions.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Owensboro Independent School District as an entire financial operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (a) Management's Discussion and Analysis (this section) on pages 3-17, (b) the basic financial statements located on pages 18-29 and related notes located on pages 30-45, and (c) required and other supplemental information. The statements provide a detailed look at specific financial activities. The District's basic financial statements are comprised of three components: (1) government-wide financial statements pages 18-19, (2) fund financial statements pages 20-29, and (3) notes to the basic financial statements, pages 30-45. In addition to the basic statements, this report also contains other supplementary information on pages 46-51.

Organization of the Annual Financial Report



The Government-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide an additional level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also report the District's major funds, along with all other non-major funds combined in the total column.

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 can be found on pages 30-45 of this report.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during the current fiscal year?" The *Statement of Net Position* and the *Statement of Activities*, which appear first in the District's financial statements, report information on the District as a whole and reflects its activities to help answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis-of-accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

The District's net position and changes 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, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that 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 provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's responsibility to provide meals to our students through our food service program is reported as a part of business activities. The District also provides after-school day care programs for students on a fee basis that are also reported as a business activity. These two services are funded through fees, federal grants, and federal commodities.

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 exceeded liabilities by \$34,840,986 as of June 30, 2014. This was an increase of \$1,843,605 over the previous fiscal year.

The largest portion of the District's net position is reflected in its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. At June 30, 2014, the outstanding debt balance, including the SFCC portion, is \$23,845,000 which is a decrease of \$2,373,913 over the previous year. 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, and the depreciation of capital assets.

Reporting the District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the District's major funds follows. 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. The District's fund accounting is a mandated state-wide uniform system and chart of accounts used by all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are the school food service and day care funds. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. Fiduciary funds are assets that belong to others. The schools' activity funds are reported as fiduciary funds, as well as the Scholarship Funds. All other activities of the District are included in the governmental funds. The major governmental funds for the Owensboro Independent School District are the General Fund, Special Revenue (Grant) Fund, the Facilities Support Program of Kentucky (FSPK Building Fund), and Construction Fund.

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.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary funds will essentially match. The District's school food service operations and 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 schools' activity fund balances (or agency funds) at June 30, 2014 totaled \$554,783, which is an increase of \$16,125 from the previous year. The balance held in trust for scholarship funds at June 30, 2014 is \$433,528.

Financial Analysis of the District as a Whole

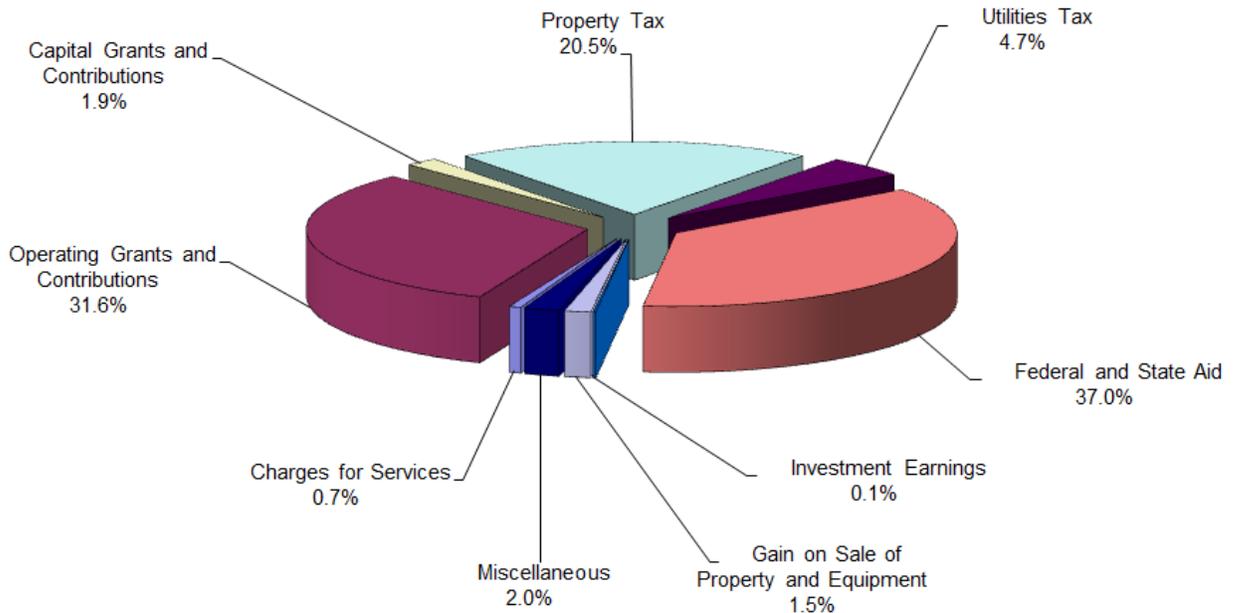
Government Wide Statement of Net Position Comparison as of June 30, 2013 and June 30, 2014

	Governmental Activities		Business-Type Activities		District Total		Total District Percentage Change
	As of 6/30/13	As of 6/30/14	As of 6/30/13	As of 6/30/14	As of 6/30/13	As of 6/30/14	As of 6/30/14
Assets							
Current and Other Assets	\$ 15,362,092	\$ 13,829,432	\$ 1,915,426	\$ 2,271,130	\$ 17,277,518	\$ 16,100,562	-6.8%
Capital Assets	46,026,979	47,611,171	343,172	296,204	46,370,151	47,907,375	3.3%
Total Assets	\$ 61,389,071	\$ 61,440,603	\$ 2,258,598	\$ 2,567,334	\$ 63,647,669	\$ 64,007,937	0.6%
Deferred Outflows							
Bond Deferrals on refunding	\$ -	\$ 161,146	\$ -	\$ -	\$ -	\$ 161,146	0.0%
Total Assets and Deferred Outflows	\$ 61,389,071	\$ 61,601,749	\$ 2,258,598	\$ 2,567,334	\$ 63,647,669	\$ 64,169,083	0.8%
Liabilities							
Long Term Liabilities	\$ 26,274,984	\$ 23,993,386	\$ -	\$ -	\$ 26,274,984	\$ 23,993,386	-8.7%
Other Liabilities (current)	4,355,549	5,292,177	19,755	42,534	4,375,304	5,334,711	21.9%
Total Liabilities	\$ 30,630,533	\$ 29,285,563	\$ 19,755	\$ 42,534	\$ 30,650,288	\$ 29,328,097	-4.3%
Net Position							
Investment in capital assets (net debt)	\$ 19,808,066	\$ 23,766,171	\$ 343,172	\$ 296,204	\$ 20,151,238	\$ 24,062,375	19.4%
Restricted	2,499,890	697,789	-	-	2,499,890	697,789	-72.1%
Unrestricted	8,450,582	7,852,226	1,895,671	2,228,596	10,346,253	10,080,822	-2.5%
Total Net Position	\$ 30,758,538	\$ 32,316,186	\$ 2,238,843	\$ 2,524,800	\$ 32,997,381	\$ 34,840,986	5.6%
Total Liabilities and Net Position	\$ 61,389,071	\$ 61,601,749	\$ 2,258,598	\$ 2,567,334	\$ 63,647,669	\$ 64,169,083	0.8%

**Government Wide Revenues
Comparison for the fiscal years ended June 30, 2013 and June 30, 2014**

Revenues	Governmental Activities		Business-Type Activities		District Total		Total District Percentage Change
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2014
Program Revenues:							
Charges for Services	\$ -	-	\$ 541,753	\$ 368,748	\$ 541,753	\$ 368,748	-31.9%
Operating Grants and Contributions	13,075,991	13,522,418	3,331,601	3,598,481	16,407,592	17,120,899	4.3%
Capital Grants and Contributions	1,109,550	1,009,591	-	-	1,109,550	1,009,591	0.0%
General Revenues:							
Property Tax	11,285,490	11,101,995	-	-	11,285,490	11,101,995	-1.6%
Utilities Tax	2,321,778	2,511,905	-	-	2,321,778	2,511,905	8.2%
Federal & State Aid	19,565,826	20,043,702	-	-	19,565,826	20,043,702	2.4%
Investment Earnings	75,430	69,262	6,730	8,507	82,160	77,769	-5.3%
Gain/Loss on Sale of Property and Equipment	30,509	818,700	-	-	30,509	818,700	2,583.5%
Miscellaneous	925,938	1,101,203	4,666	3,816	930,604	1,105,019	18.7%
Net transfers	144,564	159,948	(144,564)	(159,948)	-	-	0.0%
Total Revenues	\$ 48,535,076	\$ 50,338,724	\$ 3,740,186	\$ 3,819,604	\$ 52,275,262	\$ 54,158,328	3.6%

**SOURCES OF GOVERNMENT WIDE REVENUES
for the fiscal year ended June 30, 2014**

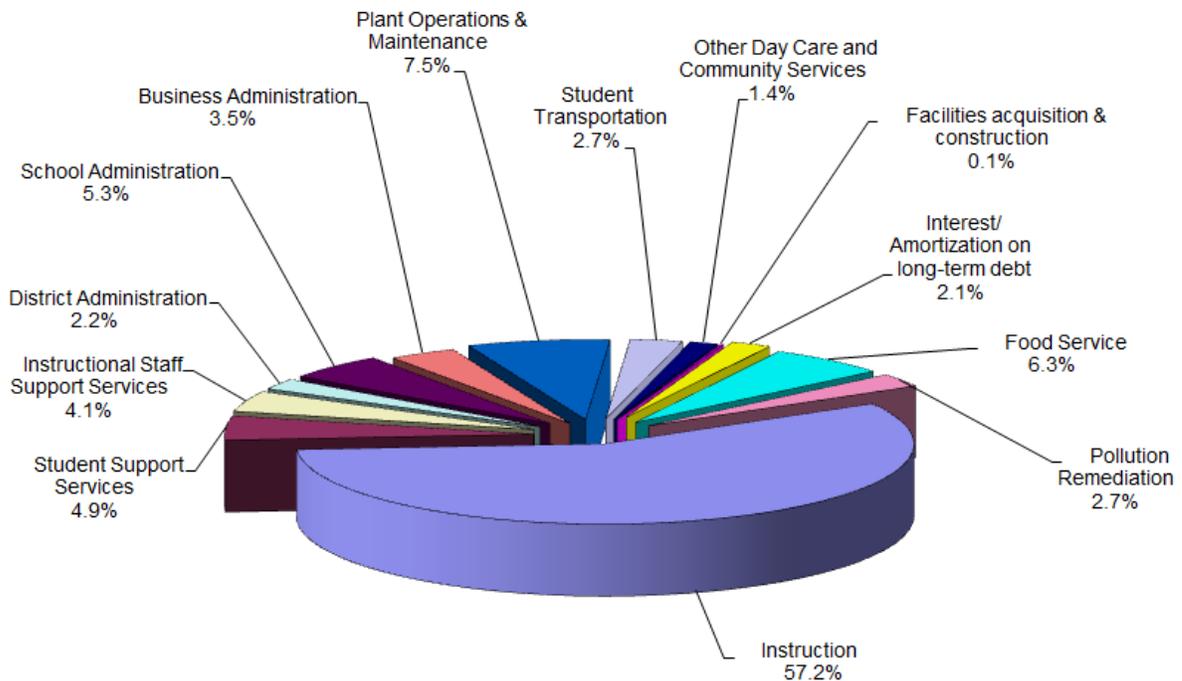


Federal and state aid provided 37.0% of the government wide revenues, operating grants and revenues provided 31.6%, property taxes provided 20.5%, and utilities taxes provided 4.7%.

**Government Wide Expenditures
Comparison for the fiscal years ended June 30, 2013 and June 30, 2014**

Expenditures	Governmental Activities		Business-Type Activities		District Total		Total District Percentage Change	% to Total Expenses
	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2014	FY 2014
Instruction	\$28,507,102	\$29,831,726	\$ -	\$ -	\$28,507,102	\$29,831,726	4.6%	57.2%
Student Support Services	2,737,849	2,534,883	-	-	2,737,849	2,534,883	-7.4%	4.9%
Instructional Staff Support Services	2,632,052	2,167,223	-	-	2,632,052	2,167,223	-17.7%	4.1%
District Administration	1,024,895	1,144,577	-	-	1,024,895	1,144,577	11.7%	2.2%
School Administration	2,733,810	2,750,421	-	-	2,733,810	2,750,421	0.6%	5.3%
Business Administration	2,186,302	1,834,778	-	-	2,186,302	1,834,778	-16.1%	3.5%
Plant Operations & Maintenance	4,735,156	3,894,174	-	-	4,735,156	3,894,174	-17.8%	7.5%
Student Transportation	1,945,426	1,419,302	-	-	1,945,426	1,419,302	-27.0%	2.7%
Other Day Care and Community Services	515,400	508,870	272,138	249,974	787,538	758,844	-3.6%	1.4%
Facilities acquisition & construction	70,518	76,675	-	-	70,518	76,675	8.7%	0.1%
Interest/Amortization on long-term debt	1,204,206	1,091,423	-	-	1,204,206	1,091,423	-9.4%	2.1%
Food Service	-	-	3,266,538	3,283,673	3,266,538	3,283,673	0.5%	6.3%
Pollution Remediation	-	1,405,000	-	-	-	1,405,000	-%	2.7%
Total Expenditures	\$48,292,716	\$48,659,052	\$3,538,676	\$3,533,647	\$51,831,392	\$52,192,699	0.7%	100.00%

**Government Wide Expense Percentages
for fiscal year ended June 30, 2014**



Analysis of Government Wide Revenue and Expenses

- Instruction, Instructional Staff Support, and Student support comprised the majority of Government Wide program expenses and accounted for 66.2% of the total.
- The District's total revenues were \$54,158,328 and the total expenses were \$52,192,699 for FY 2014. Revenues exceeded expenses by \$1,965,629 for the fiscal year.
- Revenues from federal and state aid accounted for 37.0% and local property and utilities taxes accounted for 25.2% of the total governmental revenue.
- Food service revenues exceeded expenses by \$318,972. During FY 2014, indirect costs of \$159,948 were transferred to General Fund from Food Service Fund.

Financial Analysis of the District

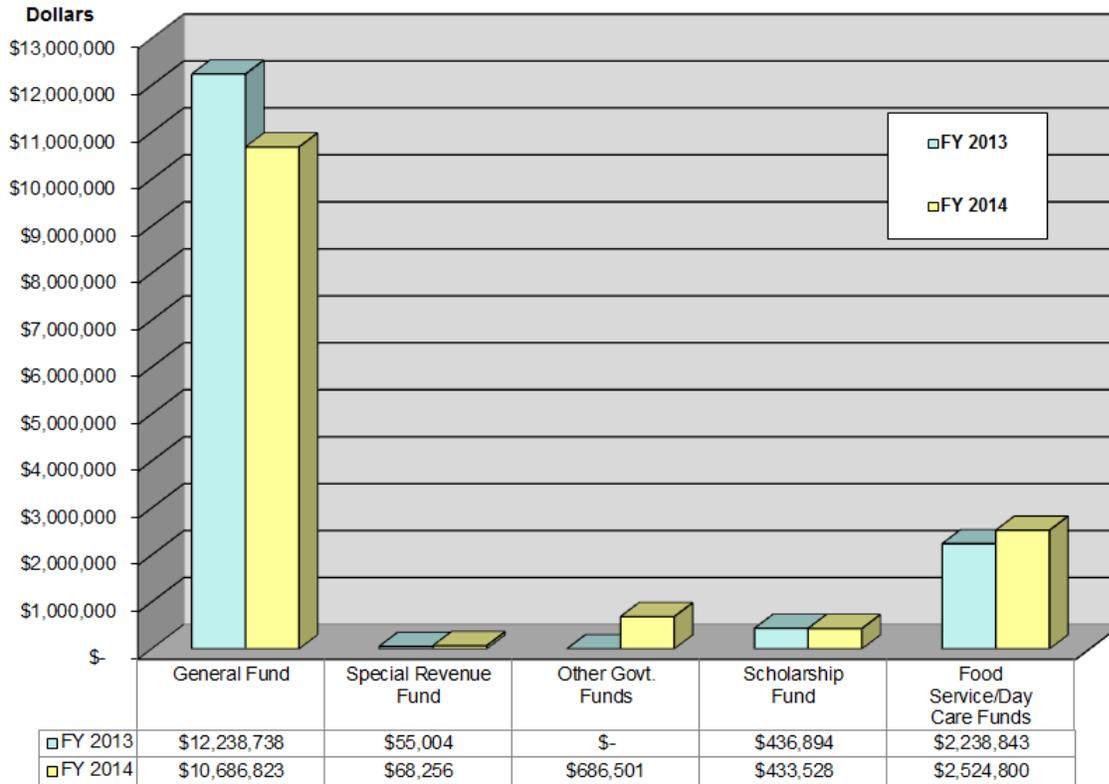
Comments on Special Revenue Fund Budget

- The Special Revenue Fund budget compared to the actual revenue will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

Comparison of Fund Balances at June 30, 2013 and June 30, 2014

Changes in Fund Balances at June 30th	FY 2013	FY 2014	Amount of Change	Percent of Change
General Fund	\$ 12,238,738	\$ 10,686,823	\$ (1,551,915)	-12.7%
Special Revenue Fund	55,004	68,256	13,252	24.1%
Other Govt. Funds	-	686,501	686,501	0%
Scholarship Fund	436,894	433,528	(3,366)	-0.8%
Food Service/Day Care Funds	2,238,843	2,524,800	285,957	12.8%
Total	\$ 14,969,479	\$ 14,399,908	\$ (569,571)	-3.8%

**Changes in Fund Balances
at June 30, 2013 and June 30, 2014**



Analysis of Fund Balances

- The fund balance in the General Fund decreased by \$1,551,915. Due to conservative financial planning, actual revenues were 4% more and actual expenditures were 16% less than budgeted. The decrease was the result, in part, of the District’s purchase of land and property for \$3,000,000.
- The Special Revenue Fund Balance increased by \$13,252. While federal grant awards decreased, a \$250,000 local grant created this slight increase.
- The Fund Balance in Other Governmental Funds increased from the previous year by \$686,501 because the Capital Outlay Fund is a two year cycle and there were no major construction projects during FY 2014. These funds are allowed to carry over to FY 2015 by the state.
- The Food Service Fund Balance increased by \$318,972. The District implemented the Community Eligibility Provision for elementary schools during FY 2013 and added the two middle school locations in FY 2014. This program provides free breakfast and lunch meals to these students. This increased the number of students participating in the breakfast and lunch programs and resulted in an increase in the federal reimbursement of these meals during FY 2014.
- The Day Care Program’s Fund Balance decreased by \$33,015. This was due to a lower enrollment in the after school day care program.

Financial Analysis of the General Fund

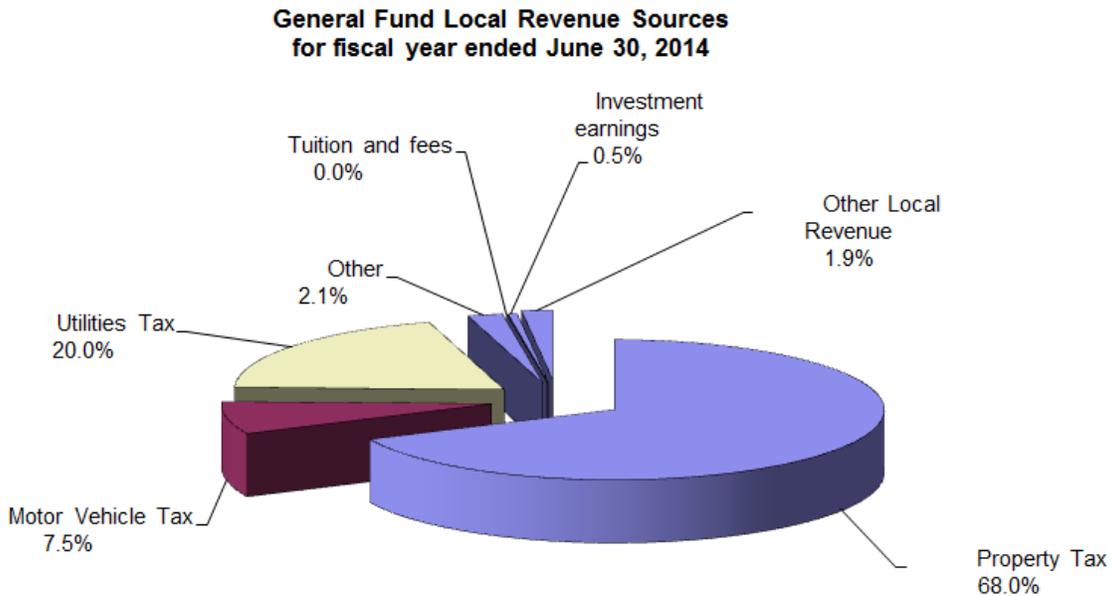
General Fund Revenues

The following table and chart present a summary of revenues of the General Fund for the fiscal year ended June 30, 2014.

General Fund Revenues	Local	Amount	% to Total
Local revenue sources:			
Property Tax	\$ 8,539,162		
Motor Vehicle Tax	942,931		
Utilities Tax	2,511,905		
Other	261,650		
Tuition and fees	0		
Investment earnings	69,046		
Other Local Revenue	233,648		
Total Local Revenue sources		\$12,558,342	31.9%
State revenue sources		26,476,303	67.2%
Federal revenue sources		338,535	0.9%
Total General Fund Revenues		\$ 39,373,180	100.0%

The majority of General Fund revenue, 67.2%, was derived from state funding sources. Local revenue sources comprised 31.9% of total General Fund revenue, with the remaining 0.9% provided from federal revenue.

The chart below shows the sources and percentages of local revenue funds received in the General Fund.

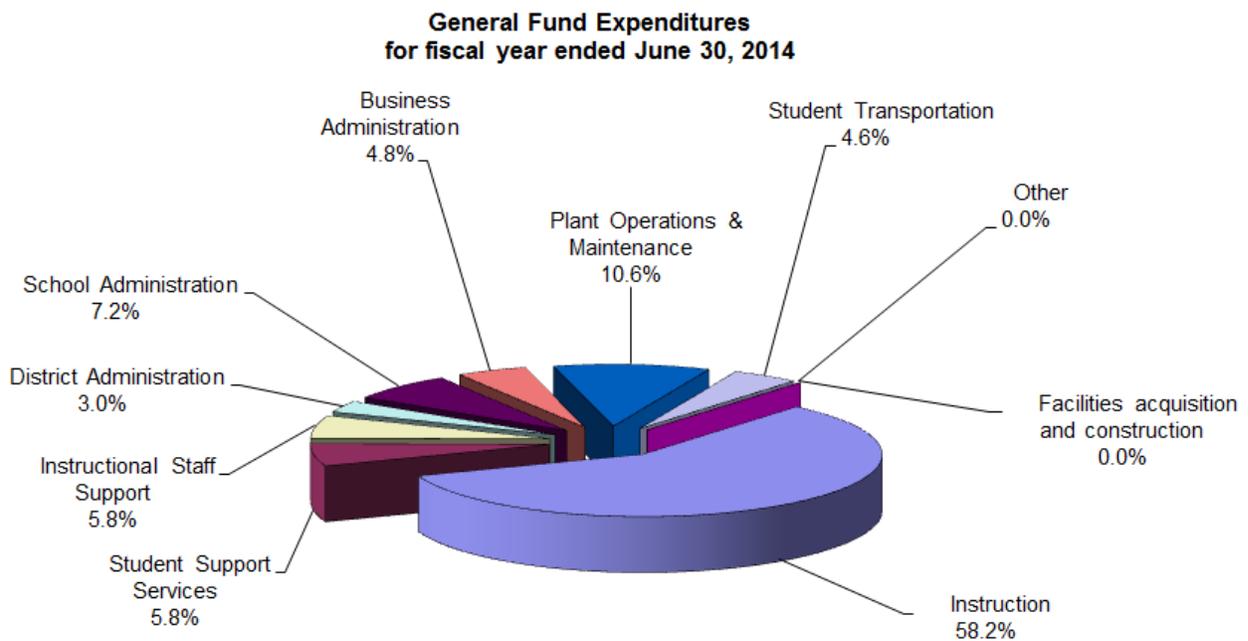


The majority of local revenue, 75.5%, was received from property and motor vehicle taxes. Utility tax provided 20.0% of local revenues.

General Fund Expenditures

The following table and chart present a summary of expenditures of the General Fund for the fiscal year ended June 30, 2014.

General Fund Expenditures	Amount	% to Total
Instruction	\$21,490,228	58.2%
Student Support Services	2,149,231	5.8%
Instructional Staff Support	2,152,793	5.8%
District Administration	1,109,569	3.0%
School Administration	2,658,485	7.2%
Business Administration	1,755,787	4.8%
Plant Operations & Maintenance	3,911,339	10.6%
Student Transportation	1,678,490	4.6%
Other	-	0.0%
Facilities acquisition & construction	200	0.0%
Total Expenditures	\$36,906,122	100.0%



The areas of Instruction, Instructional Staff Support, and Student Support comprise the majority of General Fund expenditures, 69.8%. Other expenditure percentages were for District and Business Administration 7.8%, School Administration 7.2%, Student Transportation 4.6%, and Plant Operations and Maintenance expenditures of 10.6%.

Comments on General Fund Budget

- The General Fund budget reflects a state mandated contingency amount of at least 2% of the fund balance. The contingency is not meant to be expended, but is to be used as the District's beginning balance for the next year. The amount budgeted in the General Fund by the Board for contingency for FY 2014 was \$3,000,000, however there were \$0 contingency expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District has invested \$47,907,375 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 \$79,831,947 with accumulated depreciation of \$31,924,572.

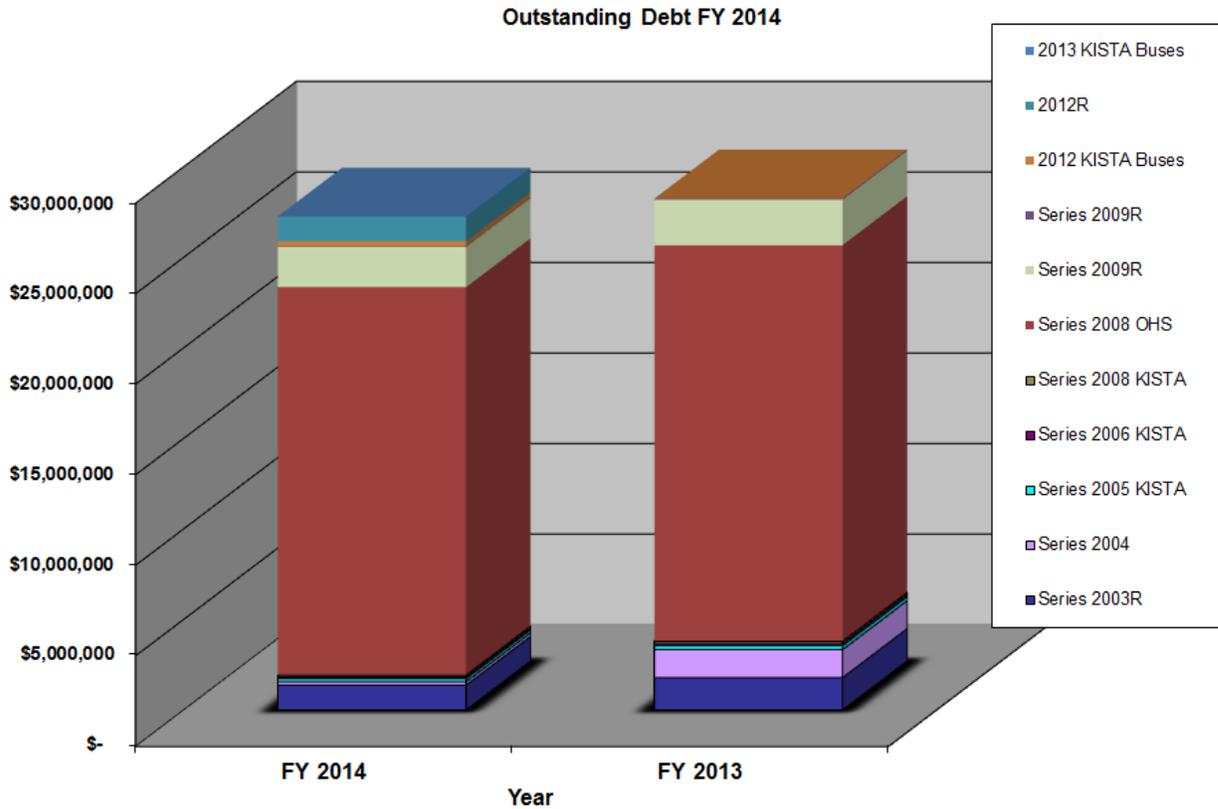
Summary of Capital Assets

Capital Assets	Governmental Activities		Business-Type Activities		District Total		Total District % Change
	FY2013	FY2014	FY2013	FY2014	FY2013	FY2014	FY 2014
Land & Improvements	\$ 7,853,897	\$11,573,804	\$ 20,259	\$ 20,259	\$ 7,874,156	\$11,594,063	47.2%
Construction in Progress	-	-	-	-	-	-	0.0%
Buildings and Improvements	54,265,089	54,441,330	12,067	12,067	54,277,156	54,453,397	0.3%
Equipment, Furniture & Vehicles	13,199,302	12,973,521	821,303	810,966	14,020,605	13,784,487	-1.7%
Total Assets	\$75,318,288	\$78,988,655	\$ 853,629	\$843,292	\$76,171,917	\$79,831,947	4.8%

Long-Term Debt

At June 30, 2014 the District had \$23,845,000 in general obligation bonds outstanding (including the Kentucky School Facilities Construction-SFCC portion). The net decrease of these general obligation bonds was \$2,373,913 for principal payments made in FY 2014. All of the KISTA Bonds were fully paid off during FY 2014.

General Obligation Bonds	FY 2013	FY 2014
Series 2003R	\$ 925,000	\$ 470,000
Series 2004	100,000	-
Series 2005 KISTA	103,122	-
Series 2006 KISTA	78,187	-
Series 2008 KISTA	80,780	-
Series 2008 OHS	20,950,000	20,435,000
Series 2009R (Ref 1996,98,99)	1,630,000	1,610,000
Series 2009R (Ref 1998)	-	-
2009C KISTA	196,372	-
2012 KISTA	259,980	-
2012R (Partial Refinancing 2004)	1,640,000	1,330,000
2013 KISTA	255,472	-
Total	\$ 26,218,913	\$ 23,845,000



BUDGETARY IMPLICATIONS

It is extremely important that the District continue to budget very conservatively. The District receives approximately 67.2% of its General Fund revenue each year through state funding (which includes SEEK state funds). The forecasts from the state should be considered an estimate of state revenue. If the state does not receive the revenue from taxing sources, an adjustment will be made to the funding formula. The District should always be prepared for such reductions in funding.

Approximately 31.9% of the General Fund revenue is from local revenue, of which 67.9% of the local revenue is from property tax. The major portion of the tax revenue does not come to the District until the fifth through seventh months. 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 (4.8% of total budget). The beginning General Fund balance for fiscal year 2014 was \$12,238,738. Significant Board action that impacted finances for this year included a 0% pay raise for all Classified and Certified employees, spending toward instructional and technology programs, General Fund matching dollars for other grants, and the restriction of \$1,000,000 of the general fund balance for innovative grants to our schools.

The District currently receives funds from more than fifty federal and state grants. The total budget for these grants was approximately \$6,930,966. 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 continue to monitor the grants constantly and request reimbursements in a timely manner. The District must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges facing Owensboro Independent School District include continuing to make strides toward graduating students college and/or career ready, all schools meeting proficient or distinguished benchmarks as defined by Kentucky Department of Education and Unbridled Learning, maintaining our current facilities, increasing the average daily attendance percentage, and increasing our high school graduation rate.

The District's challenge to reach the academic accountability goals established in Unbridled Learning will be accomplished by several means. 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. Maintaining several programs will also help the District overcome this challenge. These programs include, but are not limited to: Northwest Evaluation Association Measure of Academic Progress (MAP) Assessment, customization of learning based on individual student needs utilizing a quality formative assessment process, full day kindergarten, a blended PC and Mac learning environment in grades P-4, a one-to-one laptop integration in grades 5-12, Leader in Me Program in grades K-12, high-quality co-curricular and extra-curricular activities (fine arts, athletics, clubs, academic teams, etc.) and a College and Career Ready emphasis in grades P-12.

The second challenge is to maintain our facilities. 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. During FY 2014, the District developed a facility plan for all of our facilities by seeking input from all stakeholders – staff, parents, community members, our board members, and the Kentucky Department of Education. In FY 2015, the District will issue a request for qualification to determine a future plan for the land and property purchased at 3800 Frederica Street.

The third challenge is increasing the average daily attendance count. The District receives funding through the SEEK formula based on this count. Due to city property boundaries, there are a limited number of new homes constructed within our District. Therefore, student population growth within the District is limited. It is vital that our

schools have high attendance percentages and that parents and students continue to choose Owensboro Independent School District when they could be attending school elsewhere. Maintaining excellence and emphasizing our service to the public are the main factors influencing this District challenge.

In an effort to increase the District graduation rate, there will be continued partnerships with local colleges to increase vocational and technical education opportunities for our students as well as increased partnerships for dual high school and college credit courses. Additionally, we will partner with the New Tech Network to open a Greater Owensboro Area Academy which will emphasize contextual learning in a project-based environment.

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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Chief Finance Officer
Owensboro Independent School District
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Owensboro, KY 42301
Telephone: (270) 686-1000, extension # 2300
E-mail: Paula.Roberts@owensboro.kyschools.us

Owensboro Independent School District
Government Wide Financial Statements - Statement of Net Position
As of June 30, 2014

	Governmental Activities	Business Type Activities	Total
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 12,122,537	\$ 2,083,995	\$ 14,206,532
Accounts receivable:			
Taxes	537,706	-	537,706
Other	73,082	87,530	160,612
Intergovernmental - federal and state	847,337	-	847,337
Inventories	-	99,605	99,605
Bond discounts	248,770	-	248,770
Net capital assets	47,611,171	296,204	47,907,375
	Total Assets	2,567,334	64,007,937
<u>DEFERRED OUTFLOWS:</u>			
Bond deferrals on refunding	161,146	-	161,146
	Total Assets and Deferred Outflows	2,567,334	64,169,083
<u>LIABILITIES:</u>			
Accounts payable	\$ 80,789	\$ 24,869	\$ 105,658
Accrued payroll and related expenses	1,436,830	-	1,436,830
Unearned revenue	421,463	17,665	439,128
Current portion of bond obligations	1,450,000	-	1,450,000
Current portion of accrued sick leave	200,000	-	200,000
Interest payable	298,095	-	298,095
Pollution remediation obligation	1,405,000	-	1,405,000
Noncurrent maturities of bond obligations	22,395,000	-	22,395,000
Noncurrent portion of accumulated sick leave	1,598,386	-	1,598,386
	Total Liabilities	42,534	29,328,097
<u>NET POSITION:</u>			
Net investment in capital assets	\$ 23,766,171	\$ 296,204	\$ 24,062,375
Restricted	697,789	-	697,789
Unrestricted	7,852,226	2,228,596	10,080,822
	Total Net Position	2,524,800	34,840,986

The accompanying notes are an integral part of these financial statements

**Owensboro Independent School District
Government Wide Financial Statements - Statement of Activities
For the fiscal year ended June 30, 2014**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction	\$ 29,831,726	\$ -	\$ 10,960,340	\$ -	\$(18,871,386)	\$ -	\$ (18,871,386)
Support services:							
Student	2,534,883	-	479,501	-	(2,055,382)	-	(2,055,382)
Instruction staff	2,167,223	-	401,707	-	(1,765,516)	-	(1,765,516)
District administrative	1,144,577	-	63,993	-	(1,080,584)	-	(1,080,584)
School administrative	2,750,421	-	509,598	-	(2,240,823)	-	(2,240,823)
Business	1,834,778	-	345,984	-	(1,488,794)	-	(1,488,794)
Plant operation and maintenance	3,894,174	-	529,132	-	(3,365,042)	-	(3,365,042)
Student transportation	1,419,302	-	232,163	-	(1,187,139)	-	(1,187,139)
Facilities acquisition and construction	76,675	-	-	-	(76,675)	-	(76,675)
Community service activities	508,870	-	-	-	(508,870)	-	(508,870)
Amortization expense	81,832	-	-	-	(81,832)	-	(81,832)
Interest	1,009,591	-	1,009,591	-	-	-	-
Pollution remediation	1,405,000	-	-	-	(1,405,000)	-	(1,405,000)
Total Governmental Services	48,659,052	-	14,532,009	-	(34,127,043)	-	(34,127,043)
Business Type Activities:							
Food service	3,283,673	233,413	3,516,857	-	-	466,597	466,597
Day care	249,974	135,335	81,624	-	-	(33,015)	(33,015)
Total Business Activities	3,533,647	368,748	3,598,481	-	-	433,582	433,582
Total Primary Government	\$ 52,192,699	\$ 368,748	\$ 18,130,490	\$ -			\$ (33,693,461)
			General Revenues:				
			Taxes:				
			Property tax	\$ 9,897,414	\$ -		\$ 9,897,414
			Motor vehicle tax	942,931	-		942,931
			Utility tax	2,511,905	-		2,511,905
			Other taxes	261,650	-		261,650
			Investment earnings	69,262	8,507		77,769
			State and formula grants	19,780,068	-		19,780,068
			Federal grants	263,634	-		263,634
			Other local revenues	1,101,203	3,816		1,105,019
			Gain on sales of fixed assets	818,700	-		818,700
			Transfers in/out	159,948	(159,948)		-
			Total General Revenues	35,806,715	(147,625)		35,659,090
			Change in net position	1,679,672	285,957		1,965,629
			Change in accounting principle	(122,024)	-		(122,024)
			Net position - beginning	30,758,538	2,238,843		32,997,381
			Net position - ending	\$ 32,316,186	\$ 2,524,800		\$ 34,840,986

The accompanying notes are an integral part of these financial statements

**Owensboro Independent School District
Balance Sheet - Governmental Funds
As of June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Support Program (FSPK) Fund</u>	<u>School Construction Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<u>ASSETS:</u>							
Cash and cash equivalents	\$ 11,863,696	\$ 68,254	\$ 280,845	\$ -	\$ 405,656	\$ -	\$ 12,618,451
Receivables:							
Taxes - current	537,706	-	-	-	-	-	537,706
Other	73,082	-	-	-	-	-	73,082
Intergovernmental - federal and state	-	847,337	-	-	-	-	847,337
Total Assets	\$ 12,474,484	\$ 915,591	\$ 280,845	\$ -	\$ 405,656	\$ -	\$ 14,076,576
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES:</u>							
Checks written in excess of deposits	\$ -	\$ 495,914	\$ -	\$ -	\$ -	\$ -	\$ 495,914
Accounts payable	58,523	22,266	-	-	-	-	80,789
Accrued payroll and related expenses	1,436,830	-	-	-	-	-	1,436,830
Unearned revenue	92,308	329,155	-	-	-	-	421,463
Current portion of accrued sick leave	200,000	-	-	-	-	-	200,000
Total Liabilities	1,787,661	847,335	-	-	-	-	2,634,996
<u>FUND BALANCES:</u>							
Restricted for:							
Capital expenditures	-	-	280,845	-	405,656	-	686,501
Grants	-	11,288	-	-	-	-	11,288
Committed for:							
Future technology	3,000,000	-	-	-	-	-	3,000,000
Future sick leave	436,704	-	-	-	-	-	436,704
Assigned to purchase obligations	-	56,968	-	-	-	-	56,968
Unassigned	7,250,119	-	-	-	-	-	7,250,119
Total Fund Balances	10,686,823	68,256	280,845	-	405,656	-	11,441,580
Total Liabilities and Fund Balances	\$ 12,474,484	\$ 915,591	\$ 280,845	\$ -	\$ 405,656	\$ -	\$ 14,076,576

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Reconciliation of Fund Balance to Net Position-Governmental Funds
As of June 30, 2014

Total fund balance - governmental funds	\$	11,441,580
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$78,988,655, and the accumulated depreciation is \$31,377,484 of net position.		47,611,171
Bond deferrals on refunding, bond discounts, and prepaid rent are not current financial resources and therefore are not reported as assets in governmental funds.		409,916
Bonds payable, including other current obligations, are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.		(23,845,000)
Noncurrent portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.		(1,598,386)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.		(298,095)
Pollution remediation obligation is reflected as a liability on the statement of net position and is not included in governmental fund types.		<u>(1,405,000)</u>
Net position for governmental activities	\$	<u><u>32,316,186</u></u>

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the fiscal year ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Facility Support Program (FSPK)</u>	<u>School Construction Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:							
From local sources							
Taxes:							
Property	\$ 8,539,162	\$ -	\$ 1,358,252	\$ -	\$ -	\$ -	\$ 9,897,414
Motor vehicle	942,931	-	-	-	-	-	942,931
Utilities	2,511,905	-	-	-	-	-	2,511,905
Other	261,650	-	-	-	-	-	261,650
Earnings on investments	69,046	216	-	-	-	-	69,262
Other local revenues	233,648	841,381	-	26,174	-	-	1,101,203
Intergovernmental - state	26,476,303	2,096,859	817,111	-	412,755	520,977	30,324,005
Intergovernmental - federal	338,535	3,913,171	-	-	-	-	4,251,706
Total Revenues	39,373,180	6,851,627	2,175,363	26,174	412,755	520,977	49,360,076
EXPENDITURES:							
Instruction	21,490,228	5,974,072	-	-	-	-	27,464,300
Support services:							
Student	2,149,231	382,221	-	-	-	-	2,531,452
Instruction staff	2,152,793	2,254	-	-	-	-	2,155,047
District Administrative	1,109,569	30,000	-	-	-	-	1,139,569
School administrative	2,658,485	87,591	-	-	-	-	2,746,076
Business	1,755,787	-	-	-	-	-	1,755,787
Plant operation and maintenance	3,911,339	68,934	-	-	-	-	3,980,273
Student transportation	1,678,490	6,243	-	-	-	-	1,684,733
Community service activities	-	508,870	-	-	-	-	508,870
Facilities acquisition and construction	200	-	32,052	3,044,423	-	-	3,076,675
Debt service	-	-	-	-	-	3,383,504	3,383,504
Total Expenditures	36,906,122	7,060,185	32,052	3,044,423	-	3,383,504	50,426,286
Excess (deficit) of revenues over expenditures	2,467,058	(208,558)	2,143,311	(3,018,249)	412,755	(2,862,527)	(1,066,210)
OTHER FINANCING SOURCES (USES):							
Proceeds from sale of fixed assets	54,100	-	-	-	-	-	54,100
Operating transfers in	170,327	232,189	-	3,018,249	-	2,862,527	6,283,292
Operating transfers out	(4,243,400)	(10,379)	(1,862,466)	-	(7,099)	-	(6,123,344)
Total Other Financing Sources (Uses)	(4,018,973)	221,810	(1,862,466)	3,018,249	(7,099)	2,862,527	214,048
Excess (deficit) of revenue and other financing sources over expenditures and other financing uses	(1,551,915)	13,252	280,845	-	405,656	-	(852,162)
Fund balance, June 30, 2013	12,238,738	55,004	-	-	-	-	12,293,742
Fund balance, June 30, 2014	\$ 10,686,823	\$ 68,256	\$ 280,845	\$ -	\$ 405,656	\$ -	\$ 11,441,580

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
- Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2014

Deficit of revenues and other financing sources over expenditures - governmental funds	\$	(852,162)
Amounts reported for governmental activities in the statement of changes in net position are different because:		
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but are presented as assets in the statement of net position and depreciated over the estimated useful lives and reported as depreciation expense in the statement of activities. The difference is the amount by which capital outlay exceeds depreciation.		753,800
Gain on nonmonetary exchange transaction.		764,600
Pollution remediation.		(1,405,000)
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position, and interest expense in the statement of activities.		2,373,913
Accumulated sick leave is recognized by the amount earned in the statement of change in net position, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.		<u>44,521</u>
Change in net position of governmental activities before change in accounting principle		<u>1,679,672</u>
Change in accounting principle related to implementation of GASB 65. Bond costs are no longer amortized over their useful lives on the on the statement of net position.		<u>(122,024)</u>
Change in net position after effect of change in accounting principle	\$	<u><u>1,557,648</u></u>

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Statement of Net Position - Proprietary Funds
As of June 30, 2014

	School Food Service Fund	Day Care Fund	Total Proprietary Fund
<u>ASSETS:</u>			
Current Assets:			
Cash and cash equivalents	\$ 1,956,101	\$ 127,894	\$ 2,083,995
Accounts receivable	84,012	3,518	87,530
Inventories	99,605	-	99,605
Total Current Assets	2,139,718	131,412	2,271,130
Noncurrent Assets:			
Capital assets	774,801	68,491	843,292
Less: accumulated depreciation	(526,187)	(20,901)	(547,088)
Total Noncurrent Assets	248,614	47,590	296,204
Total Assets	\$ 2,388,332	\$ 179,002	\$ 2,567,334
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 24,493	\$ 376	\$ 24,869
Unearned revenue	17,665	-	17,665
Total Current Liabilities	42,158	376	42,534
<u>NET POSITION:</u>			
Net investment in capital assets	248,614	47,590	296,204
Unrestricted	2,097,560	131,036	2,228,596
Total Net Position	\$ 2,346,174	\$ 178,626	\$ 2,524,800
Total Liabilities and Net Position	\$ 2,388,332	\$ 179,002	\$ 2,567,334

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the fiscal year ended June 30, 2014

	School Food Service Fund	Day Care Fund	Total
<u>OPERATING REVENUES:</u>			
Lunchroom sales	\$ 233,413	\$ -	\$ 233,413
Other operating revenues	-	135,335	135,335
Total Operating Revenues	233,413	135,335	368,748
<u>OPERATING EXPENSES:</u>			
Salaries, wages, and benefits	1,192,342	192,377	1,384,719
Contract services	346,254	40,351	386,605
Materials and supplies	1,688,829	8,637	1,697,466
Depreciation	39,274	7,695	46,969
Other operating expenses	16,974	914	17,888
Total Operating Expenses	3,283,673	249,974	3,533,647
Operating loss	(3,050,260)	(114,639)	(3,164,899)
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Federal grants	3,004,265	11,405	3,015,670
State grants	325,987	70,219	396,206
Donated commodities	186,605	-	186,605
Interest income	8,507	-	8,507
Other	3,816	-	3,816
Total Non-Operating Revenues	3,529,180	81,624	3,610,804
Net Income (Loss) Before Other Financing Sources	478,920	(33,015)	445,905
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers out	(159,948)	-	(159,948)
Total other financing uses	(159,948)	-	(159,948)
Change in net position	318,972	(33,015)	285,957
Net position, June 30, 2013	2,027,202	211,641	2,238,843
Net position, June 30, 2014	\$ 2,346,174	\$ 178,626	\$ 2,524,800

The accompanying notes are an integral part of these financial statements

**Owensboro Independent School District
Statement of Cash Flows - Proprietary Funds
For the fiscal year ended June 30, 2014**

	School Food Service Fund	Day Care Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash receipts from:			
Lunchroom sales	\$ 416,535	\$ -	\$ 416,535
Tuition and fees	-	147,840	147,840
Cash payments for:			
Employees	(1,192,342)	(192,378)	(1,384,720)
Contract services	(346,254)	(32,656)	(378,910)
Materials and supplies	(1,683,671)	(26,465)	(1,710,136)
Other	(13,158)	-	(13,158)
Net cash used by operating activities	(2,818,890)	(103,659)	(2,922,549)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Purchases of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>			
Government grants	3,330,252	81,624	3,411,876
Donations	186,605	-	186,605
Transfers out	(159,948)	-	(159,948)
Net cash provided by non-capital financing activities	3,356,909	81,624	3,438,533
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Receipt of interest income	8,507	-	8,507
Net cash provided by investing activities	8,507	-	8,507
Net Increase (decrease) in cash and cash equivalents	546,526	(22,035)	524,491
Cash and cash equivalents, June 30, 2013	1,409,575	149,929	1,559,504
Cash and cash equivalents, June 30, 2014	\$ 1,956,101	\$ 127,894	\$ 2,083,995

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Reconciliation of Operating Loss to Net Cash Used in Operating Activities
For the fiscal year ended June 30, 2014

	School Food Service Fund	Day Care Fund	Total
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</u>			
<u>IN OPERATING ACTIVITIES:</u>			
Operating loss	\$ (3,050,260)	\$ (114,639)	\$ (3,164,899)
<u>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH</u>			
<u>USED IN OPERATING ACTIVITIES:</u>			
Depreciation	39,274	7,695	46,969
Other	3,816	(1)	3,815
Changes in operating assets and liabilities:			
Accounts receivable	175,146	12,505	187,651
Inventories	(18,864)	-	(18,864)
Accounts payable	24,022	(9,219)	14,803
Unearned revenue	7,976	-	7,976
Net cash used by operating activities	\$ (2,818,890)	\$ (103,659)	\$ (2,922,549)
<u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES</u>			
Donated commodities received from federal government	\$ 186,605	\$ -	\$ 186,605
State on-behalf payments	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Owensboro Independent School District
Statement of Fiduciary Net Position - Fiduciary Funds
As of June 30, 2014

	Student Activity Fund	Scholarship Fund	Total Fiduciary Funds
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 554,783	\$ 433,528	\$ 988,311
Accounts receivable	-	-	-
Total Assets	554,783	433,528	988,311
<u>LIABILITIES:</u>			
Accounts payable	-	-	-
Due to Student groups	554,783	-	554,783
Total Liabilities	554,783	-	554,783
<u>NET POSITION:</u>			
Held in trust for scholarships	\$ -	\$ 433,528	\$ 433,528

The accompanying notes are an integral part of these financial statements

**Owensboro Independent School District
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the fiscal year ended June 30, 2014**

	Scholarship Fund
Revenues:	
Contributions	5,400
Interest income	2,134
Total Revenues	7,534
Expenditures:	
Other	10,900
Changes in net position	(3,366)
Net position-June 30, 2013	436,894
Net position-June 30, 2014	\$ 433,528

The accompanying notes are an integral part of these financial statements

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Owensboro Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Owensboro Independent School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity, and its Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the District's operation. The basic financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The District's basic financial statements include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the basic financial statements of the following organization are included in the accompanying basic financial statements:

OWENSBORO INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION

The Owensboro Independent Board of Education established the Owensboro Independent School District Finance Corporation (Corporation) (a nonprofit, non-stock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Owensboro Independent Board of Education also comprise the Corporation's Board of Directors.

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. The District activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of 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. The District does not charge indirect expenses to programs or functions. 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 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.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

Fund Financial Statement – 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. Fiduciary funds are reported by fund type.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resource measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include food production costs, material and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds. Additionally, the District has determined certain other funds should be reported as major funds.

The District has the following funds:

- I) Government Fund Types
 - A) The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounting for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.
 - B) The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- C) Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.
 - 1) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
 - 2) The Facility Support Program of Kentucky (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
 - 3) The School Construction Fund includes capital projects fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

- D) Debt Service Funds

The Debt Service Fund is used to account for and report the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest, and related costs.

- II) Proprietary Fund Types
 - A) The School Food Service Fund accounts for and reports school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. This is a major fund of the District.
 - B) The Day Care Fund is used to account for and report after-school and summer day care services where a fee is charged for participating.

- III) Fiduciary Fund Types
 - A. Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.
 - B. The Scholarship Fund accounts for and reports principal and income used to benefit individuals by providing scholarships.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

Beginning in fiscal year ended June 30, 2014, the District budgets for on-behalf payments in the General Fund and School Food Service Fund. On-behalf payments are reported with the General Fund, the School Food Service Fund, and the Day Care Fund in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

INVENTORIES

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventories at the lower of cost, determined by first-in first-out (FIFO) method, or market.

PREPAID EXPENSES

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. No prepaid expenses were recorded as of June 30, 2014.

BOND ISSUE COSTS

Pursuant to GASB 65, costs associated with the issuance of bond obligations, including underwriter fees, fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements and the government-wide financial statements.

BOND DEFERRALS ON REFUNDING

The difference between the reacquisition price to refund existing (old) debt and the net carrying amount of the old debt is reported as deferred outflows on the government-wide financial statements. This asset is amortized over the remaining life of the old debt or the life of the refunding debt, whichever is shorter.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BOND DISCOUNTS

Underwriter’s discounts on bond issues are reported as reductions to bond proceeds in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or due to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds and 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 fund.

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000.

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 except land and construction in progress 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:

CAPITAL ASSETS

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Building and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10-15 years

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from government funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

UNEARNED REVENUE

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. In addition, certain amounts received under a lease agreement are being recognized over the 20-year lease term resulting in unearned revenue.

ACCUMULATED SICK LEAVE

Sick leave benefits are calculated using the vesting method, and accrued based on the District's estimates using historical trend information. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

FUND BALANCES

The District classifies its governmental fund balances as follows:

Non-spendable - This category includes funds that are not available to be spent because they are not in spendable format, or because they are legally required to remain intact. The District does not have any non-spendable funds as of June 30, 2014.

Restricted - This category includes resources that are restricted by state law to be used for certain purposes. The SEEK Capital Outlay Fund, the FSPK Fund, and the Debt Service Fund are restricted to be used for future debt service or future construction projects. The School Construction Fund is restricted for future construction projects.

FUND BALANCES

Committed - This category includes funds that have been designated for future projects by the Board. Only Board action may commit funds and modify or rescind the commitment. As of June 30, 2014, the District committed \$3,000,000 for future technology projects, \$436,704 for future sick leave.

Assigned - This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management. As of June 30, 2014, the District assigned funds of \$56,968 for purchase obligations.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned - This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, unless the District provides otherwise in its committed or assigned actions.

NET POSITION

Net position represent the different between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in propriety fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

INTER-FUND ACTIVITY

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds, and after non-operating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business - type activities columns of the statement of activities.

ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next fiscal year.

ESTIMATES

The preparation of basic financial statements requires the District's management to make estimates and assumptions that effect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through October 13, 2014, the date which the financial statements were available for issue. No subsequent events were of such nature as to require disclosure.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

As of June 30, 2014, the carrying amount of the District's deposits with financial institutions was \$14,206,532. Of the total bank balances, \$250,000 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

Cash is commingled in various bank accounts. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, federal financial assistance programs, and donor restrictions, each cash amount within the following funds is considered to be restricted:

Special Revenue Funds
Facility Support Program (FSPK) Fund
School Construction Fund
Student Activity Funds
Scholarship Fund

District funds are considered to be public funds and therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investments.

NOTE 3 - TAXES

The District's ad valorem property tax is levied each September 30 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 2 and become delinquent after January 31 following the September 30 levy date.

The property tax rates assessed for the year ended June 30, 2014 were \$.822 per \$100 valuation for real property, \$.822 per \$100 valuation for business personal property, and \$.641 per \$100 valuation for motor vehicles.

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

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 is as follows:

<u>GOVERNMENTAL ACTIVITIES:</u>	Balance July 1, 2013	Additions	Dispositions	Balance June 30, 2014
Land	\$ 3,480,604	\$ 3,695,000	\$ -	\$ 7,175,604
Land improvements	4,373,293	24,907	-	4,398,200
Buildings and improvements	54,265,088	221,430	(45,188)	54,441,330
Technology equipment	8,830,555	-	(575,899)	8,254,656
Vehicles	3,097,518	483,859	(133,094)	3,448,283
General equipment	1,271,229	9,000	(9,647)	1,270,582
Totals at historical costs	75,318,287	4,434,196	(763,828)	78,988,655
Land improvements	(2,749,253)	(153,583)	-	(2,902,836)
Buildings and improvements	(18,350,462)	(1,097,313)	42,070	(19,405,705)
Technology equipment	(5,443,198)	(1,206,072)	526,011	(6,123,259)
Vehicles	(2,222,636)	(238,108)	133,094	(2,327,650)
General equipment	(525,759)	(101,110)	8,835	(618,034)
Less: accumulated depreciation	(29,291,308)	(2,796,186)	710,010	(31,377,484)
Governmental activities, net	\$ 46,026,979	\$ 1,638,010	\$ (53,818)	\$ 47,611,171
<u>BUSINESS TYPE ACTIVITIES:</u>				
Buildings and improvements	\$ 32,326	\$ -	\$ -	\$ 32,326
Technology equipment	52,727	-	(1,933)	50,794
Vehicles	19,705	-	-	19,705
General equipment	748,870	-	(8,403)	740,467
Totals at historical costs	853,628	-	(10,336)	843,292
Buildings and improvements	(4,175)	(1,389)	-	(5,564)
Technology equipment	(25,132)	(7,753)	1,933	(30,952)
Vehicles	(16,421)	(3,284)	-	(19,705)
General equipment	(464,727)	(34,543)	8,403	(490,867)
Less: accumulated depreciation	(510,455)	(46,969)	10,336	(547,088)
Business-type activities, net	\$ 343,173	\$ (46,969)	\$ -	\$ 296,204

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Governmental activities depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 2,374,169
Student	3,431
Instructional staff	12,176
District administration	5,008
School administration	4,345
Business	131,828
Plant operations and management	46,801
Student transportation	218,428
Community services	-
	<hr/>
Total depreciation expense	<u><u>\$ 2,796,186</u></u>

NOTE 5 - BONDED DEBT AND LEASE OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Owensboro Independent School District Finance Corporation.

The original amount of each issue, the issue date, and interest rate are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2003 R	\$ 4,920,000	1.25 - 3.250%
2004	2,130,000	2.10 - 4.625%
2008	22,680,000	3.25 - 4.500%
2009 R	3,260,000	2.00 - 3.650%
2012 R	1,365,000	2.00 - 2.500%

The District, through the General Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Owensboro Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring bonds then outstanding.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 5 - BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

For the 2003, 2004, 2008, and 2009, 2012 and 2013 bond issues, the District entered into “participation agreements” with the School Facility Construction Commission (Commission). The Commission was created by Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission’s option, bi-annually. Should the Kentucky General Assembly choose not to fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity with redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the District’s minimum obligations, including amounts to be paid by the Commission, as of June 30, 2014 for debt service (principal and interest) are as follows:

Fiscal Year Ending	Owensboro Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2015	\$ 1,025,067	\$ 842,475	\$ 424,933	\$ 95,646	\$ 2,388,120
2016	1,065,243	800,577	389,757	83,582	2,339,159
2017	1,101,946	762,893	403,054	72,186	2,340,079
2018	1,142,420	721,878	417,580	59,889	2,341,766
2019	1,183,931	677,097	366,069	46,929	2,274,026
2020	1,249,360	627,065	170,640	35,542	2,082,606
2021	1,302,062	576,036	177,938	30,945	2,086,981
2022	1,349,519	522,161	180,481	26,045	2,078,206
2023	1,406,486	465,319	188,514	20,988	2,081,306
2024	1,467,881	405,117	192,119	15,464	2,080,581
2025	1,532,400	340,404	47,600	9,796	1,930,200
2026	1,600,917	271,862	49,083	7,681	1,929,544
2027	1,676,971	199,110	53,029	5,415	1,934,525
2028	1,752,926	121,938	52,074	3,050	1,929,988
2029	1,833,265	41,248	41,735	939	1,917,188
	<u>\$ 20,690,394</u>	<u>\$ 7,375,180</u>	<u>\$ 3,154,606</u>	<u>\$ 514,096</u>	<u>\$ 31,734,276</u>

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 5 - BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2014 is as follows:

Issue	Balance July 1, 2013	Additions	Payments/ Refunding	Balance June 30, 2014	Current Portion
KISTA Bonds:					
2005	\$ 103,122	\$ -	\$ (103,122)	\$ -	\$ -
2006	78,187	-	(78,187)	-	-
2008	80,780	-	(80,780)	-	-
2009	196,372	-	(196,372)	-	-
2012	259,980	-	(259,980)	-	-
2013	255,472	-	(255,472)	-	-
School Building Revenue Bonds:					
2003 R	\$ 925,000	\$ -	\$ (455,000)	\$ 470,000	\$ 470,000
2004	100,000	-	(100,000)	-	-
2008	20,950,000	-	(515,000)	20,435,000	535,000
2009 R	1,630,000	-	(20,000)	1,610,000	320,000
2012 R	1,640,000	-	(310,000)	1,330,000	125,000
	<u>\$ 26,218,913</u>	<u>\$ -</u>	<u>\$ (2,373,913)</u>	<u>\$ 23,845,000</u>	<u>\$ 1,450,000</u>

NOTE 6 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, eligible employees will receive from the District an amount equal to 30% of the value of accumulated sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported.

A summary of the changes in the accumulated sick leave benefits during the fiscal year ended June 30, 2014 is as follows:

Balance as of July 1, 2013	\$ 1,839,462
Additions	-
Decreases	<u>(41,076)</u>
Balances as of June 30, 2014	1,798,386
Less current portion	<u>(200,000)</u>
Noncurrent portion	<u>\$ 1,598,386</u>

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The District receives funding from federal and state government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements. The collectability of any related receivables as of June 30, 2014 may be impaired. The amount of such failure 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.

NOTE 8 - RETIREMENT PLANS

The District contributes to the Teachers' Retirements System of Kentucky (KTRS), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. Kentucky Revised Statutes (KRS) requires that members of KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601, or from the KTRS website at <http://ktrs.ky.gov/>.

Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.605% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

In addition to the pension benefits described above, Kentucky revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost sharing, multiple-employer defined benefit plan. 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.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of active members paid from non-federal funds is contributed by the District. In addition, the State pays a 1.5% match for this post-retirement healthcare benefit for these employees. Also, the premiums collected from retirees, as described in the plan description, and investment interest help with the medical expenses of the plan.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 8 - RETIREMENT PLANS (CONTINUED)

The District's total payroll was \$29,857,265, \$29,912,576, and \$29,795,025 for the years ended June 30, 2014, 2013, and 2012, respectively. The payroll for employees covered under KTRS was \$22,312,591, \$22,226,896, \$22,108,562 for the years ended June 30, 2014, 2013, and 2012, respectively. The Commonwealth contributed \$2,670,605, \$2,644,799, and \$2,522,572 to KTRS for the years ended June 30, 2014, 2013, and 2012, respectively, for the benefit of the participating employees. The District's contributions to KTRS were \$323,417, \$319,972, and \$413,732 for the years ended June 30, 2014, 2013, and 2012, respectively, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death, disability, and health benefits to members and their beneficiaries. Under KRS provisions, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5% of their annual covered compensation, if hired before September 1, 2008, or 6% of their annual covered contribution, if hired on or after September 1, 2008, and the District is required to contribute at an actuarially determined rate. The current rate is 18.89% of the employee's total covered compensation. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2014, 2013, and 2012 were \$1,715,109, \$1,453,042, and \$1,415,639, respectively, and are equal to the required contribution for the related year.

The District also offers employees the option to participate in the Owensboro County Board of Education 403(b) Plan, a defined contribution plan under Section 403(b), 401(k), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to the plan.

NOTE 9 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District receives on-behalf payments for fringe benefits, bonds, and technology from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances - governmental funds, and the statement of revenues, expenses, and changes in net position - proprietary funds:

Retirement contributions to the Teachers'	
Retirement System of Kentucky	\$ 2,670,605
Health, life insurance, and HRA	5,203,695
Administrative Fees	55,427
Less: District Reimbursement for Federal Funded Benefits	<u>(211,711)</u>
Total On-Behalf Payments for Fringe Benefits	7,718,016
School Finance Corporation On-Behalf Bond Payments	520,977
Technology On-Behalf Payments	<u>56,458</u>
	<u>\$ 8,295,451</u>

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 10 - INSURANCE, RISK MANAGEMENT, AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, natural disasters, workers compensation, unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFICIT OPERATING/FUND BALANCES

There are no District funds that currently have a deficit fund balance. However, the Facility Support Program (FSPK) Fund, and the School Construction Fund had operations that resulted in a current year deficit of expenditures and other financing uses over revenues and other financing sources resulting in a corresponding reduction of fund balance.

NOTE 12 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss contingency.

NOTE 13 - TRANSFER OF FUNDS

The following transfers were made during the year ended June 30, 2014:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special Revenue	General	Indirect Cost	\$ 10,379
Food Service	General	Indirect Cost	159,948
General	Special Revenue	Operating	232,189
General	School Construction	Operating	3,011,150
SEEK Capital	School Construction	Capital Project	7,099
General	Debt Service	Debt Service	1,000,061
Facility Support	Debt Service	Debt Service	1,862,466
			<u>\$ 6,283,292</u>

NOTE 14 - INTERFUND RECEIVABLES AND PAYABLES

There were no inter-fund receivables or payables as of June 30, 2014.

**Owensboro Independent School District
Notes to Financial Statements**

NOTE 15 - PROPERTY EXCHANGE - CITY OF OWENSBORO, KENTUCKY

During the fiscal year ended June 30, 2014, the Owensboro Independent School District and the City of Owensboro, Kentucky entered into an agreement to exchange land and property. The District exchanged 6.3 acres of land appraised at \$335,000 for 10.3 acres of land and structures appraised at \$1,099,600. In accordance with GASB No. 62 the District has recognized a gain of \$764,600, which is reflected in the statement of activities.

NOTE 16 - POLLUTION REMEDIATION OBLIGATION

The Owensboro Independent School District identified a pollution remediation obligation related to asbestos in a property purchased during the fiscal year ended June 30, 2013. The District accrued a liability for this remediation, which is reported on the government-wide financial statements. The accrued amount of \$1,405,000 was determined using a quote from a reputable industrial environmental services company. There were no known potential changes in estimate or estimated recoveries reducing the liability at the date of this report.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE - GASB No. 65 - ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES

During the fiscal year ended June 30, 2014, the Owensboro Independent School District implemented GASB Statement No. 65. Under GASB No. 65 debt issuance costs are recognized as an expense in the period incurred instead of being amortized over their estimated useful lives. A total prior period adjustment of \$122,024 was recorded related to the prior treatment of bond issuance costs. Additionally, GASB No. 65 also requires certain amounts to be classified as deferred outflows and inflows on the statement of net position.

Owensboro Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
For the fiscal year ended June 30, 2014

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
From local sources:				
Taxes				
Property	\$ 8,265,000	\$ 8,265,000	\$ 8,539,162	\$ 274,162
Motor vehicle and watercraft	795,000	795,000	942,931	147,931
Utilities	2,000,000	2,000,000	2,511,905	511,905
Other	135,000	135,000	261,650	126,650
Earnings on investments	60,000	60,000	69,046	9,046
Other local revenues	120,037	120,037	233,648	113,611
Intergovernmental - state	26,228,941	26,228,941	26,476,303	247,362
Intergovernmental - federal	99,000	99,000	338,535	239,535
Total Revenues	<u>37,702,978</u>	<u>37,702,978</u>	<u>39,373,180</u>	<u>1,670,202</u>
<u>EXPENDITURES:</u>				
Instruction	24,353,736	24,353,736	21,490,228	2,863,508
Support services:				
Student	2,194,647	2,194,647	2,149,231	45,416
Instruction staff	2,226,392	2,226,392	2,152,793	73,599
District administrative	1,531,153	1,531,153	1,109,569	421,584
School administrative	2,748,798	2,748,798	2,658,485	90,313
Business	2,033,512	2,033,512	1,755,787	277,725
Plant operation & maintenance	4,118,182	4,118,182	3,911,339	206,843
Student transportation	1,894,662	1,894,662	1,678,490	216,172
Contingency	3,000,000	3,000,000	-	3,000,000
Facilities acquisition and construction	142,998	142,998	200	142,798
Debt service	1,000,061	1,000,061	-	1,000,061
Total Expenditures	<u>45,244,141</u>	<u>45,244,141</u>	<u>36,906,122</u>	<u>8,338,019</u>
Deficit of revenues over expenditures	<u>(7,541,163)</u>	<u>(7,541,163)</u>	<u>2,467,058</u>	<u>10,008,221</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds from sale of fixed assets	1,000	1,000	54,100	53,100
Operating transfers in	542,137	542,137	170,327	(371,810)
Operating transfers out	(3,237,403)	(3,237,403)	(4,243,400)	(1,005,997)
Total Other Financing Sources	<u>(2,694,266)</u>	<u>(2,694,266)</u>	<u>(4,018,973)</u>	<u>(1,324,707)</u>
Net change in fund balance	(10,235,429)	(10,235,429)	(1,551,915)	8,683,514
Fund balance, June 30, 2013	<u>1,527,343</u>	<u>1,527,343</u>	<u>12,238,738</u>	<u>10,711,395</u>
Fund balance, June 30, 2014	<u><u>\$ (8,708,086)</u></u>	<u><u>\$ (8,708,086)</u></u>	<u><u>\$ 10,686,823</u></u>	<u><u>\$ 19,394,909</u></u>

Owensboro Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Funds
For the fiscal year ended June 30, 2014

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 216	\$ 216
Other local revenues	1,028,893	1,028,893	841,381	(187,512)
Intergovernmental - state	2,088,078	2,088,078	2,096,859	8,781
Intergovernmental - federal	3,622,185	3,622,185	3,913,171	290,986
Total Revenues	<u>6,739,156</u>	<u>6,739,156</u>	<u>6,851,627</u>	<u>112,471</u>
<u>EXPENDITURES:</u>				
Instruction	5,681,899	5,681,899	5,974,072	(292,173)
Support services:				
Student	616,819	616,819	382,221	234,598
Instruction staff	-	-	2,254	(2,254)
District administrative	-	-	30,000	(30,000)
School administrative	39,792	39,792	87,591	(47,799)
Plant operation & maintenance	46,841	46,841	68,934	(22,093)
Student transportation	6,243	6,243	6,243	-
Community services	539,372	539,372	508,870	30,502
Total Expenditures	<u>6,930,966</u>	<u>6,930,966</u>	<u>7,060,185</u>	<u>(129,219)</u>
Deficit of revenues over expenditures	<u>(191,810)</u>	<u>(191,810)</u>	<u>(208,558)</u>	<u>(16,748)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	202,189	202,189	232,189	30,000
Operating transfers out	(10,379)	(10,379)	(10,379)	-
Total Other Financing Sources	<u>191,810</u>	<u>191,810</u>	<u>221,810</u>	<u>30,000</u>
Net change in fund balance	-	-	13,252	13,252
Fund balance, June 30, 2013	<u>55,004</u>	<u>55,004</u>	<u>55,004</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 55,004</u>	<u>\$ 55,004</u>	<u>\$ 68,256</u>	<u>\$ 13,252</u>

Owensboro Independent School District
Statement of Receipts, Disbursements, and Due to Student Groups - Elementary, Middle, and Alternative Schools Activity Funds
For the fiscal year ended June 30, 2014

<u>School</u>	<u>Cash July 1, 2013</u>	<u>Receipts For Year</u>	<u>Disbursements For Year</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Due to Student Groups June 30, 2014</u>
<u>SCHOOL ACTIVITY FUNDS:</u>							
Hager Preschool	\$ 18,075	\$ 16,386	\$ (16,585)	\$ 17,876	\$ -	\$ -	\$ 17,876
Cravens Elementary School	11,478	33,884	(27,374)	17,988	-	-	17,988
Estes Elementary School	17,527	43,029	(24,391)	36,165	-	-	36,165
Foust Elementary School	21,355	35,834	(45,008)	12,181	-	-	12,181
Newton Parrish Elementary School	12,992	48,603	(40,512)	21,083	-	-	21,083
Seven Hills Alternative School	1,382	1,669	(1,875)	1,176	-	-	1,176
Sutton Elementary School	19,012	34,547	(36,510)	17,049	-	-	17,049
5 th - 6 th Center	64,844	78,719	(82,919)	60,644	-	-	60,644
Owensboro Middle School	<u>77,270</u>	<u>267,311</u>	<u>(264,016)</u>	<u>80,565</u>	<u>-</u>	<u>-</u>	<u>80,565</u>
Totals	<u>\$ 243,935</u>	<u>\$ 559,982</u>	<u>\$ (539,190)</u>	<u>\$ 264,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,727</u>

Owensboro Independent School District
Statement of Receipts, Disbursements, and Due to Student Groups - Owensboro High School Activity Funds
For the fiscal year ended June 30, 2014

Activity Fund	Cash July 1, 2013	Receipts For Year	Disbursements For Year	Interfund Transfers	Cash June 30, 2014	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2014
Athletics	\$ 80,872	\$ 162,027	\$ (177,595)	\$ (761)	\$ 64,543	\$ -	\$ -	\$ 64,543
Football Booster Club	7,685	14,258	(19,584)	9,251	11,610	-	-	11,610
Soccer Booster Club	8,158	3,918	(1,854)	(4,473)	5,749	-	-	5,749
Girls Soccer Support	1,734	160	(4,251)	5,974	3,617	-	-	3,617
Boys Soccer Support	3,120	1,451	(3,030)	3,507	5,048	-	-	5,048
Intramurals	84	-	(532)	1,000	552	-	-	552
Bowling Support	-	510	(402)	-	108	-	-	108
Swim team Fund	269	2,094	(1,451)	57	969	-	-	969
Cheer - Red Squad	3,606	7,825	(7,181)	(3,572)	678	-	-	678
Football Sign	3,241	3,888	(2,125)	(4,795)	209	-	-	209
Girls Basketball Funds	1,691	5,109	(6,038)	1,543	2,305	-	-	2,305
Girls Track	212	200	(200)	-	212	-	-	212
Devilettes	10,895	91,869	(104,528)	5,172	3,408	-	-	3,408
Boys Basketball Funds	5,698	6,425	(11,278)	610	1,455	-	-	1,455
Softball Fundraising	1,906	11,582	(13,138)	1,615	1,965	-	-	1,965
Baseball Fundraising	4,567	13,704	(11,548)	1,474	8,197	-	-	8,197
Cross Country Invit	8,458	6,202	(4,399)	(1,147)	9,114	-	-	9,114
Girls CC Support	2,379	-	(1,405)	(25)	949	-	-	949
Boys CC Support	2,439	-	(1,179)	-	1,260	-	-	1,260
Wrestling Invitational	307	2,028	(760)	209	1,784	-	-	1,784
Instructional Fees	24,540	14,484	(4,986)	(5,735)	28,303	-	-	28,303
Art Fees	801	3,052	(3,511)	-	342	-	-	342
Business Education	762	-	(102)	500	1,160	-	-	1,160
Driver's Ed Fees	8,386	1,566	(3,695)	-	6,257	-	-	6,257
English	2,873	96	(2,658)	1,000	1,311	-	-	1,311
Foreign Language	-	346	(391)	500	455	-	-	455
Family and Consumer	390	460	(440)	-	410	-	-	410
Math	1,072	248	(905)	1,000	1,415	-	-	1,415
Science	1,712	-	(898)	1,000	1,814	-	-	1,814
Special Education	53	-	-	235	288	-	-	288
Step Team	673	642	(741)	(25)	549	-	-	549

Continued
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Owensboro Independent School District
Statement of Receipts, Disbursements, and Due to Student Groups - Owensboro High School Activity Funds - Continued
For the fiscal year ended June 30, 2014

Activity Fund	Cash July 1, 2013	Receipts For Year	Disbursements For Year	Interfund Transfers	Cash June 30, 2014	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2014
Social Studies	\$ 95	\$ 900	\$ (350)	\$ 450	\$ 1,095	\$ -	\$ -	\$ 1,095
PE Fees 9 th Grade	3,643	3,039	(5,254)	-	1,428	-	-	1,428
Laptop Fees	3,338	50,915	(54,253)	-	-	-	-	-
Vending - Student	2,618	5,947	(3,732)	(23)	4,810	-	-	4,810
Vending - Adult	1,382	2,229	(2,102)	-	1,509	-	-	1,509
Volleyball Fundraiser	8,165	6,943	(9,176)	1,064	6,996	-	-	6,996
OHS Academic	187	-	-	-	187	-	-	187
Magazine Sales	904	18,988	(11,887)	(3,000)	5,005	-	-	5,005
OHS Concessions	3,360	60,139	(35,430)	(24,594)	3,475	-	-	3,475
School Store Athletics	-	13,622	(7,897)	118	5,843	-	-	5,843
Knotholes	413	32	(191)	50	304	-	-	304
Yearbook Fundraising	263	-	-	-	263	-	-	263
Yearbook	4,074	12,643	(14,080)	2,750	5,387	-	-	5,387
Scoop	113	-	(22)	-	91	-	-	91
Co-Ed-Y Club	330	3,625	(4,100)	500	355	-	-	355
Academic Team	51	-	-	(51)	-	-	-	-
GSA	340	-	(120)	(25)	195	-	-	195
FBLA	1,594	103	(743)	(25)	929	-	-	929
FHA/FCCLA	279	-	(177)	-	102	-	-	102
HOSA	119	-	-	-	119	-	-	119
National Honor Society	1,810	2,259	(1,637)	25	2,457	-	-	2,457
JROTC	4,792	10,293	(4,490)	(113)	10,482	-	-	10,482
Tennis Fundraising	1,035	60	(180)	(25)	890	-	-	890
Foreign Language Club	191	722	(607)	(25)	281	-	-	281
SIA/Interact	948	2,270	(1,473)	(25)	1,720	-	-	1,720
Student Council	3,935	2,791	(2,175)	103	4,654	-	-	4,654
Chess Club	30	-	-	-	30	-	-	30
Craft Club	1	-	-	(1)	-	-	-	-
AOK	125	670	(634)	(75)	86	-	-	86
Band	6,571	9,177	(20,723)	12,954	7,979	-	-	7,979

Continued
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Owensboro Independent School District
Statement of Receipts, Disbursements, and Due to Student Groups - Owensboro High School Activity Funds - Continued
For the fiscal year ended June 30, 2014

<u>Activity Fund</u>	<u>Cash July 1, 2013</u>	<u>Receipts For Year</u>	<u>Disbursements For Year</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2014</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Due to Student Groups June 30, 2014</u>
Band Concessions	\$ 2,914	\$ 10,312	\$ (6,505)	\$ (6,721)	\$ -	\$ -	\$ -	\$ -
Orchestra	3,114	1,134	(2,293)	-	1,955	-	-	1,955
Choir	7,289	3,421	(5,596)	-	5,114	-	-	5,114
PSTO	6,252	7,030	(6,413)	(3,538)	3,331	-	-	3,331
Class of 2014	3,661	1,252	-	(4,913)	-	-	-	-
Class of 2015	1,740	5,059	(3,331)	(3,468)	-	-	-	-
Class of 2016	1,082	1,672	(951)	-	1,803	-	-	1,803
Class of 2017	-	2,183	(1,240)	-	943	-	-	943
Quill and Scroll	183	-	-	-	183	-	-	183
Flower Fund	464	436	(729)	-	171	-	-	171
Drama Foundation	15,242	17,370	(21,572)	-	11,040	-	-	11,040
Youth Service Center Project	2,865	1,920	(966)	(30)	3,789	-	-	3,789
Prom/Graduation	-	4,815	(6,513)	9,319	7,621	-	-	7,621
Champion (SADD)	304	-	-	-	304	-	-	304
Junior Class/Prom	8,538	5,235	(6,064)	225	7,934	-	-	7,934
Social Studies Trip	4,249	20,225	(20,969)	-	3,505	-	-	3,505
Senior Activities	-	5,277	(7,895)	4,854	2,236	-	-	2,236
Media Center	1,354	12	-	-	1,366	-	-	1,366
World of Work	241	-	-	-	241	-	-	241
Textbook Rental	1,150	16,653	(17,803)	-	-	-	-	-
Textbook Lost and Damage	518	180	(698)	-	-	-	-	-
Renaissance	1,575	-	(892)	-	683	-	-	683
In and Out	5,343	14,596	(14,936)	126	5,129	-	-	5,129
Totals	\$ 307,367	\$ 680,293	\$ (697,604)	\$ -	\$ 290,056	\$ -	\$ -	\$ 290,056



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB A-133

Independent Auditors' Report

Dr. Nicholas Brake, Superintendent
and Members of the Board of Education of the
Owensboro Independent School District
Owensboro, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Owensboro Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the Owensboro Independent School District's major federal programs for the year ended June 30, 2014. The Owensboro Independent School District's major federal programs are identified in the Summary of the Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Owensboro Independent School 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 statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 Owensboro Independent School District's compliance with these 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 Owensboro Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Owensboro Independent School 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, 2014.

Report on Internal Control Over Compliance

The management of the Owensboro Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Owensboro Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 Owensboro Independent School 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 control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance 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 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 the 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 considered to be deficiencies, significant deficiencies, or material weaknesses, as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the remaining aggregate fund information of the Owensboro Independent School District for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's financial statements. We issued our report dated October 13, 2014, which contained an unmodified opinion on these financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Purpose

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 OMB A-133. Accordingly, this report is not suitable for any other purpose.



Myriad CPA Group, LLC
October 13, 2014



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*

Independence Auditors' Report

Members of the Board of Education
Owensboro Independent School District
Owensboro, 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 of America; and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditors' Contract*, the financial statements of the governmental activities and the business type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Owensboro Independent School District as of and for the year ended June 30, 2014 and the related notes to the financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Owensboro Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Owensboro Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Owensboro Independent School 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting 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 Owensboro Independent School 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific

state statutes or regulations identified in *Appendix II to the Independent Auditors' Contract-State Audit Requirements*.

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 result of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "Myriad Co Group, LLC". The signature is written in a cursive, flowing style.

Owensboro, Kentucky
October 13, 2014

**Owensboro Independent School District
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014**

Program	CFDA No.	Grant/Project Number	Amount
United States Department of Agriculture:			
<i>(Passed through the Commonwealth of Kentucky Department of Education)</i>			
National School Lunch Program	10.555	7750002	\$ 2,070,250
School Breakfast Program	10.553	7760005	743,462
Summer Food Service Program for Children	10.559	7690024	114,825
Summer Food Service Program for Children	10.559	7740023	12,054
Fresh Fruit and Vegetable Program	10.582	7720012	54,912
Commodity Supplemental Food Program	10.565	4950	185,580
Total United States Department of Agriculture			3,181,083
United States Department of Education:			
<i>(Passed through the Commonwealth of Kentucky Department of Education)</i>			
Title I-Part A 2012	84.010	3100002-11	19,194
Title I- Parental Involvement 2012	84.010	3100002-11	3,637
Title I- Part A 2013	84.010	3100002-12	468,102
Title I- Parental Involvement 2013	84.010	3100002-12	16,118
Title I- Part A 2014	84.010	3100002-13	1,248,400
Title I- Parental Involvement 2013	84.010	3100002-13	11,310
Title I- Program Delinquent Children 2013	84.010	3100102-12	1
Title I- Program Delinquent Children 2014	84.010	3100102-13	37,380
Total Title I			1,804,142
IDEA B-Non Public 2012	84.027	3810002-11	29,035
IDEA B- Regular 2013	84.027	3810002-12	779,179
IDEA B-Non Public 2013	84.027	3810002-12	1,066
IDEA B- Regular 2014	84.027	3810002-13	441,439
Total IDEA B			1,250,719
Special Ed Preschool 2013	84.173	3800002-13	50,012
Title III-ESL 2012	84.365	3300002-12	16,483
Title III-ESL 2014	84.365	3300002-13	3,793
Title III-Immigrant 2014	84.365		4,764
Total Title III			25,040
Voc Ed Carl Perkins	84.048	4621232-12	2,235
Voc Ed Basic 2013	84.048	4621332-13	819
Voc Ed Basic 2013	84.048	4621332-13	3,333
Voc Ed Basic 2014	84.048	3710002-13	38,420
Community Based Work Transition	84.048	3714	17,613
Total Vocational Education			62,419
Title II- Part A Teacher Quality	84.367	3230002-11	7,323
Title II- Part A Teacher Quality	84.367	3230002-12	6,904
Title II- Part A Teacher Quality	84.367	3230002-13	318,010
Total Title II			332,237

**Owensboro Independent School District
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014**

Program	CFDA No.	Grant/Project Number	Amount
RTT-D College & Career Readiness			129,178
Race to the Top 2012	84.413	3960002-11	13,487
21st Century Learning Center 2012	84.287	3400002-11	6,129
21st Century Learning Center 2012	84.287	3400002-11	16,153
21st Century Learning Center 2012	84.287	3400002-11	3,000
21st Century Learning Center 2012	84.287	3400002-11	14,468
Total 21 Century Learning 2012			39,750
21st Century Learning Center 2013	84.287	3400002-12	54,710
21st Century Learning Center 2013	84.287	3400002-12	51,275
21st Century Learning Center 2013	84.287	3400002-12	41,352
21st Century Learning Center 2013	84.287	3400002-12	10,000
21st Century Learning Center 2013	84.287	3400002-12	10,186
Total 21st Century Learning 2013			167,523
21st Century Learning Center 2014	84.287	3400002-13	38,664
Total United States Department of Education			3,913,171
ROTC 2014	12.000	5044	44,723
Total Federal Awards Expended			\$ 7,138,977

**Owensboro Independent School District
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014**

Note 1 Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Owensboro Independent School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States and Local Governments and Non-Profit Organizations*.

Note 2 Commodities Donation:

Nonmonetary assistance for commodities donated is reported at the fair value of the commodities disbursed.

Note 3 Program Clusters:

The following programs are considered clusters and are considered in the aggregate for the purpose of major program determination

<u>Program</u>	<u>CFDA No.</u>	<u>Grant/Project Number</u>	<u>Amount</u>
<u>United States Department of Agriculture:</u>			
<i>(Passed through the Commonwealth of Kentucky Department of Education)</i>			
National School Lunch Program	10.555	7750002	\$ 2,070,250
School Breakfast Program	10.553	7760005	743,462
Summer Food Service Program for Children	10.559	7690024	114,825
Summer Food Service Program for Children	10.559	7740023	12,054
Fresh Fruit and Vegetable Program	10.582	7720012	54,912
Commodity Supplemental Food Program	10.565	4950	185,580
Total United States Department of Agriculture			<u>\$ 3,181,083</u>

**Owensboro Independent School District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2014**

I. Summary of Audit Results:

		<u>Results</u>
a.	Type of report issued on financial statements.	Unmodified
b.	Internal control over financial reporting:	
	* Material weakness identified?	None reported
	* Significant deficiencies identified that are not considered to be material weaknesses?	None reported
c.	Non-compliance material to financial statements noted?	None reported
d.	Internal control over major programs:	
	* Material weakness identified?	None reported
	* Significant deficiencies identified that are not considered to be material weaknesses?	None reported
e.	Type of auditors report issued on compliance for major programs?	Unmodified
f.	Any audit findings that are required to be reported in accordance with 510 (a) of Circular A-133?	None reported
g.	Identification of major programs:	
	United States Department of Agriculture Cluster (10.553,10.555,10.558,10.559,10.560,10.582, and 10.565)	\$ 3,181,083
	IDEA B 84.027	\$ 1,250,719
	Title II - Part A Teacher Quality 84.367	\$ 332,237
h.	Dollar threshold used to distinguish between Type A and Type B Programs.	\$ 300,000
i.	Does the Owensboro Independent School District qualify as a low risk auditee?	Yes

II. Findings - Financial Statement Audit - June 30, 2014:

There were no findings or questioned costs resulting from the audit of the Owensboro Independent School District for the fiscal year ended June 30, 2014.

III. Findings and Questioned Costs - Major Federal Programs Audit:

None: There were no material findings and questioned costs related to major federal programs of the Owensboro Independent School District for the fiscal year ended June 30, 2014.

IV. Findings - Financial Statement Audit - Prior Year - June 30, 2013:

There were no reportable findings for the fiscal year June 30, 2013.