

DATED FEBRUARY 24, 2021

NEW ISSUE
Electronic Bidding via Parity®
BOOK-ENTRY-ONLY SYSTEM

RATING
Moody's: " "

In the opinion of Bond Counsel, under existing law interest on the Bonds will be includable in gross income of the holders thereof for purposes of federal taxation. The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Status" herein).

\$10,095,000*
FRANKLIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
TAXABLE SERIES OF 2021

Dated with Delivery: March 25, 2021

Due: as shown below

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

| Maturing | | Interest Rate | Reoffering Yield | CUSIP | Maturing | | Interest Rate | Reoffering Yield | CUSIP |
|----------|-----------|---------------|------------------|-------|----------|-------------|---------------|------------------|-------|
| 1-Jun | Amount | | | | 1-Jun | Amount | | | |
| 2021 | \$135,000 | % | % | | 2027 | \$195,000 | % | % | |
| 2022 | \$185,000 | % | % | | 2028 | \$1,575,000 | % | % | |
| 2023 | \$185,000 | % | % | | 2029 | \$1,620,000 | % | % | |
| 2024 | \$185,000 | % | % | | 2030 | \$1,665,000 | % | % | |
| 2025 | \$190,000 | % | % | | 2031 | \$2,000,000 | % | % | |
| 2026 | \$195,000 | % | % | | 2032 | \$1,965,000 | % | % | |

The Bonds are subject to redemption prior to their stated maturity as described herein.

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

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

The Franklin County (Kentucky) School District Finance Corporation will until March 4, 2021 at 1:00 P.M., E.D.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601.

***As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$1,010,000.**

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

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

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



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

**FRANKLIN COUNTY
BOARD OF EDUCATION**

Natalie Lile, Chairperson
Chuck Fletcher, Vice-Chair
Belinda Henson, Member
Larry Perkins, Member
Justin Watterson, Member

Mark Kopp, Superintendent
Rebecca Roberts, Secretary

**FRANKLIN COUNTY (KENTUCKY) SCHOOL DISTRICT
FINANCE CORPORATION**

Natalie Lile, President
Chuck Fletcher, Vice-President
Belinda Henson, Member
Larry Perkins, Member
Justin Watterson, Member

Rebecca Roberts, Secretary
Shane Smith, Treasurer

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank, National Association
Louisville, Kentucky

BOOK-ENTRY-ONLY-SYSTEM

REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

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

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**OFFICIAL STATEMENT
Relating to the Issuance of**

\$10,095,000*

**FRANKLIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REFUNDING REVENUE BONDS,
TAXABLE SERIES OF 2021**

**Subject to Permitted Adjustment*

INTRODUCTION

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

The Bonds are being issued to (i) pay the accrued interest and refund at or in advance of maturity on June 1, 2022, all of the outstanding Franklin County School District Finance Corporation School Building Revenue Bonds, Series of 2012, dated June 1, 2012 (the "2012 Bonds") maturing June 1, 2021 and thereafter (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Franklin County School District (the "District") and is in the best interest of the District.

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

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Lease Agreement, dated March 25, 2021, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of

1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

THE CORPORATION

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

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

Pursuant to the provisions of the Act, the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of construction of the Projects and has entered into a Participation Agreement with the Board whereunder the Commission agrees to pay an annual Agreed Participation equal to approximately \$125,449 to be applied to the annual debt service requirements for the Bonds herein identified each year until their retirement; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2022; the right is reserved in the Commission to terminate its commitment to pay the Agreed Participation after the initial biennial period and every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by the execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

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

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

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

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

OUTSTANDING BONDS

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

| Bond Series | Original Principal | Current Principal Outstanding | Principal Assigned to Board | Principal Assigned to Commission | Approximate Interest Rate Range | Final Maturity |
|--------------------|---------------------------|--------------------------------------|------------------------------------|---|--|-----------------------|
| 2010-REF | \$7,440,000 | \$1,140,000 | \$6,055,000 | \$1,385,000 | 2.625% | 2021 |
| 2012 | \$10,050,000 | \$9,370,000 | \$8,201,749 | \$1,848,251 | 3.000% - 4.000% | 2032 |
| 2012-REF | \$5,750,000 | \$2,645,000 | \$5,011,848 | \$738,152 | 2.050% | 2023 |
| 2012B-REF | \$10,550,000 | \$2,340,000 | \$10,316,492 | \$233,508 | 2.250% - 4.000% | 2024 |
| 2013-REF | \$10,235,000 | \$5,485,000 | \$3,753,999 | \$6,481,001 | 2.250% - 3.000% | 2025 |
| 2013 Energy | \$3,215,000 | \$2,065,000 | \$3,215,000 | \$0 | 3.000% - 4.125% | 2028 |
| 2015-REF | \$3,430,000 | \$3,315,000 | \$3,430,000 | \$0 | 3.000% | 2030 |
| 2016-REF | \$10,105,000 | \$9,055,000 | \$9,697,702 | \$407,298 | 4.000% | 2027 |
| 2017 | \$16,180,000 | \$15,055,000 | \$14,508,994 | \$1,671,006 | 2.000% - 3.250% | 2037 |
| 2018 Energy | \$9,580,000 | \$9,400,000 | \$9,580,000 | \$0 | 3.000% - 3.650% | 2039 |
| 2020 | \$1,715,000 | \$1,715,000 | \$1,715,000 | \$0 | 1.000% - 1.600% | 2030 |
| TOTALS: | \$88,250,000 | \$61,585,000 | \$75,485,784 | \$12,764,216 | | |

AUTHORITY

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

- i) the issuance of approximately \$10,095,000 of Bonds subject to a permitted adjustment of \$1,010,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.

THE BONDS

General

The Bonds will be dated March 25, 2021, will bear interest from that date as described herein, payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2021, and will mature as to principal on June 1, 2021 and each June 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

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

Redemption

The Bonds maturing on or after June 1, 2030 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after June 1, 2029, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given

by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

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

SECURITY

General

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

The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from March 25, 2021, through June 30, 2021 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until June 1, 2032, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

STATE INTERCEPT

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

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$125,449 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay eighteen percent (13%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2021. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

VERIFICATION OF MATHEMATICAL ACCURACY

AMTEC, will verify from the information provided to them the mathematical accuracy as of the date of the closing of the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the Financial Advisor's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Prior Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is not includable in gross income for federal income tax purposes. AMTEC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

THE PLAN OF REFUNDING

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into the Bond Fund for the Refunded Bonds. The Bond Fund deposit is intended to be sufficient to (i) pay the accrued interest and refund in advance of maturity all of the outstanding Franklin County School District Finance Corporation School Building Revenue Bonds, Series of 2012, dated June 1, 2012 (the "2012 Bonds") maturing June 1, 2021 and thereafter (the "Refunded Bonds"); and (ii) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Franklin County School District (the "District") and is in the best interest of the District.

Any investments purchased for the Bond Fund shall be limited to (i) direct Obligations of or Obligations guaranteed by the United States government, or (ii) Obligations of agencies or corporations of the United States as permitted under KRS 66.480(1)(b) and (c) or (iii) Certificates of Deposit of FDIC banks fully collateralized by direct Obligations of or Obligations guaranteed by the United States.

The Plan of Refunding the Bonds of the Prior Issue as set out in the Preliminary Official Statement is tentative as to what Bonds of the Prior Issue shall be refunded and will not be finalized until the sale of the Refunding Bonds.

PURPOSE OF THE PRIOR BONDS

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to finance construction of a Career and Technical Center (the "Project").

ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet approximately 87% of the debt service of the Bonds.

| ----- Series 2021 School Building Refunding Revenue Bonds ----- | | | | | | | |
|---|------------------------------------|--------------------------|-------------------------|----------------------|---------------------|----------------------|--|
| Fiscal Year Ending June 30 | Current Local Bond Payments | Principal Portion | Interest Portion | Total Payment | SFCC Portion | Local Portion | Total Local Restricted Fund Bond Payments |
| 2021 | \$4,699,669 | \$135,000 | \$30,700 | \$165,700 | \$103,505 | \$62,195 | \$4,596,069 |
| 2022 | \$4,682,440 | \$185,000 | \$165,903 | \$350,903 | \$124,707 | \$226,196 | \$4,582,293 |
| 2023 | \$4,693,803 | \$185,000 | \$163,775 | \$348,775 | \$124,706 | \$224,069 | \$4,589,078 |
| 2024 | \$4,665,302 | \$185,000 | \$161,648 | \$346,648 | \$124,707 | \$221,941 | \$4,561,150 |
| 2025 | \$4,666,046 | \$190,000 | \$159,520 | \$349,520 | \$124,706 | \$224,814 | \$4,562,466 |
| 2026 | \$4,692,733 | \$195,000 | \$157,335 | \$352,335 | \$124,706 | \$227,629 | \$4,589,818 |
| 2027 | \$4,631,056 | \$195,000 | \$154,898 | \$349,898 | \$124,706 | \$225,191 | \$4,528,829 |
| 2028 | \$3,981,821 | \$1,575,000 | \$152,168 | \$1,727,168 | \$124,708 | \$1,602,460 | \$3,879,988 |
| 2029 | \$4,148,147 | \$1,620,000 | \$128,543 | \$1,748,543 | \$124,708 | \$1,623,835 | \$4,046,890 |
| 2030 | \$4,151,802 | \$1,665,000 | \$102,623 | \$1,767,623 | \$134,391 | \$1,633,231 | \$4,047,025 |
| 2031 | \$3,949,930 | \$2,000,000 | \$74,318 | \$2,074,318 | \$134,351 | \$1,939,966 | \$3,847,648 |
| 2032 | \$3,832,656 | \$1,965,000 | \$38,318 | \$2,003,318 | \$135,490 | \$1,867,828 | \$3,729,973 |
| 2033 | \$1,871,330 | | | | | | \$1,871,330 |
| 2034 | \$2,200,641 | | | | | | \$2,200,641 |
| 2035 | \$2,167,968 | | | | | | \$2,167,968 |
| 2036 | \$2,233,558 | | | | | | \$2,233,558 |
| 2037 | \$2,158,739 | | | | | | \$2,158,739 |
| 2038 | \$2,166,348 | | | | | | \$2,166,348 |
| 2039 | \$558,065 | | | | | | \$558,065 |
| TOTALS: | \$66,152,055 | \$10,095,000 | \$1,489,745 | \$11,584,745 | \$1,505,391 | \$10,079,354 | \$64,917,875 |

Notes: Numbers are Rounded to the nearest \$1.00.

ESTIMATED USE OF BOND PROCEEDS

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

| | |
|-----------------------------|------------------------|
| Sources: | |
| Par Amount of Bonds | <u>\$10,095,000.00</u> |
| Total Sources | \$10,095,000.00 |
| Uses: | |
| Deposit to Escrow Fund | \$ 9,908,670.00 |
| Underwriter's Discount (1%) | 100,950.00 |
| Cost of Issuance | <u>85,380.00</u> |
| Total Uses | \$10,095,000.00 |

DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Franklin County School District is as follows:

| <u>Year</u> | <u>Average Daily Attendance</u> | <u>Year</u> | <u>Average Daily Attendance</u> |
|-------------|---------------------------------|-------------|---------------------------------|
| 2000-01 | 5,306.3 | 2010-11 | 5,500.3 |
| 2001-02 | 5,251.4 | 2011-12 | 5,449.6 |
| 2002-03 | 5,210.0 | 2012-13 | 5,493.3 |
| 2003-04 | 5,196.0 | 2013-14 | 5,583.5 |
| 2004-05 | 5,234.0 | 2014-15 | 5,617.9 |
| 2005-06 | 5,289.3 | 2015-16 | 5,628.3 |
| 2006-07 | 5,274.2 | 2016-17 | 5,714.1 |
| 2007-08 | 5,321.2 | 2017-18 | 5,700.2 |
| 2008-09 | 5,353.2 | 2018-19 | 5,704.3 |
| 2009-10 | 5,383.8 | 2019-20 | 5,669.4 |

Source: Kentucky State Department of Education.

STATE SUPPORT

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

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

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

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

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

| <u>Year</u> | <u>Capital Outlay Allotment</u> | <u>Year</u> | <u>Capital Outlay Allotment</u> |
|-------------|-------------------------------------|-------------|-------------------------------------|
| 2000-01 | 530,630.0 | 2010-11 | 550,027.0 |
| 2001-02 | 525,140.0 | 2011-12 | 544,958.0 |
| 2002-03 | 521,000.0 | 2012-13 | 549,334.0 |
| 2003-04 | 519,600.0 | 2013-14 | 558,346.0 |
| 2004-05 | 523,400.0 | 2014-15 | 561,789.0 |
| 2005-06 | 528,930.0 | 2015-16 | 562,829.0 |
| 2006-07 | 527,420.0 | 2016-17 | 571,410.0 |
| 2007-08 | 532,120.0 | 2017-18 | 570,020.0 |
| 2008-09 | 535,324.0 | 2018-19 | 570,428.6 |
| 2009-10 | 538,383.0 | 2019-20 | 566,940.0 |

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

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

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

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$39,300 effective January 1, 2019.

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

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy

subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

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

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

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

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

| <u>Tax Year</u> | <u>Combined Equivalent Rate</u> | <u>Total Property Assessment</u> | <u>Property Revenue Collections</u> |
|------------------------|--|---|--|
| 2000-01 | 51.6 | 2,126,593,004 | 10,973,220 |
| 2001-02 | 52.7 | 2,244,046,500 | 11,826,125 |
| 2002-03 | 53.6 | 2,329,942,038 | 12,488,489 |
| 2003-04 | 53.6 | 2,490,931,253 | 13,351,392 |
| 2004-05 | 66.4 | 2,614,723,145 | 17,361,762 |
| 2005-06 | 59.7 | 2,743,669,217 | 16,379,705 |
| 2006-07 | 61 | 2,898,792,624 | 17,682,635 |
| 2007-08 | 59.7 | 3,036,365,811 | 18,127,104 |
| 2008-09 | 61.3 | 3,170,851,768 | 19,437,321 |
| 2009-10 | 61.3 | 3,162,717,851 | 19,387,460 |
| 2010-11 | 62.4 | 3,199,730,798 | 19,966,320 |
| 2011-12 | 67.4 | 3,307,734,552 | 22,294,131 |
| 2012-13 | 67.5 | 3,343,797,547 | 22,570,633 |
| 2013-14 | 68.8 | 3,334,224,323 | 22,939,463 |
| 2014-15 | 72.8 | 3,313,407,453 | 24,121,606 |
| 2015-16 | 73.7 | 3,427,935,324 | 25,263,883 |
| 2016-17 | 73.8 | 3,500,004,402 | 25,830,032 |
| 2017-18 | 75.2 | 3,613,052,599 | 27,170,156 |
| 2018-19 | 77.4 | 3,682,284,091 | 28,500,879 |
| 2019-20 | 79.4 | 3,868,043,097 | 30,712,262 |

Overlapping Bond Indebtedness

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

| <u>Issuer</u> | <u>Original Principal Amount</u> | <u>Amount of Bonds Redeemed</u> | <u>Current Principal Outstanding</u> |
|----------------------------------|---|--|---|
| Franklin County | | | |
| General Obligation | \$2,200,000 | \$830,000 | \$1,370,000 |
| Real Property Renewable | \$875,000 | \$686,000 | \$189,000 |
| Educational Development Revenue | \$1,760,000 | \$1,285,000 | \$475,000 |
| Refinancing Revenue | \$13,010,000 | \$1,306,000 | \$11,704,000 |
| Pool Funding Refunding Revenue | \$6,175,000 | \$1,660,000 | \$4,515,000 |
| Justice Center Revenue | \$9,260,000 | \$0 | \$9,260,000 |
| City of Frankfort | | | |
| General Obligation | \$10,257,415 | \$3,559,607 | \$6,697,808 |
| Building Revenue | \$590,750 | \$323,622 | \$267,128 |
| Sewer Revenue | \$19,990,000 | \$8,535,000 | \$11,455,000 |
| Multiple Purpose Revenue | \$13,445,000 | \$7,105,000 | \$6,340,000 |
| Dispatch Equipment Lease Revenue | \$530,257 | \$454,524 | \$75,733 |
| Floating Indebtedness Revenue | \$4,180,000 | \$635,556 | \$3,544,444 |

| | | | |
|--|----------------------|---------------------|---------------------|
| Special Districts | | | |
| Farmdale Water District | \$1,858,000 | \$139,000 | \$1,719,000 |
| Peaks Mill Water District | \$627,000 | \$219,900 | \$407,100 |
| Frankfort Electric & Water Plant Board | \$59,500,012 | \$30,010,000 | \$29,490,012 |
| Franklin County Industrial Development Authority | \$250,000 | \$210,000 | \$40,000 |
| Totals: | \$144,508,434 | \$56,959,209 | \$87,549,225 |

Source: 2020 Kentucky Local Debt Report.

SEEK Allotment

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

| SEEK | Base Funding | Local Tax Effort | Total State & Local Funding |
|-------------|---------------------|-------------------------|--|
| 2000-01 | 14,777,237 | 10,973,220 | 25,750,457 |
| 2001-02 | 14,666,579 | 11,826,125 | 26,492,704 |
| 2002-03 | 14,776,873 | 12,488,489 | 27,265,362 |
| 2003-04 | 14,690,359 | 13,351,392 | 28,041,751 |
| 2004-05 | 15,102,042 | 17,361,762 | 32,463,804 |
| 2005-06 | 16,072,451 | 16,379,705 | 32,452,156 |
| 2006-07 | 16,106,368 | 17,682,635 | 33,789,003 |
| 2007-08 | 18,348,263 | 18,127,104 | 36,475,367 |
| 2008-09 | 18,590,082 | 19,437,321 | 38,027,403 |
| 2009-10 | 16,991,577 | 19,387,460 | 36,379,037 |
| 2010-11 | 17,222,699 | 19,966,320 | 37,189,019 |
| 2011-12 | 18,499,485 | 22,294,131 | 40,793,616 |
| 2012-13 | 18,269,516 | 22,570,633 | 40,840,149 |
| 2013-14 | 18,817,626 | 22,939,463 | 41,757,089 |
| 2014-15 | 20,153,528 | 24,121,606 | 44,275,134 |
| 2015-16 | 20,095,120 | 25,263,883 | 45,359,003 |
| 2016-17 | 20,454,172 | 25,830,032 | 46,284,204 |
| 2017-18 | 20,107,673 | 27,170,156 | 47,277,829 |
| 2018-19 | 20,409,506 | 28,500,879 | 48,910,385 |
| 2019-20 | 19,910,471 | 30,712,262 | 50,622,733 |

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.794 for FY 2019-20. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

State Budgeting Process

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

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

COVID-19

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

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

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On Friday, Dec. 18, 2020, Gov. Andy Beshear issued Executive Order No. 2020-1041 (EO 2020-1041), which outlines requirements and recommendations for the reopening of schools in January 2021. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

POTENTIAL LEGISLATION

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

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

CONTINUING DISCLOSURE

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

In the past five (5) years, the Board and the Corporation have made the required filings under the terms of the Continuing Disclosure Agreement between the Board and the Corporation executed in connection with previous bond issues.

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

Financial information regarding the Board may be obtained from Superintendent, Franklin County Board of Education, 190 King's Daughters Dr. #300, Frankfort, Kentucky 40601 Telephone (502) 695-6700.

TAX STATUS

Bond Counsel advises as follows:

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

(B) The interest income from the Refunding Bonds is includable in the gross income of the recipient thereof for Federal income tax purposes under existing law.

ABSENCE OF MATERIAL LITIGATION

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

APPROVAL OF LEGALITY

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

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not

reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

BOND RATING

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

FINANCIAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

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

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

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

By /s/ _____
President

By /s/ _____
Secretary

APPENDIX A

**Franklin County School District Finance Corporation
School Building Refunding Revenue Bonds
Taxable Series of 2021**

Demographic and Economic Data

FRANKLIN COUNTY, KENTUCKY

Frankfort, the county seat of Franklin County had an estimated 2020 population of 27,794. Frankfort is located 84 miles southwest of Cincinnati, Ohio; 27 miles northwest of Lexington, Kentucky; and 54 miles east of Louisville, Kentucky. Franklin County had an estimated population of 51,059 persons in 2020.

The Economic Framework - Franklin County has a labor force of 26,160 people with an unemployment rate of 7.5%. The total number of people employed in 2020 averaged 43,682. The top 5 jobs by occupation are as follows: office and administrative support - 6,216 (14.23%); executive, managers and administrators - 5,562 (12.73%); sales - 3,675 (8.41%); education, training/library - 2,542 (5.82%); and production workers - 2,341 (5.36%).

Transportation - U.S. Highway 64, runs through Franklin County. The nearest commercial airline service is in Lexington, Kentucky at the Blue Grass Airport, which is located 27 miles southeast of Frankfort.

Power and Fuel - Electric power is provided to Franklin County by the E.ON U S-KU, Frankfort Electric & Water Plant Board, East Kentucky Power Cooperative, Blue Grass Energy Cooperative Corp, and Shelby Energy Cooperative Inc. Natural gas services are provided by Atmos Energy Corporation and Columbia Gas of Kentucky, Inc.

Education - The Franklin County School System and Frankfort Independent Schools provide primary education to the residents of Franklin County. There are 72 colleges and universities and 18 technology centers (ATC) within 60 miles of Frankfort.

LOCAL GOVERNMENT

Structure

Frankfort's Government structure consists of a mayor and three magistrates. The mayor serves a four-year term while the council members serve two-year terms. Franklin County is served by a judge/executive and six magistrates. The judge executive and magistrates are elected to serve a four-year term.

Planning and Zoning

Mandatory state codes enforced—Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code).

Sales and Use Tax

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

State and Local Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

LABOR MARKET STATISTICS

The Frankfort Labor Market Area includes Owen, Henry, Oldham, Scott, Jefferson, Shelby, Franklin, Bourbon, Spencer, Woodford, Anderson, Fayette, Clark, Jessamine, Washington, Mercer, and Madison Counties in Kentucky.

Population

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Franklin County | 50,587 | 50,131 | 50,655 | 50,597 | 51,059 |
| Frankfort | 27,936 | 27,727 | 27,730 | 27,668 | 27,794 |

EDUCATION

Public Schools

| | <u>Franklin County</u> | <u>Frankfort Independent</u> |
|----------------------------------|----------------------------|----------------------------------|
| Total Enrollment (Fall, 2019-20) | 6,173 | 879 |

Area Colleges and Universities

| <u>Location Name</u> | <u>Enrollment</u> | <u>Fall (2020)</u> |
|-------------------------------|--------------------------|------------------------|
| Lindsey Wilson College | Columbia, Kentucky | 1,999 |
| University of the Cumberlands | Williamsburg, Kentucky | 16,966 |
| Campbellsville University | Campbellsville, Kentucky | 13,744 |
| Union College | Barbourville, Kentucky | NA |
| Centre College | Danville, Kentucky | 1,411 |
| Berea College | Berea, Kentucky | 1,688 |

Vocational-Technical Training

Kentucky Tech secondary schools (Sec), called area technology centers, are operated by the Cabinet for Workforce Development and the postsecondary schools (P/S), called technical colleges, are governed by the Kentucky Community and Technical College System (KCTCS).

| <u>Institution</u> | <u>Location</u> | <u>Enrollment (2018-2019)</u> |
|--------------------------------|---------------------|-----------------------------------|
| Franklin County Career & Tech. | Frankfort, KY | NA |
| Shelby County ATC | Shelbyville, KY | 577 |
| Lake Cumberland ATC | Russell Springs, KY | 759 |
| Pulaski ATC | Somerset, KY | 762 |
| Casey County ATC | Liberty, KY | 433 |
| Corbin ATC | Corbin, KY | 418 |
| Green County ATC | Greensburg, KY | 539 |
| Rockcastle County ATC | Mount Vernon, KY | 438 |
| Monroe County ATC | Tompkinsville, KY | 478 |
| Lincoln County ATC | Stanford, KY | 322 |
| Knox County ATC | Barbourville, KY | 470 |
| Marion County ATC | Lebanon, KY | 617 |
| Garrard County ATC | Lancaster, KY | 392 |
| Barren County ATC | Glasgow, KY | 761 |

Customized Training

The Kentucky Tech system, through its training and development coordinators, will provide technical assistance and will identify and develop low-cost customized training programs and services for both established and prospective businesses. Businesses wanting to establish a customized training program should contact a training and development coordinator located at the Hazard Technical College.

Assessment Services

Kentucky Tech Career Connections offers to business, education and government agencies testing packages for evaluating job applicants, selecting employees for promotional consideration and developing training programs within the organization. A Career Connections Assessment Center is located at the Madisonville Technical College.

Adult Education Services

Adult education programs are available to adults who want to develop new academic skills, improve basic skills or earn a high school equivalence diploma. In Monticello, adult education and adult literacy classes are administered through the Kentucky Valley Educational Cooperative.

Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation (BSSC) was established in 1984 by the General Assembly of The Commonwealth of Kentucky as an independent, de jure corporation to stimulate economic development through customized business and industry specific skills training programs. The BSSC works with business and industry and Kentucky's educational institutions to establish programs of skills training. The BSSC is attached to the Cabinet for Economic Development for administrative purposes, in recognition of the relationship between economic development and skills training efforts.

The BSSC is comprised of two economic development tools: matching grants and the newly authorized Skills Training Investment Credit Act. The BSSC grant program is available to new, expanding and existing business and industry. Eligible training activities include pre-employment skills training and assessment; entry level, skills upgrade and occupational upgrade training; train-the-trainer travel; and capacity-building. The Skills Training Investment Credit Act provides credits to existing businesses for skills upgrade training.

MAJOR BUSINESS AND INDUSTRY

| Firm | Product | Total Employed |
|--|--|-------------------|
| <i>Frankfort</i> | | |
| Artiflex Manufacturing | Manufacturer of metal stamping dies, die repair service, producer of metal stamped parts | 33 |
| Aska USA Corporation | Industrial factory automation systems, design, manufacturing, installation, programming and maintenance | 24 |
| Beam Suntory | Production and value added packaging for spirits | 320 |
| Beam Suntory | Distilled liquor bottling | 305 |
| Bottoms Engineering & Service Inc. | Structural steel fabricating for the KY highway bridge industry. Handrails, fence, finger dams, steel and contractor supplies | 15 |
| Buffalo Trace Distillery | Distiller of world class and award winning bourbons and American whiskeys | 353 |
| Capital City Tool Inc | Machine shop: custom, general, lathe, mill & CNC machining; plastic machined parts, screw machined parts & grinding service | 95 |
| CENTRIA | Steel building components | 152 |
| Custom Data Processing, Inc. | Processing/storage of electronic medical records for health departments & other health agencies | 59 |
| Elastometall Kentucky LLC | Rubber-metal bonded military, heavy equipment, transit, industrial machine products | 13 |
| Frankfort Habilitation | Sheltered workshop; packaging and assembly for industries. | 59 |
| Glenns Creek Distilling LLC | Distillery and barrel aging | 1 |
| Greenheck Fan Corp | Manufactures and distributes commercial and industrial air moving and control equipment | 275 |
| Harrod Concrete & Stone Co | Ready-mixed concrete & crushed limestone | 105 |
| Hayashi Telemu North America | Automotive interior components | 156 |
| IDT Tools Inc. | Produce die components and stamping dies. | 21 |
| Lee Masonry Products Inc. | Manufacturer and sales of concrete block and concrete products | 16 |
| Meritor Inc. | Truck Axles | 150 |
| Montaplast of North America | Plastic injection molding automotive | 800 |
| Nashville Wire Products | Material handling storage products, wire mesh decking for pallet rack storage | 80 |
| Nishida Art Specialty Composite America Inc. | Manufacturer of thermoplastic elastomers for the automotive industry. | 5 |
| Rebecca Ruth Candy & Tours | Liquored, soft & chocolate candy, factory tours, headquarters | 21 |
| SORD KY LLC | Manufacture and distribute clothing, tactical nylon products including backpacks, load bearing vests, ammunition and accessory pouches, belts, slings and other military and law enforcement equipment | 1 |
| Stahl Manufacturing of the Bluegrass | Farm machinery parts | 5 |
| TOPY America Inc | Steel road wheels for passenger cars and light trucks | 325 |
| Washington Penn Plastic Co Inc | Compounder of thermoplastic | 94 |

Source: Kentucky Directory of Manufacturers (2020).

APPENDIX B

**Franklin County School District Finance Corporation
School Building Refunding Revenue Bonds
Taxable Series of 2021**

Audited Financial Statement ending June 30, 2020

Franklin County School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2020
With Independent Auditors' Report**

FRANKLIN COUNTY SCHOOL DISTRICT

June 30, 2020

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FRANKLIN COUNTY SCHOOL DISTRICT

June 30, 2020

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FRANKLIN COUNTY SCHOOL DISTRICT

June 30, 2020

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Independent Auditors' Report

To the Members of the Board of Education
Franklin County School District
Frankfort, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Franklin County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 19 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*, effective as of July 1, 2019. The implementation of this accounting standard resulted in a restatement of prior period net position. Our opinion is not modified with respect to this matter.

**Independent Auditors' Report
(Continued)**

Correction of Error

As discussed in Note 20 to the financial statements, an error related to the amount reported as special revenue net position has been corrected. Accordingly, amounts for prior periods were restated and an adjustment has been made to the net position as of June 30, 2019 to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), budgetary comparison and pension liability and OPEB liability and contributions information on pages 4-8, 50-52, and 59-68 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, the statement of receipts and disbursements of bonds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the statement of receipts and disbursements of bonds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Independent Auditors' Report
(Continued)**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the Franklin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Franklin County School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky
January 15, 2021

FRANKLIN COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020

As management of the Franklin County School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance, including investments, for the District was \$16,609,658.

Average Daily Attendance (ADA) for fiscal year 2020 was 5665. Over the previous five years, we have had an increase in ADA of about 37. Our attendance trend has remained steady for several years.

The General Fund had \$63,742,658 in revenue (net of interfund transfers of \$1,083), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$60,759,739 in General Fund expenditures (net of interfund transfers of \$698,738).

The ending unassigned fund balance in the General Fund for fiscal year 2020 is \$13,729,091. This is an increase of \$2,206,750 from 2019. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding.

FRANKLIN COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. 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. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 47 of this report.

FRANKLIN COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3,465,633 as of June 30, 2020.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its 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.

Net Position for the periods ending June 30, 2020 and 2019

The following is a summary of net position for the fiscal years ended June 30, 2020 and 2019.

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|---------------------|
| Current assets | \$ 26,679,934 | \$ 18,759,239 |
| Noncurrent assets | <u>101,887,263</u> | <u>105,602,614</u> |
| Total assets | <u>128,567,197</u> | <u>124,361,853</u> |
| Deferred outflows | <u>12,326,723</u> | <u>8,971,601</u> |
| Current liabilities | 10,171,714 | 10,697,551 |
| Noncurrent liabilities | <u>111,477,560</u> | <u>112,098,986</u> |
| Total liabilities | <u>121,649,274</u> | <u>122,796,537</u> |
| Deferred inflows | <u>6,706,810</u> | <u>2,798,449</u> |
| Net position | | |
| Investment in capital assets (net of debt) | 33,916,943 | 35,664,135 |
| Restricted | (33,953,167) | (38,451,766) |
| Unrestricted | <u>12,574,060</u> | <u>10,526,099</u> |
| Total net position | <u>\$ 12,537,836</u> | <u>\$ 7,738,468</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2020
(Continued)**

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2020, were \$63,742,658, net of inter-fund transfers of \$1,083.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2,123,807 more than budget or approximately 3.45% of General Fund Budget.
- General Fund actual expenditures were \$60,759,739, net of inter-fund transfers of \$698,738.
- General Fund actual expenditures were less than budgeted expenditures by \$12,984,171.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2020 and 2019.

| | <u>2020</u> | <u>2019</u> |
|----------------------------|---------------------|-------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 239,146 | \$ 1,792,900 |
| Operating grants | 9,908,236 | 8,542,894 |
| Capital grants | - | 316,648 |
| Total grant revenues | <u>10,147,382</u> | <u>10,652,442</u> |
| General Revenues | | |
| Taxes | 31,413,703 | 28,949,523 |
| Grants and entitlements | 16,736,028 | 37,686,301 |
| Earnings on investments | 475,547 | 655,287 |
| Miscellaneous | 4,606,469 | 842,448 |
| Total general revenues | <u>53,231,747</u> | <u>68,133,559</u> |
| Total revenues | <u>63,379,129</u> | <u>78,786,001</u> |
| Expenses | | |
| Instructional | 27,308,245 | 43,711,473 |
| Student support services | 3,613,004 | 3,621,835 |
| Staff support | 3,650,802 | 3,982,357 |
| District administration | 1,819,717 | 1,745,802 |
| School administration | 4,518,193 | 4,640,862 |
| Business support | 1,282,600 | 1,107,429 |
| Plant operations | 1,739,576 | 5,984,168 |
| Student transportation | 3,749,229 | 4,765,590 |
| Food service operation | 5,348,734 | 3,402,453 |
| After school programs | 2,858,802 | 1,916,349 |
| Other | 790,357 | 754,504 |
| Interest on long-term debt | 2,185,494 | 2,362,344 |
| Total expenses | <u>58,864,753</u> | <u>77,995,166</u> |
| Change in net position | <u>\$ 4,514,376</u> | <u>\$ 790,835</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2020 (Continued)

BUDGETARY IMPLICATIONS

The working budget contingency balance in the General Fund for fiscal year 2020 was \$9,417,225 (12.7%). The Kentucky Department of Education no longer mandates contingency for budgeting purposes. The beginning carry forward balance for 2020 is lower than in 2019. With the cuts in state and federal funding, the ability to sustain/grow the carry forward is always an ongoing concern that we keep a cautious eye on.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Shane Smith, Chief Financial Officer, (502) 695-6700 or by mail to Franklin County School District, 190 Kings Daughters Drive #300, Frankfort, KY 40601.

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
June 30, 2020**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Current: | | | |
| Cash and cash equivalents | \$ 21,254,680 | \$ 529,980 | \$ 21,784,660 |
| Accounts receivable | 4,654,099 | 176,139 | 4,830,238 |
| Interfund receivable | - | - | - |
| Prepaid expenses | - | - | - |
| Inventories for consumption | - | 65,036 | 65,036 |
| Total current | <u>25,908,779</u> | <u>771,155</u> | <u>26,679,934</u> |
| Noncurrent: | | | |
| Construction in progress | 3,428,145 | - | 3,428,145 |
| Nondepreciated capital assets: | | | |
| Land | 1,738,545 | - | 1,738,545 |
| Depreciated capital assets: | | | |
| Land improvements | 3,709,736 | - | 3,709,736 |
| Buildings and improvements | 142,619,643 | - | 142,619,643 |
| Furniture and equipment | 14,420,632 | 1,669,333 | 16,089,965 |
| Less: accumulated depreciation | <u>(64,318,336)</u> | <u>(1,380,435)</u> | <u>(65,698,771)</u> |
| Total noncurrent | <u>101,598,365</u> | <u>288,898</u> | <u>101,887,263</u> |
| Total assets | <u>127,507,144</u> | <u>1,060,053</u> | <u>128,567,197</u> |
| Deferred outflows | <u>10,049,455</u> | <u>2,277,268</u> | <u>12,326,723</u> |
| Liabilities and Net Position | | | |
| Liabilities | | | |
| Current: | | | |
| Current portion of bonds payable | 4,815,000 | - | 4,815,000 |
| Accounts payable | 384,291 | 6,599 | 390,890 |
| Accrued interest | 505,504 | - | 505,504 |
| Accrued sick leave | 61,216 | - | 61,216 |
| Accrued payroll and related expenses | 2,324,938 | - | 2,324,938 |
| Assessed KISBIT liability | 37,369 | - | 37,369 |
| Current portion of capital leases | 502,001 | - | 502,001 |
| Unearned revenues | 1,462,242 | 72,554 | 1,534,796 |
| Interfund payable | - | - | - |
| Total current | <u>10,092,561</u> | <u>79,153</u> | <u>10,171,714</u> |
| Noncurrent: | | | |
| Accrued sick leave | 550,942 | - | 550,942 |
| Interfund payable | - | - | - |
| Capital leases | 2,471,408 | - | 2,471,408 |
| MIF net OPEB liability | 15,974,288 | 3,993,567 | 19,967,855 |
| CERS net pension liability | 21,892,067 | 5,473,017 | 27,365,084 |
| Bond obligations | <u>61,122,271</u> | <u>-</u> | <u>61,122,271</u> |
| Total noncurrent | <u>102,010,976</u> | <u>9,466,584</u> | <u>111,477,560</u> |
| Total liabilities | <u>112,103,537</u> | <u>9,545,737</u> | <u>121,649,274</u> |
| Deferred inflows | <u>5,365,454</u> | <u>1,341,356</u> | <u>6,706,810</u> |
| Net Position | | | |
| Invested in capital assets, net of related debt | 33,628,045 | 288,898 | 33,916,943 |
| Restricted | (26,114,497) | (7,838,670) | (33,953,167) |
| Unrestricted | <u>12,574,060</u> | <u>-</u> | <u>12,574,060</u> |
| Total net position | <u>\$ 20,087,608</u> | <u>\$ (7,549,772)</u> | <u>\$ 12,537,836</u> |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Activities – District Wide
For Year Ended June 30, 2020**

| Function/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---------------------------------------|------------------|-------------------------|---|--|----------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| Instructional | \$ 27,308,245 | \$ - | \$ 4,565,170 | \$ - | \$ (22,743,075) | \$ - | \$ (22,743,075) |
| Student support services | 3,613,004 | - | 380,151 | - | (3,232,853) | - | (3,232,853) |
| Staff support services | 3,650,802 | - | 623,802 | - | (3,027,000) | - | (3,027,000) |
| District administration | 1,819,717 | - | - | - | (1,819,717) | - | (1,819,717) |
| School administration | 4,518,193 | - | 136,583 | - | (4,381,610) | - | (4,381,610) |
| Business support services | 1,282,600 | - | 31,810 | - | (1,250,790) | - | (1,250,790) |
| Plant operation and maintenance | 1,739,576 | - | 50,114 | - | (1,689,462) | - | (1,689,462) |
| Student transportation | 3,749,229 | 20,621 | 469 | - | (3,728,139) | - | (3,728,139) |
| Community service operations | 730,525 | - | 572,488 | - | (158,037) | - | (158,037) |
| Facility acquisition and construction | - | - | - | - | - | - | - |
| Other | 59,832 | - | 59,832 | - | - | - | - |
| Interest on long-term debt | 2,185,494 | - | - | - | (2,185,494) | - | (2,185,494) |
| Total governmental activities | 50,657,217 | 20,621 | 6,420,419 | - | (44,216,177) | - | (44,216,177) |
| Business-type activities | | | | | | | |
| Food service | 5,348,734 | 218,525 | 3,069,487 | - | - | (2,060,722) | (2,060,722) |
| Daycare | 2,858,802 | - | 418,330 | - | - | (2,440,472) | (2,440,472) |
| Total business-type activities | 8,207,536 | 218,525 | 3,487,817 | - | - | (4,501,194) | (4,501,194) |
| Total school district | \$ 58,864,753 | \$ 239,146 | \$ 9,908,236 | \$ - | (44,216,177) | (4,501,194) | (48,717,371) |
| | | | General revenues: | | | | |
| | | | Taxes | | 31,413,703 | - | 31,413,703 |
| | | | State and federal sources | | 16,736,028 | - | 16,736,028 |
| | | | Investment earnings | | 475,541 | 6 | 475,547 |
| | | | Miscellaneous | | 3,846,099 | 760,551 | 4,606,650 |
| | | | Special items: | | | | |
| | | | Loss on sale of assets | | (181) | - | (181) |
| | | | Fund transfer | | - | - | - |
| | | | Total general and special revenues | | 52,471,190 | 760,557 | 53,231,747 |
| | | | Change in net position | | 8,255,013 | (3,740,637) | 4,514,376 |
| | | | Net position - beginning | | 11,547,603 | (3,809,135) | 7,738,468 |
| | | | Net position adjustment (Note 19) | | 460,840 | - | 460,840 |
| | | | Net position adjustment (Note 20) | | (175,848) | - | (175,848) |
| | | | Net position - ending | | \$ 20,087,608 | \$ (7,549,772) | \$ 12,537,836 |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2020**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Construction Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------------|-------------------------------------|------------------------------|---|---|
| Assets | | | | | |
| Current: | | | | | |
| Cash and cash equivalents | \$ 16,571,887 | \$ (960,641) | \$ 2,156,221 | \$ 3,487,213 | \$ 21,254,680 |
| Accounts receivable | <u>534,064</u> | <u>2,456,011</u> | <u>1,664,024</u> | <u>-</u> | <u>4,654,099</u> |
| Total assets | <u>\$ 17,105,951</u> | <u>\$ 1,495,370</u> | <u>\$ 3,820,245</u> | <u>\$ 3,487,213</u> | <u>\$ 25,908,779</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Current: | | | | | |
| Accounts payable | \$ 91,670 | \$ 33,128 | \$ 259,493 | \$ - | \$ 384,291 |
| Unearned revenue | - | 1,462,242 | - | - | 1,462,242 |
| Accrued payroll and related expenses | <u>2,324,938</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,324,938</u> |
| | <u>2,416,608</u> | <u>1,495,370</u> | <u>259,493</u> | <u>-</u> | <u>4,171,471</u> |
| Total liabilities | <u>2,416,608</u> | <u>1,495,370</u> | <u>259,493</u> | <u>-</u> | <u>4,171,471</u> |
| Fund Balances | | | | | |
| Restricted: | | | | | |
| Capital projects | - | - | 3,560,752 | 1,370,486 | 4,931,238 |
| Other | - | - | - | 2,116,727 | 2,116,727 |
| Committed: | | | | | |
| Other | 306,079 | - | - | - | 306,079 |
| Assigned: | | | | | |
| Site based carryforward | 374,921 | - | - | - | 374,921 |
| Purchase obligations | 279,252 | - | - | - | 279,252 |
| Unassigned | <u>13,729,091</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,729,091</u> |
| Total fund balances | <u>14,689,343</u> | <u>-</u> | <u>3,560,752</u> | <u>3,487,213</u> | <u>21,737,308</u> |
| Total liabilities and fund balances | <u>\$ 17,105,951</u> | <u>\$ 1,495,370</u> | <u>\$ 3,820,245</u> | <u>\$ 3,487,213</u> | <u>\$ 25,908,779</u> |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2020**

| | | |
|---|---------------------|----------------------|
| Total governmental fund balance | | \$ 21,737,308 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | | |
| Construction in process | 3,428,145 | |
| Cost of capital assets | 162,488,556 | |
| Accumulated depreciation | <u>(64,318,336)</u> | |
| | | 101,598,365 |
| | | |
| Deferred outflows related to CERS | 3,523,394 | |
| Deferred outflows for CERS contributions made after the measurement date | 2,001,481 | |
| Deferred outflows for MIF contributions made after the measurement date | 1,051,989 | |
| Deferred outflows related to MIF | 2,532,231 | |
| Deferred outflows for bond refinancing | <u>940,360</u> | |
| | | 10,049,455 |
| | | |
| Deferred inflows related to pension | (865,650) | |
| Deferred inflows related to MIF | <u>(4,499,804)</u> | |
| | | (5,365,454) |
| | | |
| Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds. | | |
| Long-term liabilities at year end consist of: | | |
| Bonds payable, discount and premium | | (65,937,271) |
| Accrued interest on bonds | | (505,504) |
| Capital leases | | (2,973,409) |
| Assessed KISBIT liability | | (37,369) |
| Net pension liability | | (21,892,067) |
| Net OPEB liability | | (15,974,288) |
| Accrued sick leave | | <u>(612,158)</u> |
| | | |
| Total net position - governmental | | <u>\$ 20,087,608</u> |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Construction Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|------------------------------|---|---|
| Revenues | | | | | |
| Taxes | \$ 27,545,659 | \$ - | \$ - | \$ 3,868,044 | \$ 31,413,703 |
| Earnings on investments | 443,341 | 32,200 | - | - | 475,541 |
| State sources | 35,314,381 | 2,018,296 | - | 2,442,520 | 39,775,197 |
| Federal sources | 141,159 | 4,208,652 | - | - | 4,349,811 |
| Other sources | 298,118 | 193,471 | - | 1,096,621 | 1,588,210 |
| Total revenues | 63,742,658 | 6,452,619 | - | 7,407,185 | 77,602,462 |
| Expenditures | | | | | |
| Instructional | 37,055,027 | 4,712,622 | - | 1,001,867 | 42,769,516 |
| Student support services | 3,225,502 | 380,151 | - | - | 3,605,653 |
| Staff support services | 2,936,282 | 623,802 | - | 36,277 | 3,596,361 |
| District administration | 1,819,480 | - | - | - | 1,819,480 |
| School administration | 4,381,153 | 136,583 | - | - | 4,517,736 |
| Business support services | 1,250,790 | 31,810 | - | - | 1,282,600 |
| Plant operation and maintenance | 5,339,472 | 50,114 | - | - | 5,389,586 |
| Student transportation | 3,985,096 | 469 | - | - | 3,985,565 |
| Day Care Operations | - | 59,832 | - | - | 59,832 |
| Community service operations | 157,093 | 572,488 | - | - | 729,581 |
| Facility acquisition and construction | 33,807 | - | 2,974,193 | - | 3,008,000 |
| Other | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | 474,899 | - | - | 4,080,000 | 4,554,899 |
| Interest | 101,138 | - | - | 2,260,293 | 2,361,431 |
| Total expenditures | 60,759,739 | 6,567,871 | 2,974,193 | 7,378,437 | 77,680,240 |
| Excess (deficit) of revenues over expenditures | 2,982,919 | (115,252) | (2,974,193) | 28,748 | (77,778) |
| Other financing sources (uses) | | | | | |
| Loan and bond proceeds | - | - | 1,715,000 | - | 1,715,000 |
| Operating transfers in | 1,083 | 118,972 | - | 5,324,983 | 5,445,038 |
| Operating transfers out | (698,738) | (1,083) | - | (4,745,217) | (5,445,038) |
| Total other financing sources (uses) | (697,655) | 117,889 | 1,715,000 | 579,766 | 1,715,000 |
| Net change in fund balance | 2,285,264 | 2,637 | (1,259,193) | 608,514 | 1,637,222 |
| Fund balance, July 1, 2019 | 12,404,079 | 173,211 | 4,819,945 | 2,417,859 | 19,815,094 |
| Net position adjustment (Note 19) | - | - | - | 460,840 | 460,840 |
| Net position adjustment (Note 20) | - | (175,848) | - | - | (175,848) |
| Fund balance, June 30, 2020 | \$ 14,689,343 | \$ - | \$ 3,560,752 | \$ 3,487,213 | \$ 21,737,308 |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020**

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|---|--------------|---------------------|
| Net changes-governmental funds | | \$ 1,637,222 |
| <p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p> | | |
| Depreciation expense | (4,037,578) | |
| Capital outlays | 7,661,204 | |
| Retirement of capital assets | <u>(181)</u> | |
| | | 3,623,445 |
| <p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p> | | |
| Bond principal paid | | 4,080,000 |
| Bond proceeds | | (1,715,000) |
| Amortization of bond refinancing | | (215,055) |
| Amortization of bond premium | | 49,218 |
| Amortization of bond discount | | (10,764) |
| Capital lease principal paid | | 474,899 |
| New capital leases | | (695,139) |
| Deferred outflows related to pensions | | 1,677,694 |
| Deferred outflows related to other post-retirement employee benefits | | 970,888 |
| Deferred inflows related to pensions | | (367,984) |
| Deferred inflows related to other post-retirement employee benefits | | (2,569,040) |
| <p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p> | | |
| | | <u>1,314,629</u> |
| Changes in net position of governmental activities | | <u>\$ 8,255,013</u> |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2020**

| | <u>Food Service</u> | <u>Daycare Fund</u> | <u>Total</u> |
|---------------------------------------|-------------------------|-------------------------|-----------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | \$ 461,798 | \$ 68,182 | \$ 529,980 |
| Accounts receivable | 131,457 | 44,682 | 176,139 |
| Inventories for consumption | 65,036 | - | 65,036 |
| Total current | <u>658,291</u> | <u>112,864</u> | <u>771,155</u> |
| Noncurrent | | | |
| Furniture and Fixtures | 1,669,333 | - | 1,669,333 |
| Less: accumulated depreciation | <u>(1,380,435)</u> | <u>-</u> | <u>(1,380,435)</u> |
| Total noncurrent | <u>288,898</u> | <u>-</u> | <u>288,898</u> |
| Total assets | <u>947,189</u> | <u>112,864</u> | <u>1,060,053</u> |
| Deferred outflows | <u>1,252,500</u> | <u>1,024,768</u> | <u>2,277,268</u> |
| Liabilities and Net Position | | | |
| Liabilities | | | |
| Current | | | |
| Accounts payable | 621 | 5,978 | 6,599 |
| Interfund payable | - | - | - |
| Accrued salaries and benefits payable | - | - | - |
| Deferred Revenue | 27,872 | 44,682 | 72,554 |
| Total current | <u>28,493</u> | <u>50,660</u> | <u>79,153</u> |
| Noncurrent | | | |
| MIF net OPEB liability | 2,196,460 | 1,797,107 | 3,993,567 |
| CERS net pension liability | 3,010,159 | 2,462,858 | 5,473,017 |
| Total noncurrent | <u>5,206,619</u> | <u>4,259,965</u> | <u>9,466,584</u> |
| Total liabilities | <u>5,235,112</u> | <u>4,310,625</u> | <u>9,545,737</u> |
| Deferred inflows | <u>737,747</u> | <u>603,609</u> | <u>1,341,356</u> |
| Net Position | | | |
| Invested in assets, net of debt | 288,898 | - | 288,898 |
| Restricted | <u>(4,062,068)</u> | <u>(3,776,602)</u> | <u>(7,838,670)</u> |
| Total net position | <u>\$ (3,773,170)</u> | <u>\$ (3,776,602)</u> | <u>\$ (7,549,772)</u> |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2020**

| | Food Service | Daycare Fund | Total |
|---|-------------------------|-------------------------|----------------|
| Operating revenues | | | |
| Lunchroom sales | \$ 218,525 | \$ - | \$ 218,525 |
| Other operating revenues | 6,110 | 754,441 | 760,551 |
| Total operating revenues | 224,635 | 754,441 | 979,076 |
| Operating expenses | | | |
| Salaries and benefits | 3,808,031 | 2,733,598 | 6,541,629 |
| Contract services | 44,669 | 43,384 | 88,053 |
| Materials and supplies | 1,442,753 | 61,666 | 1,504,419 |
| Depreciation | 44,179 | - | 44,179 |
| Other operating expenses | 9,102 | 20,154 | 29,256 |
| Total operating expenses | 5,348,734 | 2,858,802 | 8,207,536 |
| Operating income (loss) | (5,124,099) | (2,104,361) | (7,228,460) |
| Nonoperating revenues (expenses) | | | |
| Federal grants | 2,449,685 | - | 2,449,685 |
| State grants | 397,278 | 418,330 | 815,608 |
| Donated commodities and other donations | 222,524 | - | 222,524 |
| Interest income | 6 | - | 6 |
| Total nonoperating revenues | 3,069,493 | 418,330 | 3,487,823 |
| Change in net position | (2,054,606) | (1,686,031) | (3,740,637) |
| Total net position, July 1, 2019 | (1,718,564) | (2,090,571) | (3,809,135) |
| Total net position, June 30, 2020 | \$ (3,773,170) | \$ (3,776,602) | \$ (7,549,772) |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020**

| | <u>Food Service Fund</u> | <u>Daycare Fund</u> | <u>Total</u> |
|---|------------------------------|-------------------------|-----------------------|
| Cash flows from operating activities | | | |
| Cash received from lunchroom sales | \$ 218,525 | \$ - | \$ 218,525 |
| Cash received from other activities | 2,028,820 | 2,362,443 | 4,391,263 |
| Cash payments to employees for services | (3,816,360) | (2,773,973) | (6,590,333) |
| Cash payments to suppliers for goods and services | <u>(1,579,620)</u> | <u>(156,597)</u> | <u>(1,736,217)</u> |
| Net cash used in operating activities | <u>(3,148,635)</u> | <u>(568,127)</u> | <u>(3,716,762)</u> |
| Cash flows from capital financing activities | | | |
| Purchase of capital assets | <u>(28,759)</u> | - | <u>(28,759)</u> |
| Net cash used in capital financing activities | <u>(28,759)</u> | - | <u>(28,759)</u> |
| Cash flows from noncapital financing activities | | | |
| Non-operating revenues received | <u>3,069,487</u> | <u>418,330</u> | <u>3,487,817</u> |
| Net cash provided by noncapital financing activities | <u>3,069,487</u> | <u>418,330</u> | <u>3,487,817</u> |
| Cash flows from investing activities | | | |
| Interest on investments | <u>6</u> | - | <u>6</u> |
| Net cash flows provided by investing activities | <u>6</u> | - | <u>6</u> |
| Net decrease in cash and cash equivalents | (107,901) | (149,797) | (257,698) |
| Cash and cash equivalents - beginning | <u>569,699</u> | <u>217,979</u> | <u>787,678</u> |
| Cash and cash equivalents - ending | <u>\$ 461,798</u> | <u>\$ 68,182</u> | <u>\$ 529,980</u> |
| Reconciliation of operating loss to net cash used in operating activities | | | |
| Operating income (loss) | \$ (5,124,099) | \$ (2,104,361) | \$ (7,228,460) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | | |
| Depreciation | 44,179 | - | 44,179 |
| Changes in assets and liabilities: | | | |
| Increase in accounts receivable | (87,588) | (28,104) | (115,692) |
| (Decrease) increase in accounts payable | (3,938) | (3,289) | (7,227) |
| (Decrease) in accrued salaries and benefits payable | (8,329) | (40,375) | (48,704) |
| Increase in deferred revenues | 27,872 | 44,682 | 72,554 |
| (Increase) in deferred outflows | (520,152) | (401,443) | (921,595) |
| Increase in deferred inflows | 539,658 | 431,679 | 971,337 |
| (Decrease) in MIF net OPEB liability | 1,485,454 | 1,168,397 | 2,653,851 |
| Increase in CERS net pension liability | 489,878 | 364,687 | 854,565 |
| Decrease in inventories | <u>8,430</u> | - | <u>8,430</u> |
| Net cash used in operating activities | <u>\$ (3,148,635)</u> | <u>\$ (568,127)</u> | <u>\$ (3,716,762)</u> |
| Schedule of non-cash transactions: | | | |
| Donated commodities received from federal government | <u>\$ 222,524</u> | \$ - | <u>\$ 222,524</u> |
| On behalf payments | <u>\$ 367,703</u> | \$ - | <u>\$ 367,703</u> |

The accompanying notes are an integral part of these financial statements

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Franklin County 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 Franklin County 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" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. 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 and account groups relevant to the operation of the Franklin County Board of Education. The 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 Parent-Teacher Associations, etc.

The financial statements of the District 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 financial statements of the following organization are included in the accompanying financial statements:

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

Basis of Presentation

District-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 district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 69. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

(D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for 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.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$3,561,952 for ongoing projects.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The Daycare Fund is used to support the daycare programs at the individual schools. These funds are used to support the resources needed to actively manage these programs.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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. These assets are reported in the governmental activities column of the district-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 district-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. 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.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5-10 years |
| General equipment | 10 years |
| Food service equipment | 10-12 years |
| Furniture and fixtures | 7 years |
| Other | 10 years |

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". 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 internal balances.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty 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.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and Teachers Retirement System of the State of Kentucky (TRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

| <u>Governmental Activities</u> | Balance June 30, 2019 | Additions | Deductions | Balance June 30, 2020 |
|--|--------------------------|----------------------|----------------------|--------------------------|
| Land | \$ 1,738,545 | \$ - | \$ - | \$ 1,738,545 |
| Land improvements | 3,701,747 | 7,989 | - | 3,709,736 |
| Buildings and improvements | 116,414,501 | 26,205,142 | - | 142,619,643 |
| Technology equipment | 3,534,339 | - | 73,942 | 3,460,397 |
| Vehicles | 7,755,825 | 789,935 | 347,791 | 8,197,969 |
| General equipment | 2,735,417 | 41,884 | 15,035 | 2,762,266 |
| Construction work in progress | 22,811,891 | 3,428,145 | 22,811,891 | 3,428,145 |
| Totals at historical cost | 158,692,265 | 30,473,095 | 23,248,659 | 165,916,701 |
| Less: accumulated depreciation | | | | |
| Land improvements | 2,893,098 | 122,076 | - | 3,015,174 |
| Buildings and improvements | 47,730,237 | 3,113,128 | - | 50,843,365 |
| Technology equipment | 3,268,323 | 96,809 | 73,942 | 3,291,190 |
| Vehicles | 4,937,590 | 570,003 | 347,791 | 5,159,802 |
| General equipment | 1,888,097 | 135,562 | 14,854 | 2,008,805 |
| Total accumulated depreciation | 60,717,345 | 4,037,578 | 436,587 | 64,318,336 |
| Governmental activities capital assets - net | \$ 97,974,920 | \$ 26,435,517 | \$ 22,812,072 | \$ 101,598,365 |
| <u>Business - Type Activities</u> | | | | |
| General equipment | \$ 1,573,827 | \$ 28,759 | \$ - | \$ 1,602,586 |
| Vehicles | 49,973 | - | 28,549 | 21,424 |
| Technology equipment | 45,323 | - | - | 45,323 |
| Totals at historical cost | 1,669,123 | 28,759 | 28,549 | 1,669,333 |
| Less: accumulated depreciation | | | | |
| General equipment | 1,287,195 | 37,660 | - | 1,324,855 |
| Vehicles | 36,762 | 4,318 | 28,549 | 12,531 |
| Technology equipment | 40,848 | 2,201 | - | 43,049 |
| Total accumulated depreciation | 1,364,805 | 44,179 | 28,549 | 1,380,435 |
| Business - type activities capital assets - net | \$ 304,318 | \$ (15,420) | \$ - | \$ 288,898 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2020 was as follows:

| | <u>Governmental</u> | <u>Business-Type</u> |
|---------------------------------|---------------------|----------------------|
| Instruction | \$ 3,183,140 | \$ - |
| Student support services | 7,351 | - |
| Staff support services | 54,441 | - |
| District administration | 237 | - |
| School administration | 457 | - |
| Business support services | - | - |
| Plant operation and maintenance | 237,409 | - |
| Food service | - | 44,179 |
| Student transportation | 553,599 | - |
| Community services | 944 | - |
| Total | <u>\$ 4,037,578</u> | <u>\$ 44,179</u> |

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2020 this amount totaled approximately \$612,158 for those employees with twenty-seven or more years of experience.

NOTE 6 COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of buses under capital leases expiring between 2020 and 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2020, for each of the next five years and in the aggregate are as follows:

| Year Ending <u>June 30,</u> | |
|---|---------------------|
| 2020-2021 | 576,891 |
| 2021-2022 | 546,898 |
| 2022-2023 | 503,089 |
| 2023-2024 | 430,814 |
| 2024-2025 | 419,062 |
| 2026-2030 | <u>801,034</u> |
| Total minimum payments | 3,277,788 |
| Less amount representing interest | <u>304,379</u> |
| Present value of net minimum lease payments | <u>\$ 2,973,409</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u> |
|--------------------|-----------------|-----------------|
| February 1, 2008 | \$ 1,690,000 | 3.160% |
| August 31, 2010 | 7,440,000 | 2.630% |
| June 14, 2012 | 10,050,000 | 3.850% |
| August 23, 2012 | 5,750,000 | 2.050% |
| November 6, 2012 | 10,550,000 | 4.000% |
| September 11, 2013 | 3,215,000 | 3.000% |
| February 7, 2013 | 10,235,000 | 2.000% - 4.125% |
| May 21, 2015 | 3,430,000 | 1.000% - 3.000% |
| March 30, 2016 | 10,105,000 | 2.000% - 4.000% |
| July 19, 2017 | 16,180,000 | 2.000% - 3.250% |
| September 27, 2018 | 9,580,000 | 3.000% - 3.650% |

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Franklin County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 18 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020 for debt service (principal and interest) are reported in Note 18.

NOTE 8 RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, 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 may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

| | | |
|--------|----------------------|---|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Unreduced retirement | 27 years service or 65 years old |
| | Reduced retirement | At least 5 years service and 55 years old |
| | | At least 25 years service and any age |
| Tier 2 | Participation date | September 1, 2008 - December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old |
| | | Or age 57+ and sum of service years plus age equal 87 |
| | Reduced retirement | At least 10 years service and 60 years old |
| Tier 3 | Participation date | After December 31, 2013 |
| | Unreduced retirement | At least 5 years service and 65 years old |
| | | Or age 57+ and sum of service years plus age equal 87 |
| | Reduced retirement | Not available |

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month’s service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent’s monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent’s monthly average. Any dependent child will receive 50% of the decedent’s monthly final rate of pay up to 75% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

| | <u>Required contribution</u> |
|--------|------------------------------|
| Tier 1 | 5% |
| Tier 2 | 5% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance |

The contribution requirement for CERS for the year ended June 30, 2020, was \$3,040,612, which consisted of \$2,501,851 from the District and \$538,761 from the employees. Total contributions for the year ended June 30, 2019 and 2018 were \$2,779,076 and \$1,422,086, respectively. The contributions have been contributed in full for fiscal years 2020, 2019 and 2018.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky Revised Statutes and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 8 RETIREMENT PLANS (CONTINUED)

Benefits provided

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2020, was \$4,944,200, which consisted of \$1,100,138 from the District and \$3,844,062 from the employees. Total contributions for the year ended June 30, 2019 and 2018 were \$4,654,070 and \$2,528,236, respectively. The contributions have been contributed in full for fiscal years 2020, 2019 and 2018.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund (MIF) is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|-----------------------|
| District's proportionate share of the CERS net pension liability | \$ 27,365,084 |
| Commonwealth's proportionate share of the KTRS net pension liability associated with the District | <u>117,757,912</u> |
| | <u>\$ 145,122,996</u> |

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.389093% percent.

For the year ended June 30, 2020, the District recognized pension expense of \$4,571,176 related to CERS. The District also recognized a reduction of expense of \$21,172,682 and a reduction of revenue of \$21,172,682 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 698,713 | \$ 115,624 |
| Net difference between projected and actual earnings on pension plan investments | 525,302 | 966,439 |
| Changes of assumptions | 2,769,657 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 410,565 | - |
| District contributions subsequent to the measurement date | <u>2,501,851</u> | - |
| Total | <u>\$ 6,906,088</u> | <u>\$ 1,082,063</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

\$2,501,851 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|--------------|
| 2021 | \$ 2,115,405 |
| 2022 | 844,809 |
| 2023 | 330,662 |
| 2024 | 31,298 |
| 2025 | - |

Actuarial assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | CERS | KTRS |
|--|-------------|-------------|
| Inflation | 2.30% | 3.00% |
| Projected salary increases | 3.30% | 3.5 - 7.3% |
| Investment rate of return, net of investment expense and inflation | 6.25% | 7.50% |

For CERS, mortality rates used for active members was RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's and CERS's investment consultant, are summarized in the following table:

| <u>Asset Class</u> | <u>KTRS Target Allocation</u> | <u>KTRS Long-Term Expected Real Rate of Return</u> | <u>CERS Target Allocation</u> | <u>CERS Long-Term Expected Real Rate of Return</u> |
|-----------------------|-----------------------------------|--|-----------------------------------|--|
| US equity | 40.0% | 4.20% | 18.80% | 4.30% |
| International equity | 22.0% | 5.20% | 18.8% | 4.80% |
| Core bonds | | | 13.5% | 1.4% |
| Private equity | 7.0% | 6.30% | 10.0% | 6.65% |
| High yield | | | 15.0% | 2.60% |
| Fixed income | 15.0% | 1.20% | | |
| Additional categories | 8.0% | 3.30% | | |
| Real estate | 6.0% | 3.80% | 5.0% | 4.85% |
| Oportunisitic | | | 3.0% | 2.97% |
| Real return | | | 15.0% | 4.10% |
| Cash | 2.0% | 0.90% | 1.0% | 0.20% |
| Total | <u>100%</u> | | <u>100%</u> | |

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, adjusted by 95% for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| CERS | 5.25% | 6.25% | 7.25% |
| District's proportionate share of net pension liability | \$ 34,225,958 | \$ 27,365,084 | \$ 21,646,612 |
| KTRS | 6.50% | 7.50% | 8.50% |
| District's proportionate share of net pension liability | - | - | - |

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE 9 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

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

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans.

Medical Insurance Plan

Plan description

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

FRANKLIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 9 OPEB PLANS (CONTINUED)

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS 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. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

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

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, 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 may be obtained from <http://kyret.ky.gov/>.

Benefits

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 8 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 8.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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

At June 30, 2020, the Franklin County School District reported a liability of \$19,967,855 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.46% for TRS, which was an increase of 0.02% from its proportion measured as of June 30, 2018, and 0.39% for CERS, which was an increase of 0.01% from its proportion measured as of June 30, 2018.

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

| | |
|---|-----------------------------|
| District's proportionate share of the CERS net OPEB liability | \$ 6,542,855 |
| District's proportionate share of the TRS net OPEB liability | 13,425,000 |
| State's proportionate share of the net OPEB liability associated with the District | <u>10,842,000</u> |
| | <u><u>\$ 30,809,855</u></u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

For the year ended June 30, 2020, the District recognized OPEB expense of \$2,367,707 and revenue of \$645,027 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual performance | \$ - | \$ 5,223,131 |
| Net difference between projected and actual earnings on OPEB plan investments | 100,097 | 333,702 |
| Change of assumptions | 2,293,092 | 12,947 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 772,100 | 54,967 |
| District contributions subsequent to the measurement date | <u>1,314,986</u> | <u>-</u> |
| Total | <u><u>\$ 4,480,275</u></u> | <u><u>\$ 5,624,747</u></u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,314,986 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ended June 30:</u> | |
|----------------------------|--------------|
| 2021 | \$ (451,293) |
| 2022 | (451,293) |
| 2023 | (329,897) |
| 2024 | (512,934) |
| 2025 | (464,590) |
| Thereafter | (249,451) |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | TRS | CERS |
|---------------------------------|--|---|
| Investment rate of return | 8.00%, net of OPEB plan investment expense, including inflation. | 6.25% |
| Projected salary increases | 3.50 - 7.20%, including inflation | 3.30% to 11.55%, varies by service |
| Inflation rate | 3.00% | 2.30% |
| Real Wage Growth | 0.50% | |
| Wage Inflation | 3.50% | |
| Healthcare cost trend rates | | |
| Under 65 | 7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024 | Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. |
| Ages 65 and Older | 5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021 | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years. |
| Medicare Part B Premiums | 2.63% for FY 2019 with an ultimate rate of 5.00% by 2031 | |
| Municipal Bond Index Rate | 3.5 | 3.13% |
| Discount Rate | 8.00% | 5.68% |
| Single Equivalent Interest Rate | 8.00%, net of OPEB plan investment expense, including inflation | |

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

For CERS, mortality rates were based on RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back 1 year for females.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Global Equity | 58.0% | 5.1% |
| Fixed Income | 9.0% | 1.2% |
| Real Estate | 6.5% | 3.8% |
| Private Equity | 8.5% | 6.3% |
| Other Additional Categories | 17.0% | 3.2% |
| Cash (LIBOR) | 1.0% | 0.9% |
| Total | <u>100.0%</u> | |

Discount rate

For TRS, the discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For CERS, the discount rate used to measure the total OPEB liability was 5.68%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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

| | <u>1% Decrease (7.00%)</u> | <u>Current Discount Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|-------------------------------|--------------------------------|--|--------------------------------|
| TRS | | | |
| Districts' net OPEB liability | \$ 15,904,000 | \$ 13,425,000 | \$ 11,349,000 |
| | | | |
| | <u>1% Decrease (4.68%)</u> | <u>Current Discount Rate (5.68%)</u> | <u>1% Increase (6.68%)</u> |
| CERS | | | |
| Districts' net OPEB liability | \$ 8,764,734 | \$ 6,542,855 | \$ 4,712,175 |

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|-------------------------------|--------------------|---------------------------|--------------------|
| TRS | | | |
| Districts' net OPEB liability | \$ 10,929,000 | \$ 13,425,000 | \$ 16,495,000 |
| | | | |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| CERS | | | |
| Districts' net OPEB liability | \$ 4,865,955 | \$ 6,542,855 | \$ 8,576,296 |

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description

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

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

Benefits provided

TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit funded by the Life Insurance Fund (LIF) is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

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

At June 30, 2020, the Franklin County Schools District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

| | | |
|---|----|---------|
| District's proportionate share of the net OPEB liability | \$ | - |
| State's proportionate share of the net OPEB liability associated with the District | | 252,000 |
| | \$ | 252,000 |

For the year ended June 30, 2020, the District recognized OPEB expense of \$-0- and revenue of \$10,650 for support provided by the State.

Actuarial assumptions

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

| | |
|---------------------------------|--|
| Investment rate of return | 7.50%, net of OPEB plan investment expense, including inflation. |
| Projected salary increases | 3.50 - 7.20%, including inflation |
| Inflation rate | 3.00% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.50% |
| Municipal Bond Index Rate | 3.89% |
| Discount Rate | 7.50% |
| Single Equivalent Interest Rate | 7.50%, net of OPEB plan investment expense, including inflation |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

| <u>Asset Class*</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| U.S. Large Cap Equity | 40.0% | 4.2% |
| International Equity | 23.0% | 5.2% |
| Fixed Income | 18.0% | 1.2% |
| Real Estate | 6.0% | 3.8% |
| Private Equity | 5.0% | 6.3% |
| Other Additional Categories | 6.0% | 3.2% |
| Cash (LIBOR) | 2.0% | 0.9% |
| Total | <u>100.0%</u> | |

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 9 OPEB PLANS (CONTINUED)

Discount rate

The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease <u>(6.50%)</u> | Current Discount <u>Rate (7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|-------------------------------|-------------------------------|---|-------------------------------|
| Districts' net OPEB liability | \$ - | \$ - | \$ - |

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

NOTE 10 CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE 11 INSURANCE 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. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 DEFICIT OPERATING/FUND BALANCES

The District's Day Care Fund currently has a deficit fund balance of \$752,882, respectively. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

| | | |
|-----------------------------|----|-----------|
| District Activity Fund | \$ | 23,479 |
| Construction Fund | | 1,259,193 |
| Elkhorn Middle School | | 3,907 |
| Collins Lane Elementary | | 588 |
| Peaks Mill Elementary | | 2,192 |
| Early Learning Village East | | 5,627 |

NOTE 14 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 16 TRANSFER OF FUNDS

The following transfers were made during the year.

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------------|----------------------|----------------|---------------|
| General Fund | Debt Service Fund | Debt Service | \$ 579,766 |
| General Fund | Special Revenue Fund | KETS match | 118,972 |
| Special Revenue Fund | General Fund | Indirect Cost | 1,083 |
| Capital Outlay | Debt Service Fund | Debt Service | 20,377 |
| Building Fund | Debt Service Fund | Debt Service | 4,724,840 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 ON-BEHALF PAYMENTS

For the year ended June 30, 2020 total payments of \$17,256,636 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

| | |
|-----------------|----------------------|
| General Fund | \$ 15,873,623 |
| Debt Service | 1,015,310 |
| Food Service | <u>367,703</u> |
| Total On-Behalf | <u>\$ 17,256,636</u> |

NOTE 18 SCHEDULE OF LONG-TERM OBLIGATIONS

2008-Ref, 2010-Ref, 2012, 2012-Ref, 2012B-Ref, 2013-Ref, 2013-EN, 2015-Ref, 2016, 2017, 2018 and
2020

| FISCAL YEAR | FRANKLIN COUNTY SCHOOL DISTRICT | | | KY SCHOOL FACILITIES CONSTRUCTION COMMISSION | | | TOTAL REQUIREMENTS |
|-------------|---------------------------------|----------------------|----------------------|--|-------------------|---------------------|----------------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL | |
| 2020-2021 | \$ 3,966,019 | \$ 1,880,920 | \$ 5,846,939 | \$ 848,981 | \$ 163,304 | \$ 1,012,285 | \$ 6,859,224 |
| 2021-2022 | 3,564,829 | 1,795,110 | 5,359,939 | 865,171 | 144,807 | 1,009,978 | 6,369,917 |
| 2022-2023 | 3,664,690 | 1,721,361 | 5,386,051 | 885,310 | 124,067 | 1,009,377 | 6,395,428 |
| 2023-2024 | 3,736,797 | 1,637,733 | 5,374,530 | 828,203 | 98,745 | 926,948 | 6,301,478 |
| 2024-2025 | 3,873,963 | 1,522,640 | 5,396,603 | 206,037 | 73,922 | 279,959 | 5,676,563 |
| 2025-2026 | 4,044,087 | 1,399,246 | 5,443,333 | 210,913 | 67,321 | 278,234 | 5,721,568 |
| 2026-2027 | 4,157,221 | 1,244,025 | 5,401,246 | 217,779 | 60,456 | 278,235 | 5,679,481 |
| 2027-2028 | 3,666,631 | 1,109,705 | 4,776,336 | 183,369 | 53,763 | 237,132 | 5,013,468 |
| 2028-2029 | 3,640,079 | 980,751 | 4,620,830 | 189,921 | 47,210 | 237,131 | 4,857,961 |
| 2029-2030 | 3,778,602 | 857,963 | 4,636,565 | 206,398 | 40,418 | 246,816 | 4,883,382 |
| 2030-2031 | 3,596,215 | 721,168 | 4,317,383 | 213,785 | 32,992 | 246,777 | 4,564,161 |
| 2031-2032 | 3,622,381 | 593,136 | 4,215,517 | 222,619 | 25,296 | 247,915 | 4,463,433 |
| 2032-2033 | 1,807,592 | 462,675 | 2,270,267 | 97,408 | 17,239 | 114,647 | 2,384,914 |
| 2033-2034 | 2,216,880 | 399,467 | 2,616,347 | 98,120 | 14,306 | 112,426 | 2,728,773 |
| 2034-2035 | 2,273,829 | 327,339 | 2,601,168 | 101,171 | 11,253 | 112,424 | 2,713,593 |
| 2035-2036 | 2,435,551 | 249,460 | 2,685,011 | 104,449 | 7,975 | 112,424 | 2,797,435 |
| 2036-2037 | 2,462,100 | 167,136 | 2,629,236 | 107,900 | 4,524 | 112,424 | 2,741,660 |
| 2037-2038 | 2,574,738 | 81,976 | 2,656,714 | 85,262 | 1,386 | 86,648 | 2,743,361 |
| 2038-2039 | 1,050,000 | 19,163 | 1,069,163 | - | - | - | 1,069,163 |
| | <u>\$ 60,132,204</u> | <u>\$ 17,170,974</u> | <u>\$ 77,303,178</u> | <u>\$ 5,672,796</u> | <u>\$ 988,984</u> | <u>\$ 6,661,780</u> | <u>\$ 83,964,958</u> |

A summary of the changes in the principal of the outstanding bond obligations, the capital leases and the sick leave liability for the District during the year ended June 30, 2020 is as follows:

| Governmental Activities | Balance July 1, 2019 | Additions | Payments | Balance June 30, 2020 |
|-------------------------|-------------------------|--------------|--------------|--------------------------|
| Bond Obligations | \$ 68,170,000 | \$ 1,715,000 | \$ 4,080,000 | \$ 65,805,000 |
| Premium on Bonds | \$ 369,134 | \$ - | \$ 49,218 | \$ 319,916 |
| Discount on Bonds | \$ (198,409) | \$ - | \$ (10,764) | \$ (187,645) |
| Capital Leases | \$ 2,753,169 | \$ 695,139 | \$ 474,899 | \$ 2,973,409 |
| Sick Leave | \$ 314,801 | \$ 391,022 | \$ 93,665 | \$ 612,158 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 19 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2019, the District elected to adopt Government Accounting Standards Board ("GASB") Statement no. 84, "Fiduciary Activities", as it relates to accounting and financial reporting for fiduciary funds. As a result of this statement, school activity funds are considered governmental special revenue funds and not fiduciary funds.

GASB 84 required retrospective application. Since the District only presents one year of financial information, the beginning net position balance was adjusted to reflect the retrospective application. The adjustment resulted in a \$460,840 addition in the beginning net position on the Statement of Activities.

NOTE 20 CORRECTION OF ERROR

During the year ended June 30, 2020, the beginning net position of the special revenue fund was corrected for amounts relating to old projects that should have been closed in prior years. The adjustment resulted in a \$175,848 reduction to the beginning net position on the Statement of Activities.

NOTE 21 SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused disruption through limited district activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. At this time, the District is uncertain on the disruption's impact on its operating results.

Subsequent events were considered through January 15, 2021, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

FRANKLIN COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2020**

| | <u>Capital Outlay Fund</u> | <u>Building Fund</u> | <u>District Activity Fund</u> | <u>School Activity Fund</u> | <u>Debt Service Fund</u> | <u>Total Non-major Government Funds</u> |
|--------------------------------------|--------------------------------|--------------------------|---------------------------------------|-------------------------------------|------------------------------|---|
| Assets | | | | | | |
| Current: | | | | | | |
| Cash and cash equivalents | <u>1,422,790</u> | <u>1,370,486</u> | <u>\$ 151,141</u> | <u>\$ 542,796</u> | <u>\$ -</u> | <u>\$ 3,487,213</u> |
| Total assets | <u>\$ 1,422,790</u> | <u>\$ 1,370,486</u> | <u>\$ 151,141</u> | <u>\$ 542,796</u> | <u>\$ -</u> | <u>\$ 3,487,213</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | | | |
| Restricted: | | | | | | |
| Capital projects fund | - | 1,370,486 | - | - | - | 1,370,486 |
| Debt service fund | - | - | - | - | - | - |
| Other | <u>1,422,790</u> | <u>-</u> | <u>151,141</u> | <u>542,796</u> | <u>-</u> | <u>2,116,727</u> |
| Total fund balances | <u>1,422,790</u> | <u>1,370,486</u> | <u>151,141</u> | <u>542,796</u> | <u>-</u> | <u>3,487,213</u> |
| Total liabilities and fund balances | <u>\$ 1,422,790</u> | <u>\$ 1,370,486</u> | <u>\$ 151,141</u> | <u>\$ 542,796</u> | <u>\$ -</u> | <u>\$ 3,487,213</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2020**

| | <u>Capital Outlay Fund</u> | <u>Building Fund</u> | <u>District Activity Fund</u> | <u>School Activity Fund</u> | <u>Debt Service Fund</u> | <u>Total Nonmajor Government Funds</u> |
|--|--------------------------------|--------------------------|---------------------------------------|-------------------------------------|------------------------------|--|
| Revenues: | | | | | | |
| Taxes | \$ - | \$ 3,868,044 | \$ - | \$ - | \$ - | \$ 3,868,044 |
| State sources | 566,944 | 860,266 | - | - | 1,015,310 | 2,442,520 |
| Other sources | - | - | 66,520 | 1,030,101 | - | 1,096,621 |
| Total revenues | <u>566,944</u> | <u>4,728,310</u> | <u>66,520</u> | <u>1,030,101</u> | <u>1,015,310</u> | <u>7,407,185</u> |
| Expenditures: | | | | | | |
| Instructional | - | - | 53,722 | 948,145 | - | 1,001,867 |
| Staff support services | - | - | 36,277 | - | - | 36,277 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 4,080,000 | 4,080,000 |
| Interest | - | - | - | - | 2,260,293 | 2,260,293 |
| Total expenditures | <u>-</u> | <u>-</u> | <u>89,999</u> | <u>948,145</u> | <u>6,340,293</u> | <u>7,378,437</u> |
| Excess (deficit) of revenues over expenditures | <u>566,944</u> | <u>4,728,310</u> | <u>(23,479)</u> | <u>81,956</u> | <u>(5,324,983)</u> | <u>28,748</u> |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in | - | - | - | - | 5,324,983 | 5,324,983 |
| Operating transfers out | <u>(20,377)</u> | <u>(4,724,840)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,745,217)</u> |
| Total other financing sources(uses) | <u>(20,377)</u> | <u>(4,724,840)</u> | <u>-</u> | <u>-</u> | <u>5,324,983</u> | <u>579,766</u> |
| Net change in fund balance | 546,567 | 3,470 | (23,479) | 81,956 | - | 608,514 |
| Fund balance, July 1, 2019 | <u>876,223</u> | <u>1,367,016</u> | <u>174,620</u> | <u>-</u> | <u>-</u> | <u>2,417,859</u> |
| Net position adjustment (Note 19) | - | - | - | 460,840 | - | 460,840 |
| Fund balance, June 30, 2020 | <u>\$ 1,422,790</u> | <u>\$ 1,370,486</u> | <u>\$ 151,141</u> | <u>\$ 542,796</u> | <u>\$ -</u> | <u>\$ 3,487,213</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2020**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Final Budget Favorable (Unfavorable)</u> |
|---------------------------------------|----------------------------|-------------------------|----------------------|---|
| Revenues | | | | |
| Taxes | \$ 26,641,000 | \$ 26,641,000 | \$ 27,545,659 | \$ 904,659 |
| Earnings on investments | 185,000 | 185,000 | 443,341 | 258,341 |
| State sources | 34,507,796 | 34,507,796 | 35,314,381 | 806,585 |
| Federal sources | 60,000 | 82,917 | 141,159 | 58,242 |
| Other sources | 209,337 | 203,221 | 299,201 | 95,980 |
| | <u>61,603,133</u> | <u>61,619,934</u> | <u>63,743,741</u> | <u>2,123,807</u> |
| Expenditures | | | | |
| Instructional | 39,004,056 | 39,036,685 | 37,055,027 | 1,981,658 |
| Student support services | 3,448,832 | 3,492,521 | 3,225,502 | 267,019 |
| Staff support services | 2,927,428 | 2,925,872 | 2,936,282 | (10,410) |
| District administration | 1,787,462 | 1,787,603 | 1,819,480 | (31,877) |
| School administration | 5,026,921 | 4,803,703 | 4,381,153 | 422,550 |
| Business support services | 1,117,939 | 1,110,715 | 1,250,790 | (140,075) |
| Plant operation and maintenance | 5,897,250 | 5,897,250 | 5,339,472 | 557,778 |
| Student transportation | 3,982,421 | 4,084,911 | 3,985,096 | 99,815 |
| Community service operations | 65,037 | 34,531 | 157,093 | (122,562) |
| Facility acquisition and construction | - | - | 33,807 | (33,807) |
| Other | 10,692,820 | 10,692,820 | 1,274,775 | 9,418,045 |
| | <u>73,950,166</u> | <u>73,866,611</u> | <u>61,458,477</u> | <u>12,408,134</u> |
| Net change in fund balance | (12,347,033) | (12,246,677) | 2,285,264 | 14,531,941 |
| Fund balance, July 1, 2019 | <u>12,347,033</u> | <u>12,246,677</u> | <u>12,404,079</u> | <u>157,402</u> |
| Fund balance, June 30, 2020 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,689,343</u> | <u>\$ 14,689,343</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2020**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|-----------------------------------|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| State sources | \$ 1,662,677 | \$ 2,573,464 | \$ 2,018,296 | \$ (555,168) |
| Federal sources | 3,311,597 | 4,973,450 | 4,208,652 | (764,798) |
| Other sources | <u>262,335</u> | <u>277,540</u> | <u>312,443</u> | <u>34,903</u> |
| Total revenues | <u>5,236,609</u> | <u>7,824,454</u> | <u>6,571,591</u> | <u>(1,252,863)</u> |
| Expenditures | | | | |
| Instructional | 3,885,846 | 5,830,252 | 4,712,622 | 1,117,630 |
| Student support services | - | 73,710 | 380,151 | (306,441) |
| Staff support services | 645,956 | 746,760 | 623,802 | 122,958 |
| District administration | 101,413 | 101,413 | - | 101,413 |
| Business support services | - | - | 31,810 | (31,810) |
| Plant operation and maintenance | 45,510 | 45,510 | 50,114 | (4,604) |
| Student transportation | - | 123,391 | 469 | 122,922 |
| Day Care Operations | - | 320,100 | 59,832 | 260,268 |
| Community service operations | 557,884 | 582,235 | 572,488 | 9,747 |
| Other | <u>-</u> | <u>1,083</u> | <u>1,083</u> | <u>-</u> |
| Total expenditures | <u>5,236,609</u> | <u>7,824,454</u> | <u>6,568,954</u> | <u>1,255,500</u> |
| Net change in fund balance | - | - | 2,637 | 2,637 |
| Fund balance, July 1, 2019 | <u>-</u> | <u>-</u> | <u>173,211</u> | <u>173,211</u> |
| Net position adjustment (Note 20) | <u>-</u> | <u>-</u> | <u>(175,848)</u> | <u>(175,848)</u> |
| Fund balance, June 30, 2020 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 175,848</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2020**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---------------------------------------|----------------------------|-------------------------|----------------------------|---|
| Revenues | | | | |
| Other sources | \$ - | \$ 2,268,301 | \$ 1,715,000 | \$ (553,301) |
| Total revenues | <u>-</u> | <u>2,268,301</u> | <u>1,715,000</u> | <u>(553,301)</u> |
| Expenditures | | | | |
| Facility acquisition and construction | - | 2,268,301 | 2,974,193 | 705,892 |
| Other | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>2,268,301</u> | <u>2,974,193</u> | <u>705,892</u> |
| Net change in fund balance | - | - | (1,259,193) | (1,259,193) |
| Fund balance, July 1, 2019 | <u>-</u> | <u>-</u> | <u>4,819,945</u> | <u>4,819,945</u> |
| Fund balance, June 30, 2020 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,560,752</u></u> | <u><u>\$ 3,560,752</u></u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Bond and Interest Redemption Funds
For the Year Ended June 30, 2020**

| | <u>Issue of 2008R</u> | <u>Issue of 2010R</u> | <u>Issue of 2012</u> | <u>Issue of 2012R</u> | <u>Issue of 2012BR</u> | <u>Issue of 2013R</u> |
|--|---------------------------|---------------------------|--------------------------|---------------------------|----------------------------|---------------------------|
| Cash at July 1, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | |
| Transfers and miscellaneous deposits | 199,280 | 948,059 | 456,150 | 518,550 | 1,183,606 | 742,800 |
| Disbursements: | | | | | | |
| Bonds paid | 190,000 | 885,000 | 85,000 | 455,000 | 1,045,000 | 560,000 |
| Interest coupons | 9,280 | 63,059 | 371,150 | 63,550 | 138,606 | 182,800 |
| Total disbursements | 199,280 | 948,059 | 456,150 | 518,550 | 1,183,606 | 742,800 |
| Excess of receipts over disbursements | - | - | - | - | - | - |
| Cash at June 30, 2020 | - | - | - | - | - | - |
| Fund Balance at June 30, 2020 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | |
| | <u>Issue of 2013E</u> | <u>Issue of 2015R</u> | <u>Issue of 2016</u> | <u>Issue of 2017</u> | <u>Issue of 2018</u> | <u>Total</u> |
| Cash at July 1, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Receipts: | | | | | | |
| Transfers and miscellaneous deposits | 272,684 | 125,200 | 511,650 | 847,800 | 534,514 | 6,340,293 |
| Disbursements: | | | | | | |
| Bonds paid | 190,000 | 25,000 | 195,000 | 375,000 | 75,000 | 4,080,000 |
| Interest coupons | 82,684 | 100,200 | 316,650 | 472,800 | 459,514 | 2,260,293 |
| Total disbursements | 272,684 | 125,200 | 511,650 | 847,800 | 534,514 | 5,430,759 |
| Excess of receipts over disbursements | - | - | - | - | - | - |
| Cash at June 30, 2020 | - | - | - | - | - | - |
| Fund Balance at June 30, 2020 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Western Hills High School Activity Fund
For the Year Ended June 30, 2020**

| | Fund Balance July 1, 2019 | Receipts | Disbursements | Fund Balance June 30, 2020 |
|-----------------------|--|-----------------|----------------------|---|
| Academic Team | \$ 490 | \$ 1,170 | \$ 640 | \$ 1,020 |
| AP Exams | 5,497 | 2,307 | 2,611 | 5,193 |
| Archery | 1,891 | 6,836 | 3,508 | 5,219 |
| Art Club | 138 | 390 | 180 | 348 |
| Athletic Budget | 18,895 | 60,636 | 53,917 | 25,614 |
| Band | 538 | - | 445 | 93 |
| Baseball | 240 | - | 50 | 190 |
| Basketball-Boys | 2,603 | 4,766 | 2,098 | 5,271 |
| Bass Fishing | - | 2,100 | 2,048 | 52 |
| Bbk Special-Coach | 741 | 1,094 | 165 | 1,670 |
| Beta Club | 1,819 | 11,109 | 9,992 | 2,936 |
| Book Club | 36 | - | - | 36 |
| Boys Golf | 3,329 | - | 2,346 | 983 |
| Boys Soccer | 1,298 | 8,010 | 2,707 | 6,601 |
| Business Dept. | 8 | 75 | - | 83 |
| Cheerleaders | 4,840 | 16,707 | 16,728 | 4,819 |
| Chorus | 56 | - | 40 | 16 |
| Class of 2019 | 9,345 | - | 6,070 | 3,275 |
| Class of 2020 | 329 | 11,349 | 1,034 | 10,644 |
| Coke Teachers Lounge | 1,361 | 1,377 | 695 | 2,043 |
| Counselors | 279 | 1,534 | 1,536 | 277 |
| Cross Country | 2,163 | 1,968 | 1,383 | 2,748 |
| CRP/HOSA | 376 | 3,141 | 2,805 | 712 |
| Cultural Diversity | 42 | - | - | 42 |
| Dance Team | 273 | - | - | 273 |
| DECA | 955 | 8,372 | 8,537 | 790 |
| Dist/Reg Tournament | 44 | 4,740 | 4,784 | - |
| Drama Club | 19,815 | 2,565 | 3,028 | 19,352 |
| Ecology Club | 407 | - | - | 407 |
| English Dept | 22 | - | - | 22 |
| Famco Fees | 1,470 | 580 | 488 | 1,562 |
| FCCLA | 808 | 675 | 876 | 607 |
| FFA | 5,571 | 11,491 | 15,967 | 1,095 |
| Football | 759 | - | - | 759 |
| Football Special | 450 | 1,331 | 890 | 891 |
| Foreign Language | 235 | - | - | 235 |
| French Honor Society | 492 | 391 | 568 | 315 |
| Fundraiser/donations | - | 414 | 414 | - |
| Future Educators | 30 | - | - | 30 |
| Gay/Straight Alliance | 110 | - | 48 | 62 |
| Gbk Sp-Coach Account | 558 | 554 | - | 1,112 |
| General Fund Sweep | - | 17,388 | 17,388 | - |
| Girls Basketball | 1,334 | 167 | 1,412 | 89 |
| Girls Golf | 57 | - | - | 57 |
| Girls Soccer | 3,346 | 4,648 | 4,524 | 3,470 |
| Horticulture | 10,018 | 24,389 | 17,579 | 16,828 |
| Journalism - Print | - | - | - | - |
| Key Club | 74 | 333 | 140 | 267 |
| KJHS | 22 | - | - | 22 |
| KSU Classes | 80 | - | 80 | - |
| Library | 454 | 164 | 393 | 225 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Western Hills High School Activity Fund (Continued)
For the Year Ended June 30, 2020**

| | Fund Balance July 1, 2019 | Receipts | Disbursements | Fund Balance June 30, 2020 |
|------------------------|--|-------------------|----------------------|---|
| Math Dept. | \$ 44 | \$ - | \$ - | \$ 44 |
| Memorial Garden | 1,051 | - | - | 1,051 |
| Mu Alpha Theta | 620 | 245 | 305 | 560 |
| National Honor Society | 225 | 840 | 456 | 609 |
| Operating Fund | 4,008 | 4,077 | 5,023 | 3,062 |
| Outdoor Classroom | 200 | - | - | 200 |
| Pageant | 100 | 8,821 | 8,921 | - |
| Parking Fees | 93 | 1,910 | - | 2,003 |
| PE Dept. | 15 | - | - | 15 |
| Pep Club | 77 | 315 | 366 | 26 |
| Postage | 73 | - | - | 73 |
| Resource Spec. Ed. | 6 | - | - | 6 |
| Science Club | 3,286 | 736 | 725 | 3,297 |
| Science Dept. | 12 | - | - | 12 |
| Social Studies | 114 | - | 80 | 34 |
| Softball | 787 | 3,807 | 4,481 | 113 |
| Spanish Honor | 231 | 1,336 | 1,419 | 148 |
| Student Council | 1,706 | - | 113 | 1,593 |
| Student Incentives | 55 | - | - | 55 |
| Swim | 80 | 1,203 | 1,253 | 30 |
| Technology | 590 | - | - | 590 |
| Tennis - boys | 511 | - | 187 | 324 |
| Tennis - girls | 274 | - | - | 274 |
| Track | 8,346 | - | 7,595 | 751 |
| Volleyball | 70 | 4,227 | 4,122 | 175 |
| Wolverine Warehouse | 75 | - | 75 | - |
| Wrestling | 408 | - | 300 | 108 |
| Y-Club | 337 | 24,990 | 24,180 | 1,147 |
| Yearbook | 10,136 | 3,489 | 4,477 | 9,148 |
| Young Democrats | 60 | 201 | 55 | 206 |
| Young Republicans | 132 | 300 | 430 | 2 |
| Total | \$ 137,420 | \$ 269,268 | \$ 252,677 | \$ 154,011 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Franklin County High School Activity Fund
For the Year Ended June 30, 2020**

| | <u>Fund Balance July 1, 2019</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Fund Balance June 30, 2020</u> |
|--------------------------|--|-----------------|----------------------|---|
| Academic Club | \$ 45 | \$ 330 | \$ 375 | \$ - |
| All Region Team Trophies | - | 390 | 390 | - |
| AP Euro Binders | - | 182 | 182 | - |
| AP Exams | 3,331 | 15,123 | 14,450 | 4,004 |
| AP Human Geography | - | 382 | 382 | - |
| Archery Team | 172 | 3,029 | 1,592 | 1,609 |
| Art Ceramics | 619 | 910 | 376 | 1,153 |
| Art Club | 539 | 583 | 233 | 889 |
| Athletic | 4,219 | 141,397 | 139,263 | 6,353 |
| Band Camp | 153 | 236 | - | 389 |
| Baseball Player Fee | - | 600 | - | 600 |
| Bass Club | - | 750 | 125 | 625 |
| Beta Club | 1,578 | 19,600 | 17,272 | 3,906 |
| Book Club | 63 | - | 20 | 43 |
| Boys Bball Player Fee | - | 1,149 | 218 | 931 |
| Boys soccer | 3,240 | 5,600 | 4,397 | 4,443 |
| Boys/Girls Tennis | - | 3,113 | 3,113 | - |
| Cheerleaders | 1,322 | 5,457 | 6,383 | 396 |
| Class of 2019 | 1,115 | 45 | 1,160 | - |
| Class of 2020 | - | 19,079 | 888 | 18,191 |
| Cross Country Team | 10,736 | 29,541 | 21,742 | 18,535 |
| Dance Team | 2,738 | 3,380 | 6,024 | 94 |
| Debate Team | - | 106 | - | 106 |
| Deca Club | 417 | 10,028 | 10,262 | 183 |
| Disc Golf | 36 | - | - | 36 |
| Drama | 7,417 | 6,909 | 5,491 | 8,835 |
| Environmental Club | - | 870 | 250 | 620 |
| FB Bowls | 14 | 3,487 | 3,501 | - |
| FB Playoffs | - | 7,154 | 7,154 | - |
| FB Qback Club | 4 | 2,565 | 1,444 | 1,125 |
| Fellowship/Christian | 200 | - | 50 | 150 |
| FFA Club | 959 | 2,038 | 1,746 | 1,251 |
| Field Trips | 219 | 30 | - | 249 |
| Film Club | 550 | - | 550 | - |
| Flyer Connection | 3,314 | 3,824 | 4,081 | 3,057 |
| Freshman Class | - | 350 | - | 350 |
| GBB Player Fee | - | 8,265 | 8,265 | - |
| General | 159 | 59,254 | 59,404 | 9 |
| Girls soccer | 2,832 | 6,700 | 6,505 | 3,027 |
| Interest | 1,810 | 6,431 | 7,369 | 872 |
| Key Club | 423 | 1,839 | 1,954 | 308 |
| Movie Night | - | 13 | - | 13 |
| NHS Club | 1,029 | 1,300 | 1,097 | 1,232 |
| Pep Club | 53 | - | - | 53 |
| Postage | 29 | 18 | - | 47 |
| PSAT | 834 | 799 | 782 | 851 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Franklin County High School Activity Fund (Continued)
For the Year Ended June 30, 2020**

| | Fund Balance July 1, 2019 | Receipts | Disbursements | Fund Balance June 30, 2020 |
|--------------------|--|-------------------|----------------------|---|
| ROTC Cadets | \$ 286 | \$ 3,787 | \$ 3,389 | \$ 684 |
| Safe Place | 120 | - | - | 120 |
| SB Player Fees | 1,594 | 7,444 | 6,679 | 2,359 |
| SB Showcase | 1,741 | 900 | 2,135 | 506 |
| Sophomore Class | 174 | - | 25 | 149 |
| Spanish Club | 166 | - | 18 | 148 |
| Start Up | - | 14,250 | 14,250 | - |
| Step Team/Club | 711 | 619 | 418 | 912 |
| Student Activities | 1,044 | 4,070 | 1,904 | 3,210 |
| Student Council | 160 | 1,930 | 1,345 | 745 |
| Sweep | - | 9,778 | 9,718 | 60 |
| Swim Team | 111 | - | 36 | 75 |
| Teachers Lounge | 1,261 | 865 | 992 | 1,134 |
| Track Team | 600 | 2,688 | 3,288 | - |
| VB Team | - | 4,025 | 2,703 | 1,322 |
| Y Club | 367 | 7,695 | 7,290 | 772 |
| Yearbook Ads | 23,411 | 10,925 | 13,191 | 21,145 |
| Young Democrats | 305 | 528 | 581 | 252 |
| Young Republicans | 152 | - | - | 152 |
| Total | \$ 82,372 | \$ 442,660 | \$ 406,752 | \$ 118,280 |

FRANKLIN COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Funds
For the Year Ended June 30, 2020**

| | <u>Franklin County Career & Technical School</u> | <u>Elkhorn Middle School</u> | <u>Bondurant Middle School</u> | <u>Bridgeport Elementary</u> | <u>Collins Lane Elementary</u> | <u>Hearn Elementary</u> |
|-------------------------------|--|--------------------------------------|--|--|------------------------------------|-----------------------------|
| Fund balances at July 1, 2019 | \$ 9,215 | \$ 76,291 | \$ 85,749 | \$ 12,973 | \$ 10,225 | \$ 7,233 |
| Add: receipts | 73,768 | 251,382 | 310,963 | 75,867 | 50,620 | 35,828 |
| Less: disbursements | <u>(65,711)</u> | <u>(255,289)</u> | <u>(308,460)</u> | <u>(68,697)</u> | <u>(51,208)</u> | <u>(33,555)</u> |
| Fund balance at June 30, 2020 | <u>\$ 17,272</u> | <u>\$ 72,384</u> | <u>\$ 88,252</u> | <u>\$ 20,143</u> | <u>\$ 9,637</u> | <u>\$ 9,506</u> |
| | <u>Peaks Mill Elementary</u> | <u>Westridge Elementary</u> | <u>Elkhorn Elementary</u> | <u>Early Learning Village East</u> | <u>Total</u> | |
| Fund balances at July 1, 2019 | \$ 13,087 | \$ 7,239 | \$ 1,731 | \$ 17,306 | \$ 241,049 | |
| Add: receipts | 32,174 | 74,946 | 29,650 | 33,925 | 969,123 | |
| Less: disbursements | <u>(34,366)</u> | <u>(59,961)</u> | <u>(25,745)</u> | <u>(39,552)</u> | <u>(942,544)</u> | |
| Fund balance at June 30, 2020 | <u>\$ 10,895</u> | <u>\$ 22,224</u> | <u>\$ 5,636</u> | <u>\$ 11,679</u> | <u>\$ 267,628</u> | |

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – TRS

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------|----------|----------|----------|----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the net pension liability | 0% | 0% | 0% | 0% | 0% | 0% | * | * | * | * |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - | * | * | * | * | * |
| State's proportionate share of the net pension liability associated with the District | 117,757,912 | 111,237,275 | 224,641,329 | 244,592,180 | 188,106,881 | * | * | * | * | * |
| Total | \$ 117,757,912 | \$ 111,237,275 | \$ 224,641,329 | \$ 244,592,180 | \$ 188,106,881 | * | * | * | * | * |
| District's covered-employee payroll | \$ 28,122,613 | \$ 27,475,553 | \$ 26,588,087 | \$ 26,247,179 | \$ 24,935,547 | * | * | * | * | * |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0% | 0% | 0% | 0% | 0% | * | * | * | * | * |
| Plan fiduciary net position as a percentage of the total pension liability | 58.76% | 59.27% | 39.83% | 35.22% | 42.49% | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%

FRANKLIN COUNTY SCHOOL DISTRICT
Schedule of District Contributions – TRS

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|--------------------|------------------|------------------|------------------|------------------|----------|----------|----------|----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 1,100,138 | \$ 1,038,909 | \$ 568,366 | \$ 990,169 | \$ 991,889 | \$ 734,373 | * | * | * | * |
| Contributions in relation to the contractually required contribution | <u>(1,100,138)</u> | <u>(1,038,909)</u> | <u>(568,366)</u> | <u>(990,169)</u> | <u>(991,889)</u> | <u>(734,373)</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| Contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| District's covered-employee payroll | \$ 29,903,280 | \$ 28,122,613 | \$ 27,475,553 | \$ 26,588,087 | \$ 26,247,179 | \$ 24,935,547 | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 3.68% | 3.69% | 2.07% | 3.72% | 3.78% | 2.95% | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|------------------|------------------|------------------|------------------|------------------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of net pension liability | 0.389093% | 0.381864% | 0.378479% | 0.375952% | 0.373775% | 0.370956% | * | * | * | * |
| District's proportionate share of the net pension liability | \$ 27,365,084 | \$ 23,256,680 | \$ 22,153,540 | \$ 18,510,424 | \$ 16,070,557 | \$ 12,035,204 | * | * | * | * |
| Total net pension liability | \$ 7,033,044,552 | \$ 6,090,304,793 | \$ 5,853,307,482 | \$ 4,923,618,237 | \$ 4,299,525,565 | \$ 3,244,377,000 | * | * | * | * |
| District's covered-employee payroll | \$ 10,415,387 | \$ 10,015,042 | \$ 9,705,779 | \$ 9,385,182 | \$ 8,739,632 | \$ 8,739,632 | * | * | * | * |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 262.74% | 232.22% | 228.25% | 197.23% | 183.88% | 137.71% | * | * | * | * |
| Plan fiduciary net position as a percentage of the total pension liability | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.5% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of District Contributions – CERS

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|---------------|---------------|--------------|--------------|--------------|----------|----------|----------|----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 2,501,851 | \$ 1,689,930 | \$ 1,450,178 | \$ 1,354,299 | \$ 1,164,923 | \$ 1,103,465 | * | * | * | * |
| Contributions in relation to the contractually required contribution | (2,501,851) | (1,689,930) | (1,450,178) | (1,354,299) | (1,164,923) | (1,103,465) | * | * | * | * |
| Contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| District's covered-employee payroll | \$ 10,350,674 | \$ 10,415,387 | \$ 10,015,042 | \$ 9,705,779 | \$ 9,385,182 | \$ 8,739,632 | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 24.17% | 16.23% | 14.48% | 13.95% | 12.41% | 12.63% | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net OPEB Liability – LIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|---------------|---------------|------|------|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the collective trust OPEB liability | 0% | 0% | 0% | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability | \$ - | \$ - | \$ - | * | * | * | * | * | * | * |
| State's proportionate share of the collective net OPEB liability (asset) associated with the District | 252,000 | 171,000 | 224,000 | * | * | * | * | * | * | * |
| Total net OPEB liability | \$ 252,000 | \$ 171,000 | \$ 224,000 | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 29,903,280 | \$ 28,122,613 | \$ 27,475,553 | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 0.0% | 0.0% | 0.0% | * | * | * | * | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 73.40% | 74.97% | 79.99% | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

| | |
|--|--------------------------|
| Valuation date | June 30, 2016 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 30 years, Open |
| Asset valuation method | Five-year smoothed value |
| Inflation | 3.00% |
| Real wage growth | 0.50% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 7.45% |
| Discount rate | 7.50% |

FRANKLIN COUNTY SCHOOL DISTRICT
Schedule of District's Contributions – LIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|---------------|---------------|------|------|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| Contractually required contribution | \$ - | \$ - | \$ - | * | * | * | * | * | * | * |
| Contributions in relation to the contractually required contribution | - | - | - | * | * | * | * | * | * | * |
| Contribution deficiency | - | - | - | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 29,903,280 | \$ 28,122,613 | \$ 27,475,553 | * | * | * | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|---------------|---------------|------|------|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the collective trust OPEB liability | 0.458702% | 0.436872% | 0.438643% | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability | \$ 13,425,000 | \$ 15,158,205 | \$ 15,641,035 | * | * | * | * | * | * | * |
| State's proportionate share of the collective net OPEB liability associated with the District | \$ 10,842,000 | \$ 13,063,206 | \$ 12,776,473 | * | * | * | * | * | * | * |
| Total net OPEB liability | \$ 24,267,000 | \$ 28,221,411 | \$ 28,417,508 | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 10,350,674 | \$ 10,415,387 | \$ 10,015,042 | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 129.7% | 145.5% | 156.2% | * | * | * | * | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 32.58% | 25.54% | 21.18% | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

| | |
|--|---|
| Valuation date | June 30, 2018 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 22 years, Closed |
| Asset valuation method | Five-year smoothed value |
| Inflation | 3.00% |
| Real wage growth | 0.50% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 7.20% |
| Discount rate | 8.00% |
| Health care cost trends | |
| Under 65 | 7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024 |
| Ages 65 and older | 5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021 |
| Medicare Part B premiums | 0.00% for FY 2018 with an ultimate rate of 5.00% by 2030 |
| Under age 65 claims | The current premium charged by KEHP is used as the base cost and is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). |

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of District's Contributions – MIF

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|---------------|---------------|------|------|------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 798,725 | \$ 798,992 | \$ 778,201 | * | * | * | * | * | * | * |
| Contributions in relation to the contractually required contribution | (798,725) | (798,992) | (778,201) | * | * | * | * | * | * | * |
| Contribution deficiency | - | - | - | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 10,350,674 | \$ 10,415,387 | \$ 10,015,042 | * | * | * | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 7.72% | 7.67% | 7.77% | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

Changes of benefit terms - None

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

| | |
|--|---|
| Valuation date | June 30, 2018 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percent of Payroll |
| Amortization period | 22 years, Closed |
| Asset valuation method | Five-year smoothed value |
| Inflation | 3.00% |
| Real wage growth | 0.50% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 7.20% |
| Discount rate | 8.00% |
| Health care cost trends | |
| Under 65 | 7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024 |
| Ages 65 and older | 5.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021 |
| Medicare Part B premiums | 0.00% for FY 2018 with an ultimate rate of 5.00% by 2030 |
| Under age 65 claims | The current premium charged by KEHP is used as the base cost and is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). projected forward using only the health care trend assumption (no implicit rate subsidy is recognized). |

FRANKLIN COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|---------------|--------------|------|------|------|------|------|------|------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| District's proportion of the collective trust OPEB liability | 0.389003% | 0.381849% | 0.378479% | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability | \$ 6,542,855 | \$ 6,779,653 | \$ 7,608,723 | * | * | * | * | * | * | * |
| State's proportionate share of the collective net OPEB liability associated with the District | \$ - | \$ - | \$ - | * | * | * | * | * | * | * |
| Total net OPEB liability | \$ 6,542,855 | \$ 6,779,653 | \$ 7,608,723 | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 10,415,387 | \$ 10,015,042 | \$ 9,705,779 | * | * | * | * | * | * | * |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll | 62.8% | 67.7% | 78.4% | * | * | * | * | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 60.44% | 57.62% | 52.40% | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions:

2018: Updated health care trend rates were implemented.

FRANKLIN COUNTY SCHOOL DISTRICT
Schedule of District Contributions – MIF (CERS)

| | Last 10 Fiscal Years* | | | | | | | | | |
|--|-----------------------|------------------|------------------|------|------|------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 516,261 | \$ 548,029 | \$ 470,707 | * | * | * | * | * | * | * |
| Contributions in relation to the contractually required contribution | <u>(516,261)</u> | <u>(548,029)</u> | <u>(470,707)</u> | * | * | * | * | * | * | * |
| Contribution deficiency | <u>-</u> | <u>-</u> | <u>-</u> | * | * | * | * | * | * | * |
| District's covered-employee payroll | \$ 10,350,674 | \$ 10,415,387 | \$ 10,015,042 | * | * | * | * | * | * | * |
| Contributions as a percentage of covered-employee payroll | 4.99% | 5.26% | 4.70% | * | * | * | * | * | * | * |

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

FRANKLIN COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Agreement Number</u> | <u>Federal Expenditures for FYE June 30, 2020</u> |
|---|------------------------------------|-------------------------|---|
| U.S. Department of Education | | | |
| Passed through Kentucky Department of Education | | | |
| Special Education Cluster | | | |
| Special Education_Grants to States | 84.173 | 3800002 19 | \$ 66,527 |
| Special Education_Grants to States | 84.027 | 3810002 17 | 218,016 |
| Special Education_Preschool Grants | 84.027 | 3810002 18 | 988,608 |
| Special Education_Preschool Grants | 84.027 | 3810002 19 | <u>1,073,933</u> |
| Total Special Education Cluster | | | 2,347,084 |
| Title I Grants to Local Educational Agencies | 84.010 | 3100002 18 | 243,683 |
| Title I Grants to Local Educational Agencies | 84.010 | 3100002 19 | <u>1,023,631</u> |
| Total CFDA #84.010 | | | 1,267,314 |
| Title I Neglected and Delinquent Children and Youth | 84.013 | S013A180017 | 5,882 |
| Title I Neglected and Delinquent Children and Youth | 84.013 | S013A180017 | <u>16,010</u> |
| Total CFDA #84.013 | | | 21,892 |
| Career and technical Education -Basic Grants to States | 84.048 | 3710002 19 | 57,540 |
| English Language Acquisition State Grants | 84.365 | 3300002 18 | 3,158 |
| English Language Acquisition State Grants | 84.365 | 3300002 19 | <u>30,350</u> |
| Total CFDA #84.365 | | | 33,508 |
| Title II Improving Teacher Quality State Grants | 84.367 | 3230002 17 | 38,095 |
| Title II Improving Teacher Quality State Grants | 84.367 | 3230002 18 | 181,239 |
| Title II Improving Teacher Quality State Grants | 84.367 | 3230002 19 | <u>2,189</u> |
| Total CFDA #84.367 | | | 221,523 |
| Title IV-Part A Student Support & Academic Enrichment Grant | 84.424 | 3420002 17 | 262 |
| Title IV-Part A Student Support & Academic Enrichment Grant | 84.424 | 3420002 18 | 26,389 |
| Title IV-Part A Student Support & Academic Enrichment Grant | 84.424 | 3420002 19 | <u>89,874</u> |
| Total CFDA #84.424 | | | 116,525 |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | 4000002-20 | 23,271 |
| CARES Child Development Fund | 93.575 | N/A | 59,833 |
| Total U.S. Department of Education | | | <u>4,148,490</u> |
| U.S. Department of Agriculture | | | |
| Child Nutrition Cluster | | | |
| Passed through Kentucky Department of Education | | | |
| National School Lunch Program | 10.555 | 7750002 19 | 350,191 |
| National School Lunch Program | 10.555 | 7750002 20 | 1,004,677 |
| School Breakfast Program | 10.553 | 7760005 19 | 133,226 |
| School Breakfast Program | 10.553 | 7760005 20 | 375,905 |
| Summer Food Service Program for Children | 10.559 | 7740023 19 | 88,450 |
| Summer Food Service Program for Children | 10.559 | 7740023 20 | 450,685 |
| Summer Food Service Program for Children | 10.559 | 7690024 19 | 9,167 |
| Summer Food Service Program for Children | 10.559 | 7690024 20 | <u>37,384</u> |
| | | | 2,449,685 |
| Passed through Kentucky Department of Agriculture | | | |
| National School Lunch Program - Food Donation | 10.555 | 4005385 | <u>222,524</u> |
| Total Child Nutrition Cluster | | | 2,672,209 |
| Total U.S. Department of Agriculture | | | <u>2,672,209</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 6,820,699</u> |

FRANKLIN COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Franklin County School District under programs of the federal government for the year ended June 30, 2020 and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Franklin County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2020, the District reported food commodities expended in the amount of \$222,524.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2020.

**INDEPENDENT AUDITORS' 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**

To the Members of the Board of Education
Franklin County School District
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Franklin County School District's basic financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the District on pages 78 to 83.

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
January 15, 2021

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

Members of the Board of Education
Franklin County School District
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Franklin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Franklin County School District's major federal programs for the year ended June 30, 2020. Franklin County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Franklin County 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, 2020.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance

Management of Franklin County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Franklin County 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 deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Crestview Hills, Kentucky
January 15, 2021

FRANKLIN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? Yes X No

Identification of major programs

| CFDA No. | Name of Federal Program or Cluster |
|--------------------------------|---|
| 10.553/10.555/10.559 84.424 | Child Nutrition Cluster Title IV Student Support and Academic Enrichment |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

FRANKLIN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-01 – Cash Reconciliation

Criteria: The organization is responsible for establishing and maintaining effective internal control over financial reporting.

Condition and Context: During the course of the audit, we identified misstatements in the financial statements for the year under audit that were not initially identified by the organization’s internal controls. Adjustments were necessary to correct the errors in the financial statements in order for the financial statements to be presented in accordance with Government Auditing Standards.

Effect: Misstated financial statements

Cause: Lack of preparation of a cash reconciliation

Recommendation: Completing the cash reconciliation monthly to balance with the actual cash amounts in Munis to ensure all cash activity is being properly accounted for.

Views of Responsible Officials and Planned Corrective Actions: An accounting clerk will prepare a monthly cash reconciliation. The Finance Director will review the cash reconciliation on a monthly basis to ensure that all cash activity is being captured.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

FRANKLIN COUNTY SCHOOL DISTRICT

**Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2020**

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Summary of Finding 2019-001: During the prior year audit, misstatements were identified for the year under audit that were not identified by the organization’s internal controls. Adjustments were necessary to correct the errors in the financial statements in order for the financial statements to be presented in accordance with Government Auditing Standards.

Status: The new finance officer has attended trainings and reviewed accounting processes to ensure transactions are properly recorded.

Summary of Finding 2019-02: The District recorded inappropriate financial statement activity, including issuance of checks that were not valid budgetary expenditures. Material misstatements were noted as a result of the activity.

Status: The Finance Officer has worked to establish and monitor effective internal controls surrounding segregation of duties. There were no issues noted in the current year audit.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

FRANKLIN COUNTY SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2020

In planning and performing our audit of the financial statements of Franklin County School District for the year ended June 30, 2020, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated January 15, 2021 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated January 15, 2021, on the financial statements of the Franklin County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Franklin County High School

Statement of Deficiency: It was noted that the amount on a deposit slip did not agree to the total amount of receipts included in the deposit.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that the amount on a deposit slip did not agree to the deposit amount per the bank statement.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Western Hills High School

Statement of Deficiency: It was noted that the June and Annual AFR were not prepared in a timely manner.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that one outstanding check was over one year old.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Franklin County Career & Technical School

No matters are reportable

FRANKLIN COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2020**

CURRENT YEAR RECOMMENDATIONS (Continued)

Elkhorn Middle School

No matters are reportable

Bondurant Middle School

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Bridgeport Elementary

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that the Annual AFR was not prepared in a timely manner.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Collins Lane Elementary

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that the Annual and June AFR were not prepared in a timely manner.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that the bookkeeper has been opening the mail.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

FRANKLIN COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2020**

CURRENT YEAR RECOMMENDATIONS (Continued)

Hearn Elementary

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that the Annual AFR was not prepared in a timely manner.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Peaks Mill Elementary

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Westridge Elementary

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Statement of Deficiency: It was noted that a standard invoice form was not used to issue a payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Elkhorn Elementary

Statement of Deficiency: It was noted that invoices were not stamped paid or otherwise defaced upon payment.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

FRANKLIN COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2020**

CURRENT YEAR RECOMMENDATIONS (Continued)

Elkhorn Elementary (continued)

Statement of Deficiency: It was noted that the Annual AFR was not prepared in a timely manner.

Management Response: The school's Bookkeeper and Principal have been notified of the discrepancy. Bookkeepers and Principals will attend Redbook trainings annually at a minimum, with additional trainings and resources available.

Early Learning Village East

No matters are reportable

FRANKLIN COUNTY SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2020**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Franklin County High School

Statement of prior year deficiency: It was noted that purchases were approved after being obligated.

Current year status: No such issues noted in the current year.

Western Hills High School

Statement of prior year deficiency: It was noted that purchases were approved after being obligated.

Current year status: No such issues noted in the current year.

Statement of prior year deficiency: It was noted that money collected was not being remitted timely to the treasurer.

Current year status: No such issues noted in the current year.

Elkhorn Middle School

No matters are reportable

Bondurant Middle School

Statement of prior year deficiency: It was noted that money collected was not being remitted timely to the treasurer.

Current year status: No such issues noted in the current year.

Statement of prior year deficiency: It was noted that money collected was not being remitted timely to the treasurer. It was also noted an operational cost was made at the school level rather than the district level.

Current year status: No such issues noted in the current year.

Bridgeport Elementary

Statement of prior year deficiency: It was noted that purchases were approved after being obligated.

Current year status: No such issues noted in the current year.

Collins Lane Elementary

Statement of prior year deficiency: It was noted that purchases were approved after being obligated.

Current year status: No such issues noted in the current year.

FRANKLIN COUNTY SCHOOL DISTRICT
Management Letter Comments (Continued)
Year Ended June 30, 2020

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

Hearn Elementary

Statement of prior year deficiency: It was noted that purchases were approved after being obligated.

Current year status: No such issues noted in the current year.

Peaks Mill Elementary

No matters are reportable

Westridge Elementary

Statement of prior year deficiency: It was noted that purchases were approved after being obligated.

Current year status: No such issues noted in the current year.

Elkhorn Elementary

Statement of prior year deficiency: It was noted that the Multiple Receipt Form (Form F-SA-6) was not used as required.

Current year status: No such issues noted in the current year.

Early Learning Village East

No matters are reportable

APPENDIX C

**Franklin County School District Finance Corporation
School Building Refunding Revenue Bonds
Taxable Series of 2021**

Continuing Disclosure Agreement

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of the 25th day of March, 2021, by and between the Board of Education of Franklin County, Kentucky School District ("Board"); the Franklin County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$10,095,000 of the Corporation's School Building Refunding Revenue Bonds, Taxable Series of 2021, dated as of March 25, 2021 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

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

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

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

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

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

1. ANNUAL FINANCIAL INFORMATION

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

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited

financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

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

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

2. MATERIAL EVENTS NOTICES

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

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

- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

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

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

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

3. SPECIAL REQUESTS FOR INFORMATION

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

4. DISCLAIMER OF LIABILITY

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

5. FINAL OFFICIAL STATEMENT

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

6. DURATION OF THE AGREEMENT

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

7. AMENDMENT; WAIVER

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

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

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

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

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

8. DEFAULT

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

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

**BOARD OF EDUCATION OF
FRANKLIN COUNTY, KENTUCKY
SCHOOL DISTRICT**

Chairman

Attest:

Secretary

**FRANKLIN COUNTY SCHOOL
DISTRICT FINANCE CORPORATION**

President

Attest:

Secretary

APPENDIX D

**Franklin County School District Finance Corporation
School Building Refunding Revenue Bonds
Taxable Series of 2021**

Official Terms and Conditions of Bond Sale

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$10,095,000*

**Franklin County School District Finance Corporation
School Building Refunding Revenue Bonds, Taxable Series of 2021
Dated as of March 25, 2021**

SALE: March 4, 2021 AT 1:00 P.M., E.S.T.

As published on PARITY®, a nationally recognized electronic bidding system, the Franklin County School District Finance Corporation (the "Corporation") will until 11:00 A.M., E.S.T., on March 4, 2021 receive at the office of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, competitive bids for the purchase of \$10,095,000 principal amount of Franklin County School District Finance Corporation School Building Refunding Revenue Bonds, Taxable Series of 2021 (the "Refunding Bonds"), dated and bearing interest from March 25, 2021, payable on June 1, 2021, and semi-annually thereafter on December 1 and June 1 of each year, in denominations in multiples of \$5,000 within the same maturity, maturing on June 1, 2021 and June 1 thereafter in each of the years as follows:

| <u>YEAR</u> | <u>PRINCIPAL MATURITIES*</u> | <u>YEAR</u> | <u>PRINCIPAL MATURITIES*</u> |
|-------------|----------------------------------|-------------|----------------------------------|
| 2021 | \$135,000 | 2027 | \$ 195,000 |
| 2022 | 185,000 | 2028 | 1,575,000 |
| 2023 | 185,000 | 2029 | 1,620,000 |
| 2024 | 185,000 | 2030 | 1,665,000 |
| 2025 | 190,000 | 2031 | 2,000,000 |
| 2026 | 195,000 | 2032 | 1,965,000 |

* Subject to Permitted Adjustment as described herein.

REDEMPTION PROVISIONS

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

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

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

FRANKLIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION

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

AUTHORITY AND PURPOSE

The Refunding Bonds are being issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 162.120 through 162.300, 162.385, and Section 58.180 of the Kentucky Revised Statutes, within the meaning of the decision of the Court of Appeals of Kentucky (Supreme Court) in the case of *Hemlepp v. Aronberg*, 369 S.W.2d 121, for the purpose of providing funds to retire the outstanding Franklin County School District Finance Corporation Building Revenue Bonds, Series of 2012, dated June 1, 2012 (the "2012 Bonds") maturing June 1, 2021 and thereafter (the "Refunded Bonds") at or prior to their stated maturities on June 1, 2021. The Refunded Bonds are hereinafter collectively referred to as the "Refunded Bonds".

SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

The Commission will enter into a Participation Agreement with the Board whereunder the Commission, will agree to continue to pay approximately 12.99% of the debt service of the Refunding Bonds through June 1, 2032; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the budget period of the Commonwealth, with the first such budget period terminating on June 30, 2022.

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

PROCEEDS TO RETIRE ALL BONDS OF PRIOR ISSUES

The Refunded Bonds were issued under the authority of Sections 162.120 through 162.300 and 162.385 of the Kentucky Revised Statutes for the purpose of providing funds to finance construction of a Career and Technical Center (the "Project"). Under the terms of the Resolution authorizing the Refunded Bonds, the Refunded Bonds are payable from the income and revenues of the Project financed from the proceeds thereof. The Refunded Bonds are secured by a lien upon and a pledge of revenues from the rental of the Project to the Board under a Contract, Lease and Option, dated June 1, 2012 (the "Prior Lease").

The total principal amount of the 2012 Bonds currently outstanding is \$9,370,000, scheduled to mature on June 1 in each of the years 2021 through 2032. The proceeds of the Refunding Bonds will be used to pay accruing interest on and retire on June 1, 2021, the Refunded Bonds.

The 2021 Bond Resolution adopted by the Corporation's Board of Directors authorizes the payment and retirement of the Refunded Bonds including principal and accruing interest prior to their stated maturities through the deposit of the required amount of proceeds of the Refunding Bonds in the Bond and Interest Redemption Fund established for the Refunded Bonds or in a special Escrow Fund for application to the retirement of the Refunded Bonds.

The 2021 Bond Resolution expressly provides that upon delivery of the Refunding Bonds and the deposit of sufficient funds in accordance with the preceding paragraph neither the lien upon nor the pledge of the revenues from the rental of the Project under the Prior Lease shall constitute the security and source of payment for any of the Refunded Bonds and the Registered Owners of such Refunded Bonds shall be paid from and secured by the monies deposited in the Bond and Interest Redemption Fund established for the Refunded Bonds or in Escrow Fund for the retirement thereof upon the delivery of the Refunding Bonds.

SECURITY FOR REFUNDING BONDS

The Refunding Bonds will constitute a limited indebtedness of the Corporation and will be payable as to both principal and interest solely from the income and revenues of the school Project financed from the proceeds of the Refunded Bonds. The Refunding Bonds are secured by a lien upon and a pledge of the revenues derived from the rental of the school Project to the Board under a Lease Agreement dated March 25, 2021 (the "2021 Lease"); provided, however, that said lien and pledge are on parity with similar liens and pledges securing certain of the Corporation's outstanding School Building Revenue Bonds previously issued to finance or refinance the Project (the "Parity Bonds").

Under the 2021 Lease the Board has leased the school property securing the Refunding Bonds in accordance with the provisions of KRS 162.140 for an initial period from March 25, 2021 through June 30, 2021, with the option in the Board to renew said 2021 Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rentals due under the 2021 Lease, the principal and interest on all of the Refunding Bonds as same become due.

The 2021 Lease provides that the Prior Lease will be canceled effective upon the deposit of sufficient funds to provide for the retirement of the Refunded Bonds. The 2021 Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the 2021 Lease until June 1, 2032, the final maturity date of the Refunding Bonds, and such annual rentals shall be deposited as received in the Bond Fund for the Refunding Bonds and used and applied for the payment of all maturing principal of and interest on the Refunding Bonds.

Under the terms of the 2021 Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of Section 157.627(5) of the Act and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the 2021 Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the 2021 Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

BIDDING CONDITIONS AND RESTRICTIONS

(A) The terms and conditions of the sale of the Refunding Bonds are as follows:

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

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

(3) The bid shall be not less than \$9,994,050 (99% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(4) The determination of the best purchase bid for said Refunding Bonds shall be made on the basis of all bids submitted for exactly \$10,095,000 principal amount of Refunding Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of Refunding Bonds sold to such best bidder, in the amount of not exceeding \$1,010,000, with such increase or decrease to be made in any maturity, and the total amount of Refunding Bonds awarded to such best bidder will be a minimum of \$9,085,000 or a maximum of \$11,105,000. In the event of any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$5,000 of Refunding Bonds as the price per \$5,000 for the \$10,095,000 of Refunding Bonds bid.

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

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

(7) All Refunding Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(8) The right to reject bids for any reason deemed acceptable by the Corporation, and the right to waive any possible informalities or irregularities in any bid, which in the sole judgment of the Corporation shall be minor or immaterial, is expressly reserved.

(9) CUSIP identification numbers will be printed on the Refunding Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau assignment charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept

delivery of and pay for said Refunding Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(B) The Bonds will be delivered utilizing the DTC Book-Entry-Only-System.

(C) Said Bonds are offered for sale on the basis of the principal of said Bonds not being subject to Kentucky ad valorem taxation or Kentucky income taxation and on the basis of the interest on said Bonds being subject to Federal or on the date of their delivery to the successful bidder. See TAX STATUS below.

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

(E) If, prior to the delivery of the Bonds, any event should occur which alters the tax-exempt status of the Bonds, or of the interest thereon, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

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

STATE SUPPORT OF EDUCATION

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

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

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

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

KRS 157.440(1) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including

utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 157.440(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

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

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

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2022

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

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

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

POTENTIAL LEGISLATION

No assurance can be given that any future legislation, will not cause interest on the Refunding Bonds to be subject, directly or indirectly, to state income taxation. Further, no assurance can be given that the introduction or enactment of any such future legislation, will not affect the market price for the Refunding Bonds.

CONTINUING DISCLOSURE

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

Financial information regarding the Board may be obtained from Superintendent, Franklin County Board of Education, 190 King's Daughters Dr. #300, Frankfort, Kentucky 40601 Telephone (502) 695-6700.

TAX STATUS

Bond Counsel advises as follows:

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

(B) The interest income from the Refunding Bonds is includable in the gross income of the recipient thereof for Federal income tax purposes under existing law.

BOOK-ENTRY-ONLY-SYSTEM

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

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

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a

successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

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

**FRANKLIN COUNTY SCHOOL DISTRICT
FINANCE CORPORATION**

By /s/ Rebecca Roberts
Secretary

APPENDIX E

**Franklin County School District Finance Corporation
School Building Refunding Revenue Bonds
Taxable Series of 2021**

Official Bid Form

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

The Franklin County School District Finance Corporation ("Corporation"), will until 1:00 P.M., E.S.T., on March 4, 2021, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, (telephone 502-564-5582; Fax 888-979-6152) competitive bids for its \$10,095,000 School Building Refunding Revenue Bonds, Taxable Series of 2021, dated as of March 25, 2021; maturing June 1, 2021 through 2032 ("Bonds").

We hereby bid for said \$10,095,000* principal amount of Bonds, the total sum of \$ _____ (not less than \$9,994,050) plus accrued interest from March 25, 2021 payable June 1, 2021 and semiannually thereafter (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on June 1, 2021 and thereafter in each of the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Rate</u> | <u>Year</u> | <u>Amount*</u> | <u>Rate</u> |
|-------------|----------------|-------------|-------------|----------------|-------------|
| 2021 | \$135,000 | _____ % | 2027 | \$ 195,000 | _____ % |
| 2022 | 185,000 | _____ % | 2028 | 1,575,000 | _____ % |
| 2023 | 185,000 | _____ % | 2029 | 1,620,000 | _____ % |
| 2024 | 185,000 | _____ % | 2030 | 1,665,000 | _____ % |
| 2025 | 190,000 | _____ % | 2031 | 2,000,000 | _____ % |
| 2026 | 195,000 | _____ % | 2032 | 1,965,000 | _____ % |

* Subject to Permitted Adjustment up to \$1,010,000.

We understand this bid may be accepted for as much as \$11,105,000 of Bonds or as little as \$9,085,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the Secretary of the Corporation at the time of acceptance of the best bid.

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

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

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

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

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

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

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about March 25, 2021 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

Bidder

By _____
Authorized Officer

Address

Total interest cost from March 25, 2021 to final maturity \$ _____
 Plus discount or less any premium \$ _____
 Net interest cost (Total interest cost plus discount or less any premium) \$ _____
 Average interest rate or cost (ie NIC) _____%

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

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

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Year</u> | <u>Amount</u> | <u>Rate</u> |
|-------------|---------------|-------------|-------------|---------------|-------------|
| 2021 | _____,000 | _____% | 2027 | _____,000 | _____% |
| 2022 | _____,000 | _____% | 2028 | _____,000 | _____% |
| 2023 | _____,000 | _____% | 2029 | _____,000 | _____% |
| 2024 | _____,000 | _____% | 2030 | _____,000 | _____% |
| 2025 | _____,000 | _____% | 2031 | _____,000 | _____% |
| 2026 | _____,000 | _____% | 2032 | _____,000 | _____% |

Dated: March 4, 2021

 RSA Advisors, LLC, Financial Advisor and
 Agent for Franklin County School District Finance Corporation