

**DATED AUGUST 16, 2022**

**NEW ISSUE**  
**Electronic Bidding via Parity®**  
**Bank Interest Deduction Eligible**  
**BOOK-ENTRY-ONLY SYSTEM**

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

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

**\$1,400,000\***  
**FRANKLIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION**  
**SCHOOL BUILDING REVENUE BONDS,**  
**SERIES OF 2022**

**Dated with Delivery: SEPTEMBER 14, 2022**

**Due: as shown below**

Interest on the Bonds is payable each March 1 and September 1, beginning March 1, 2023. The Bonds will mature as to principal on September 1, 2023, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

<b>Maturing</b>		<b>Interest</b>	<b>Reoffering</b>		<b>Maturing</b>		<b>Interest</b>	<b>Reoffering</b>	
<b>1-Sep</b>	<b>Amount*</b>	<b>Rate</b>	<b>Yield</b>	<b>CUSIP</b>	<b>1-Sep</b>	<b>Amount*</b>	<b>Rate</b>	<b>Yield</b>	<b>CUSIP</b>
2023	\$70,000	%	%		2028	\$110,000	%	%	
2024	\$75,000	%	%		2029	\$110,000	%	%	
2025	\$55,000	%	%		2030	\$115,000	%	%	
2026	\$115,000	%	%		2031	\$240,000	%	%	
2027	\$275,000	%	%		2032	\$235,000	%	%	

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

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

The Bonds constitute a limited indebtedness of the 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 August 24, 2022, at 11:00 A.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, 229 West Main Street, Suite 102, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$140,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Municipal 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  
Teresa Osbourn, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank Trust Company, 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 Revenue Bonds, Series of 2022, 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**

**\$1,400,000\***

**FRANKLIN COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2022**

*\*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 Revenue Bonds, Series of 2022 (the "Bonds").

The Bonds are being issued to finance the acquisition of a new central office (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the school building 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 and the Lease Agreement, dated September 14, 2022, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

### **THE CORPORATION**

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

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

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE**

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

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2024. Inter alia, the Budget provides \$125,216,700 in FY 2022-23 and \$126,719,600 in FY 2023-2024 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. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020 and 2022. 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
2020-22	2,946,900
2022-24	<u>5,305,300</u>
 Total	 \$189,166,500

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

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024

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.

The General Assembly adopted a budget for the biennial period ending June 30, 2024 which was approved and signed recently by the Governor. Such budget became effective July 1, 2022.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

## OUTSTANDING BONDS

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

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2012-REF	\$5,750,000	\$1,700,000	\$5,011,848	\$738,152	2.050%	2023
2012B-REF	\$10,550,000	\$2,250,000	\$10,316,492	\$233,508	2.375% - 4.000%	2024
2013-REF	\$10,235,000	\$4,905,000	\$3,753,999	\$6,481,001	3.000%	2025
2013 Energy	\$3,215,000	\$1,645,000	\$3,215,000	\$0	3.400% - 4.125%	2028
2015-REF	\$3,430,000	\$3,270,000	\$3,430,000	\$0	3.000%	2030
2016-REF	\$10,105,000	\$8,640,000	\$9,697,702	\$407,298	2.125% - 4.000%	2027
2017	\$16,180,000	\$14,325,000	\$14,508,994	\$1,671,006	3.000% - 3.250%	2037
2018 Energy	\$9,580,000	\$9,160,000	\$9,580,000	\$0	3.000% - 3.650%	2039
2020	\$1,715,000	\$995,000	\$1,715,000	\$0	1.000% - 1.600%	2030
2021-REF	\$10,060,000	\$9,750,000	\$8,693,053	\$1,366,947	1.500% - 2.000%	2032
<b>TOTALS:</b>	<b>\$80,820,000</b>	<b>\$56,640,000</b>	<b>\$69,922,088</b>	<b>\$10,897,912</b>		

## AUTHORITY

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

- i) the issuance of approximately \$1,400,000 of Bonds subject to a permitted adjustment of \$140,000;



- 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 September 14, 2022, will bear interest from that date as described herein, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2023, and will mature as to principal on September 1, 2023, and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

**Registration, Payment and Transfer**

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank Trust Company, 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 March 1 and September 1 of each year, beginning March 1, 2023 (Record Date is 15th day of month preceding interest due date).

**Redemption**

The Bonds maturing on or after September 1, 2026, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after September 1, 2025, 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
September 1, 2025, 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 school building 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 school building Project..

## **The Lease; Pledge of Rental Revenues**

The Board has leased the school building Project securing the Bonds for an initial period from September 14, 2022, through June 30, 2023 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 September 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, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 157.627(5) and KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease and Participation Agreement to the Corporation and the Commission the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## **THE PROJECT**

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance the acquisition of a new central office (the "Project").

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

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

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**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 100% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>--- Series 2022 School Building Revenue Bonds ---</b>			<b>Total Local Restricted Fund Bond Payments</b>
		<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total Payment</b>	
2023	\$4,589,156		\$21,500	\$21,500	\$4,610,656
2024	\$4,565,655	\$70,000	\$45,298	\$115,298	\$4,680,952
2025	\$4,566,324	\$75,000	\$43,123	\$118,123	\$4,684,446
2026	\$4,588,011	\$55,000	\$41,173	\$96,173	\$4,684,183
2027	\$4,526,609	\$115,000	\$38,508	\$153,508	\$4,680,116
2028	\$3,877,648	\$275,000	\$32,199	\$307,199	\$4,184,847
2029	\$4,044,625	\$110,000	\$25,915	\$135,915	\$4,180,540
2030	\$4,049,840	\$110,000	\$22,258	\$132,258	\$4,182,097
2031	\$3,849,630	\$115,000	\$18,460	\$133,460	\$3,983,090
2032	\$3,730,956	\$240,000	\$12,365	\$252,365	\$3,983,321
2033	\$1,871,330	\$235,000	\$4,113	\$239,113	\$2,110,443
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
<b>TOTALS:</b>	<b>\$55,745,101</b>	<b>\$1,400,000</b>	<b>\$304,909</b>	<b>\$1,704,909</b>	<b>\$57,450,010</b>

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:

<b>Sources:</b>	
Par Amount of Bonds	<u>\$1,400,000.00</u>
Total Sources	\$1,400,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$1,360,150.00
Underwriter's Discount (1%)	14,000.00
Cost of Issuance	<u>25,850.00</u>
Total Uses	\$1,400,000.00

## 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	2011-12	5,449.6
2001-02	5,251.4	2012-13	5,493.3
2002-03	5,210.0	2013-14	5,583.5
2003-04	5,196.0	2014-15	5,617.9
2004-05	5,234.0	2015-16	5,628.3
2005-06	5,289.3	2016-17	5,714.1
2006-07	5,274.2	2017-18	5,700.2
2007-08	5,321.2	2018-19	5,704.3
2008-09	5,353.2	2019-20	5,669.4
2009-10	5,383.8	2020-21	5,665.3
2010-11	5,500.3	2021-22	5,904.7

*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 \$4,000 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.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
2000-01	530,630.0	2011-12	544,958.0
2001-02	525,140.0	2012-13	549,334.0
2002-03	521,000.0	2013-14	558,346.0
2003-04	519,600.0	2014-15	561,789.0
2004-05	523,400.0	2015-16	562,829.0
2005-06	528,930.0	2016-17	571,410.0
2006-07	527,420.0	2017-18	570,020.0
2007-08	532,120.0	2018-19	570,428.6
2008-09	535,324.0	2019-20	566,940.0
2009-10	538,383.0	2020-21	566,527.5
2010-11	550,027.0	2021-22	590,467.1

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 \$40,500 effective January 1, 2021.

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

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

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

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

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

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

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

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

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

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	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
2020-21	75.7	4,051,584,069	30,670,491
2021-22	76.8	4,254,954,876	32,678,053

**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, 2022.

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
<b>Franklin County</b>			
General Obligation	7,760,000	1,050,000	6,710,000
Real Property Renewable	875,000	746,000	129,000
Educational Development Revenue	1,760,000	1,395,000	365,000
Refinancing Revenue	13,010,000	1,602,000	11,408,000
Pool Funding Refunding Revenue	6,175,000	1,895,000	4,280,000
Justice Center Revenue	9,260,000	0	9,260,000
<b>City of Frankfort</b>			
General Obligation	6,425,000	790,000	5,635,000
Building Revenue	590,750	350,511	240,239
Sewer Revenue	19,990,000	9,605,000	10,385,000
Multiple Purpose Revenue	13,445,000	7,105,000	6,340,000
Floating Indebtedness Revenue	4,180,000	928,889	3,251,111

Special Districts			
Farmdale Water District	1,858,000	165,500	1,692,500
Peaks Mill Water District	627,000	236,500	390,500
Frankfort Electric & Water Plant Board	59,500,012	35,600,000	23,900,012
Franklin County Industrial Development Authority	250,000	230,000	20,000
<b>Totals:</b>	<b>145,705,762</b>	<b>61,699,400</b>	<b>84,006,362</b>

Source: 2022 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.

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
2020-21	18,735,180	30,670,491	49,405,671
2021-22	20,436,120	32,678,053	53,114,173

- (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 \$0.7680 for FY 2021-22. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

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



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

### **POTENTIAL LEGISLATION**

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

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

### **CONTINUING DISCLOSURE**

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

The Board has been timely in making all required disclosure filings in the past five (5) years.

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 EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that:

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

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

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2022, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

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

### **Original Issue Premium**

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

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

### **Original Issue Discount**

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

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

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

### **COVID-19**

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

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

On 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>.

### **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.



# **APPENDIX A**

**Franklin County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Demographic and Economic Data**

## FRANKLIN COUNTY, KENTUCKY

Frankfort, the county seat of Franklin County had an estimated 2021 population of 28,776. 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 51,599 persons in 2021.

### **The Economic Framework**

In 2021, Franklin County had a labor force of 24,729 people with an unemployment rate of 3.7%. The top 5 jobs by occupation were as follows: Office and Administrative Support - 5,927 (17.13%); Protective Services - 7,922 (11.45%); Executive, Managers, and Administrators - 3,050 (8.82%); Business and Financial Operations - 2,535 (7.33%); and Sales - 2,331 (6.74%).

### **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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Franklin County	50,131	50,655	50,597	51,059	51,599
Frankfort	27,727	27,730	27,668	27,794	28,776

## EDUCATION

### Public Schools

	<u>Franklin County</u>	<u>Frankfort Independent</u>
Total Enrollment (Fall, 2020-21)	6,076	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 (2019-20)</u>
Shelby County ATC	Shelbyville, KY	598
Lake Cumberland ATC	Russell Springs, KY	879
Pulaski ATC	Somerset, KY	560
Casey County ATC	Liberty, KY	394
Corbin ATC	Corbin, KY	441
Green County ATC	Greensburg, KY	488
Rockcastle County ATC	Mount Vernon, KY	431
Monroe County ATC	Tompkinsville, KY	493
Lincoln County ATC	Stanford, KY	363
Knox County ATC	Barbourville, KY	449
Marion County ATC	Lebanon, KY	574
Garrard County ATC	Lancaster, KY	386
Barren County ATC	Glasgow, KY	807

### **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 (January 2020).*

**APPENDIX B**

**Franklin County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Audited Financial Statement ending June 30, 2021**

# **Franklin County School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2021  
With Independent Auditors' Report**

FRANKLIN COUNTY SCHOOL DISTRICT

Year Ended June 30, 2021

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FRANKLIN COUNTY SCHOOL DISTRICT

Year Ended June 30, 2021

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**FRANKLIN COUNTY SCHOOL DISTRICT**

**Year Ended June 30, 2021**

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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, 2021, 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, 2021, 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.

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**Independent Auditors' Report  
(Continued)**

**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 3-7, 49-50, and 57-66 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 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  
November 15, 2021



## FRANKLIN COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) - Unaudited Year Ended June 30, 2021

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, 2021. 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 \$21,784,660.

Average Daily Attendance (ADA) for fiscal year 2021 was 5,665. 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 \$62,619,155 in revenue (net of interfund transfers and proceeds on sale of assets of \$543,932 and \$5,079, respectively), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$59,809,488 in General Fund expenditures (net of interfund transfers of \$657,443).

The ending unassigned fund balance in the General Fund for fiscal year 2021 is \$15,580,663. This is an increase of \$1,851,572 from 2020. 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) - Unaudited Year Ended June 30, 2021 (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 8 and 9 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 10 through 16 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 17 through 46 of this report.

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A) - Unaudited  
Year Ended June 30, 2021  
(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 \$2,690,259 as of June 30, 2021.

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, 2021 and 2020**

The following is a summary of net position for the fiscal years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Current assets	\$ 26,623,332	\$ 26,679,934
Noncurrent assets	<u>96,146,374</u>	<u>101,887,263</u>
Total assets	<u>122,769,706</u>	<u>128,567,197</u>
Deferred outflows	<u>13,814,810</u>	<u>12,326,723</u>
Current liabilities	8,539,453	10,171,714
Noncurrent liabilities	<u>110,427,490</u>	<u>111,477,560</u>
Total liabilities	<u>118,966,943</u>	<u>121,649,274</u>
Deferred inflows	<u>7,918,445</u>	<u>6,706,810</u>
Net position		
Investment in capital assets (net of debt)	32,602,604	33,916,943
Restricted	(37,320,816)	(33,953,167)
Unrestricted	<u>14,417,340</u>	<u>12,574,060</u>
Total net position	<u>\$ 9,699,128</u>	<u>\$ 12,537,836</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A) - Unaudited  
Year Ended June 30, 2021  
(Continued)**

**Comments on General Fund Budget Comparisons**

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2021, were \$62,619,155, net of inter-fund transfers and proceeds on sale of assets of \$543,932 and \$5,079, respectively.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$258,841 more than budget or approximately 0.4% of General Fund Budget. The majority of this variance is the result of the District recording "on behalf" payments made by the state.
- General fund actual expenditures were \$59,809,488, net of inter-fund transfers of \$657,443.
- General Fund budgeted expenditures exceeded actual expenditures by \$16,825,657. The majority of this variance is the result of the District recording "on behalf" payments made by the state.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 66,583	\$ 239,146
Operating grants	14,520,122	9,908,236
Capital grants	-	-
Total grant revenues	<u>14,586,705</u>	<u>10,147,382</u>
General Revenues		
Taxes	31,522,784	31,413,703
Grants and entitlements	13,459,563	16,736,028
Earnings on investments	286,459	475,547
Miscellaneous	4,470,380	4,606,469
Total general revenues	<u>49,739,186</u>	<u>53,231,747</u>
Total revenues	<u>64,325,891</u>	<u>63,379,129</u>
<b>Expenses</b>		
Instructional	36,604,299	27,308,245
Student support services	3,375,272	3,613,004
Staff support	3,477,019	3,650,802
District administration	1,838,680	1,819,717
School administration	5,549,507	4,518,193
Business support	1,535,198	1,282,600
Plant operations	7,084,179	1,739,576
Student transportation	5,538,252	3,749,229
Food service operation	(543,601)	5,348,734
After school programs	(3,418,222)	2,858,802
Other	4,157,131	790,357
Interest on long-term debt	1,966,885	2,185,494
Total expenses	<u>67,164,599</u>	<u>58,864,753</u>
Change in net position	<u>\$ (2,838,708)</u>	<u>\$ 4,514,376</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A) - Unaudited  
Year Ended June 30, 2021  
(Continued)**

**BUDGETARY IMPLICATIONS**

The working budget contingency balance in the General Fund for fiscal year 2021 was \$10,428,474 (13.5%). The Kentucky Department of Education no longer mandates contingency for budgeting purposes. The beginning carry forward balance for 2021 is higher than in 2020. 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, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 22,519,799	\$ 937,678	\$ 23,457,477
Accounts receivable	2,952,995	130,047	3,083,042
Inventories for consumption	-	82,813	82,813
Total current	<u>25,472,794</u>	<u>1,150,538</u>	<u>26,623,332</u>
<b>Noncurrent:</b>			
Nondepreciated capital assets:			
Land	1,738,545	-	1,738,545
Depreciated capital assets:			
Land improvements	5,981,275	-	5,981,275
Buildings and improvements	142,995,583	-	142,995,583
Furniture and equipment	14,758,259	1,690,792	16,449,051
Less: accumulated depreciation	<u>(69,590,452)</u>	<u>(1,427,628)</u>	<u>(71,018,080)</u>
Total noncurrent	<u>95,883,210</u>	<u>263,164</u>	<u>96,146,374</u>
Total assets	<u>121,356,004</u>	<u>1,413,702</u>	<u>122,769,706</u>
<b>Deferred outflows</b>	<u>13,488,039</u>	<u>326,771</u>	<u>13,814,810</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Current portion of bonds payable	4,520,000	-	4,520,000
Accounts payable	945,649	29,600	975,249
Accrued interest	505,620	-	505,620
Accrued sick leave	65,770	-	65,770
Accrued payroll and related expenses	408,738	-	408,738
Current portion of capital leases	502,001	-	502,001
Unearned revenues	<u>1,562,075</u>	<u>-</u>	<u>1,562,075</u>
Total current	<u>8,509,853</u>	<u>29,600</u>	<u>8,539,453</u>
<b>Noncurrent:</b>			
Accrued sick leave	591,933	-	591,933
Capital leases	1,969,407	-	1,969,407
MIF net OPEB liability	20,827,773	532,803	21,360,576
CERS net pension liability	28,509,638	729,314	29,238,952
Bond obligations	<u>57,266,622</u>	<u>-</u>	<u>57,266,622</u>
Total noncurrent	<u>109,165,373</u>	<u>1,262,117</u>	<u>110,427,490</u>
Total liabilities	<u>117,675,226</u>	<u>1,291,717</u>	<u>118,966,943</u>
<b>Deferred inflows</b>	<u>7,720,933</u>	<u>197,512</u>	<u>7,918,445</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	32,339,440	263,164	32,602,604
Restricted	(37,308,896)	(11,920)	(37,320,816)
Unrestricted	<u>14,417,340</u>	<u>-</u>	<u>14,417,340</u>
Total net position	<u>\$ 9,447,884</u>	<u>\$ 251,244</u>	<u>\$ 9,699,128</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, 2021**

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
<b>Governmental activities:</b>							
Instructional	\$ 36,604,299	\$ -	\$ 7,547,697	\$ -	\$ (29,056,602)	\$ -	\$ (29,056,602)
Student support services	3,375,272	-	385,012	-	(2,990,260)	-	(2,990,260)
Staff support services	3,477,019	-	897,652	-	(2,579,367)	-	(2,579,367)
District administration	1,838,680	-	-	-	(1,838,680)	-	(1,838,680)
School administration	5,549,507	-	145,038	-	(5,404,469)	-	(5,404,469)
Business support services	1,535,198	-	132,302	-	(1,402,896)	-	(1,402,896)
Plant operation and maintenance	7,084,179	-	375,586	-	(6,708,593)	-	(6,708,593)
Student transportation	5,538,252	28,005	165,507	-	(5,344,740)	-	(5,344,740)
Food service operations	4,876	-	4,876	-	-	-	-
Daycare operations	886,717	-	886,717	-	-	-	-
Community service operations	606,493	-	582,396	-	(24,097)	-	(24,097)
Facility acquisition and construction	2,659,045	-	-	-	(2,659,045)	-	(2,659,045)
Interest on long-term debt	1,966,885	-	-	-	(1,966,885)	-	(1,966,885)
Total governmental activities	<u>71,126,422</u>	<u>28,005</u>	<u>11,122,783</u>	<u>-</u>	<u>(59,975,634)</u>	<u>-</u>	<u>(59,975,634)</u>
<b>Business-type activities</b>							
Food service	(543,601)	38,578	2,882,310	-	-	3,464,489	3,464,489
Daycare	(3,418,222)	-	515,029	-	-	3,933,251	3,933,251
Total business-type activities	<u>(3,961,823)</u>	<u>38,578</u>	<u>3,397,339</u>	<u>-</u>	<u>-</u>	<u>7,397,740</u>	<u>7,397,740</u>
Total school district	<u>\$ 67,164,599</u>	<u>\$ 66,583</u>	<u>\$ 14,520,122</u>	<u>\$ -</u>	<u>(59,975,634)</u>	<u>7,397,740</u>	<u>(52,577,894)</u>
			<b>General revenues:</b>				
			Taxes		31,522,784	-	31,522,784
			State and federal sources		13,459,563	-	13,459,563
			Investment earnings		280,803	5,656	286,459
			Miscellaneous		4,067,681	397,620	4,465,301
			Special items:				
			Gain on sale of assets		5,079	-	5,079
			Fund transfer		-	-	-
			<b>Total general and special revenues</b>		<u>49,335,910</u>	<u>403,276</u>	<u>49,739,186</u>
			<b>Change in net position</b>		<u>(10,639,724)</u>	<u>7,801,016</u>	<u>(2,838,708)</u>
			<b>Net position - beginning</b>		<u>20,087,608</u>	<u>(7,549,772)</u>	<u>12,537,836</u>
			<b>Net position - ending</b>		<u>\$ 9,447,884</u>	<u>\$ 251,244</u>	<u>\$ 9,699,128</u>

The accompanying notes are an integral part of these financial statements

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
As of June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
<b>Current:</b>				
Cash and cash equivalents	\$ 17,667,072	\$ (311,152)	\$ 5,163,879	\$ 22,519,799
Accounts receivable	411,477	2,523,309	18,209	2,952,995
Total assets	<u>\$ 18,078,549</u>	<u>\$ 2,212,157</u>	<u>\$ 5,182,088</u>	<u>\$ 25,472,794</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
<b>Current:</b>				
Accounts payable	\$ 279,233	\$ 650,082	\$ 16,334	\$ 945,649
Unearned revenue	-	1,562,075	-	1,562,075
Accrued payroll and related expenses	408,738	-	-	408,738
Total liabilities	<u>687,971</u>	<u>2,212,157</u>	<u>16,334</u>	<u>2,916,462</u>
<b>Fund Balances</b>				
Restricted:				
Capital projects	-	-	4,497,863	4,497,863
Other	328,852	-	667,891	996,743
Assigned:				
Purchase obligations	915,350	-	-	915,350
School based carry forward	565,713	-	-	565,713
Unassigned	15,580,663	-	-	15,580,663
Total fund balances	<u>17,390,578</u>	<u>-</u>	<u>5,165,754</u>	<u>22,556,332</u>
Total liabilities and fund balances	<u>\$ 18,078,549</u>	<u>\$ 2,212,157</u>	<u>\$ 5,182,088</u>	<u>\$ 25,472,794</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, 2021**

Total governmental fund balance		\$ 22,556,332
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	165,473,662	
Accumulated depreciation	<u>(69,590,452)</u>	95,883,210
Deferred outflows related to CERS	3,264,600	
Deferred outflows for CERS contributions made after the measurement date	2,282,200	
Deferred outflows for MIF contributions made after the measurement date	1,282,763	
Deferred outflows related to MIF	5,944,216	
Deferred outflows for bond refinancing	<u>714,260</u>	13,488,039
Deferred inflows related to pension	(803,342)	
Deferred inflows related to MIF	<u>(6,917,591)</u>	(7,720,933)
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		(61,786,622)
Accrued interest on bonds		(505,620)
Capital leases		(2,471,408)
Net pension liability		(28,509,638)
Net OPEB liability		(20,827,773)
Accrued sick leave		<u>(657,703)</u>
Total net position - governmental		<u>\$ 9,447,884</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, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 27,471,200	\$ -	\$ 4,051,584	\$ 31,522,784
Earnings on investments	259,154	3,559	18,090	280,803
State sources	34,115,583	4,323,893	2,716,620	41,156,096
Federal sources	86,757	6,477,169	-	6,563,926
Other sources	686,461	321,721	684,992	1,693,174
	<u>62,619,155</u>	<u>11,126,342</u>	<u>7,471,286</u>	<u>81,216,783</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Instructional	33,843,562	7,670,565	697,127	42,211,254
Student support services	2,982,366	385,012	-	3,367,378
Staff support services	2,525,833	897,652	15,436	3,438,921
District administration	1,838,548	-	-	1,838,548
School administration	5,404,023	145,038	-	5,549,061
Business support services	1,402,896	132,302	-	1,535,198
Plant operation and maintenance	6,401,187	375,586	-	6,776,773
Student transportation	4,809,696	165,507	505	4,975,708
Food service operation	-	4,876	-	4,876
Daycare operations	-	886,717	-	886,717
Community service operations	23,859	582,396	-	606,255
Facility acquisition and construction	-	-	1,878,379	1,878,379
Debt service:				
Principal	502,001	-	4,865,000	5,367,001
Interest	75,517	-	1,891,252	1,966,769
	<u>59,809,488</u>	<u>11,245,651</u>	<u>9,347,699</u>	<u>80,402,838</u>
<b>Total expenditures</b>				
Excess (deficit) of revenues over expenditures	<u>2,809,667</u>	<u>(119,309)</u>	<u>(1,876,413)</u>	<u>813,945</u>
<b>Other financing sources (uses)</b>				
Loan and bond proceeds	-	-	10,060,000	10,060,000
Refunded bond	-	-	(9,911,276)	(9,911,276)
Bond discount	-	-	(62,333)	(62,333)
Bond issuance costs	-	-	(86,391)	(86,391)
Proceeds from sale of assets	5,079	-	-	5,079
Operating transfers in	543,932	120,461	6,292,269	6,956,662
Operating transfers out	(657,443)	(1,152)	(6,298,067)	(6,956,662)
	<u>(108,432)</u>	<u>119,309</u>	<u>(5,798)</u>	<u>5,079</u>
<b>Total other financing sources (uses)</b>				
Net change in fund balance	2,701,235	-	(1,882,211)	819,024
Fund balance, July 1, 2020	14,689,343	-	7,047,965	21,737,308
Fund balance, June 30, 2021	<u>\$ 17,390,578</u>	<u>\$ -</u>	<u>\$ 5,165,754</u>	<u>\$ 22,556,332</u>

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, 2021**

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

Net changes-governmental funds		\$ 819,024
<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	(5,272,116)	
Capital outlays	(443,039)	
Retirement of capital assets	-	
		(5,715,155)
<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		4,865,000
Bond proceeds		(10,060,000)
Refunded bond		9,370,000
Bond discount		(62,333)
Amortization of bond refinancing		(226,100)
Amortization of bond premium		49,218
Amortization of bond discount		(11,236)
Capital lease principal paid		502,001
Deferred outflows related to pensions		21,925
Deferred outflows related to other post-retirement employee benefits		3,642,759
Deferred inflows related to pensions		62,308
Deferred inflows related to other post-retirement employee benefits		(2,417,787)
<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>		
		(11,479,348)
Changes in net position of governmental activities		\$ (10,639,724)

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, 2021**

	<u>Food Service</u>	<u>Daycare Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 384,925	\$ 552,753	\$ 937,678
Accounts receivable	107,891	22,156	130,047
Inventories for consumption	82,813	-	82,813
Total current	<u>575,629</u>	<u>574,909</u>	<u>1,150,538</u>
<b>Noncurrent</b>			
Furniture and Fixtures	1,690,792	-	1,690,792
Less: accumulated depreciation	<u>(1,427,628)</u>	<u>-</u>	<u>(1,427,628)</u>
Total noncurrent	<u>263,164</u>	<u>-</u>	<u>263,164</u>
Total assets	<u>838,793</u>	<u>574,909</u>	<u>1,413,702</u>
<b>Deferred outflows</b>	<u>321,693</u>	<u>5,078</u>	<u>326,771</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable	<u>26,591</u>	<u>3,009</u>	<u>29,600</u>
Total current	<u>26,591</u>	<u>3,009</u>	<u>29,600</u>
<b>Noncurrent</b>			
MIF net OPEB liability	524,524	8,279	532,803
CERS net pension liability	<u>717,982</u>	<u>11,332</u>	<u>729,314</u>
Total noncurrent	<u>1,242,506</u>	<u>19,611</u>	<u>1,262,117</u>
Total liabilities	<u>1,269,097</u>	<u>22,620</u>	<u>1,291,717</u>
<b>Deferred inflows</b>	<u>194,443</u>	<u>3,069</u>	<u>197,512</u>
<b>Net Position</b>			
Invested in assets, net of debt	263,164	-	263,164
Restricted	<u>(566,218)</u>	<u>554,298</u>	<u>(11,920)</u>
Total net position	<u>\$ (303,054)</u>	<u>\$ 554,298</u>	<u>\$ 251,244</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, 2021**

	<u>Food Service</u>	<u>Daycare Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Lunchroom sales	\$ 38,578	\$ -	\$ 38,578
Other operating revenues	(29)	397,649	397,620
Total operating revenues	<u>38,549</u>	<u>397,649</u>	<u>436,198</u>
<b>Operating expenses</b>			
Salaries and benefits	(1,481,954)	(3,442,807)	(4,924,761)
Contract services	25,539	1,775	27,314
Materials and supplies	859,597	19,525	879,122
Depreciation	47,193	-	47,193
Other operating expenses	6,024	3,285	9,309
Total operating expenses	<u>(543,601)</u>	<u>(3,418,222)</u>	<u>(3,961,823)</u>
Operating income	<u>582,150</u>	<u>3,815,871</u>	<u>4,398,021</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	1,861,939	-	1,861,939
State grants	825,503	515,029	1,340,532
Donated commodities and other donations	194,868	-	194,868
Interest income	5,656	-	5,656
Total nonoperating revenues	<u>2,887,966</u>	<u>515,029</u>	<u>3,402,995</u>
Change in net position	3,470,116	4,330,900	7,801,016
Total net position, July 1, 2020	<u>(3,773,170)</u>	<u>(3,776,602)</u>	<u>(7,549,772)</u>
Total net position, June 30, 2021	<u>\$ (303,054)</u>	<u>\$ 554,298</u>	<u>\$ 251,244</u>

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, 2021**

	<u>Food Service Fund</u>	<u>Daycare Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from lunchroom sales	\$ 38,578	\$ -	\$ 38,578
Cash received from other activities	(3,604,511)	(3,468,237)	(7,072,748)
Cash payments to employees for services	1,481,954	3,442,807	4,924,761
Cash payments to suppliers for goods and services	(859,401)	(5,028)	(864,429)
Net cash used in operating activities	<u>(2,943,380)</u>	<u>(30,458)</u>	<u>(2,973,838)</u>
<b>Cash flows from capital financing activities</b>			
Purchase of capital assets	(21,459)	-	(21,459)
Net cash used in capital financing activities	<u>(21,459)</u>	<u>-</u>	<u>(21,459)</u>
<b>Cash flows from noncapital financing activities</b>			
Non-operating revenues received	2,882,310	515,029	3,397,339
Net cash provided by noncapital financing activities	<u>2,882,310</u>	<u>515,029</u>	<u>3,397,339</u>
<b>Cash flows from investing activities</b>			
Interest on investments	5,656	-	5,656
Net cash flows provided by investing activities	<u>5,656</u>	<u>-</u>	<u>5,656</u>
Net decrease in cash and cash equivalents	(76,873)	484,571	407,698
Cash and cash equivalents - beginning	461,798	68,182	529,980
Cash and cash equivalents - ending	<u>\$ 384,925</u>	<u>\$ 552,753</u>	<u>\$ 937,678</u>
<b>Reconciliation of operating income to net cash used in operating activities</b>			
Operating income	\$ 582,150	\$ 3,815,871	\$ 4,398,021
<b>Adjustments to reconcile operating income to net cash used in operating activities</b>			
Depreciation	47,193	-	47,193
Changes in assets and liabilities:			
Decrease in accounts receivable	23,566	22,526	46,092
Increase (decrease) in accounts payable	25,970	(2,969)	23,001
Decrease in deferred revenues	(27,872)	(44,682)	(72,554)
Decrease in deferred outflows	930,807	1,019,690	1,950,497
Decrease in deferred inflows	(543,304)	(600,540)	(1,143,844)
Decrease in MIF net OPEB liability	(1,671,936)	(1,788,828)	(3,460,764)
Decrease in CERS net pension liability	(2,292,177)	(2,451,526)	(4,743,703)
Increase in inventories	(17,777)	-	(17,777)
Net cash used in operating activities	<u>\$ (2,943,380)</u>	<u>\$ (30,458)</u>	<u>\$ (2,973,838)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 194,868	\$ -	\$ 194,868
On behalf payments	<u>\$ 795,224</u>	<u>\$ -</u>	<u>\$ 795,224</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 67. 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 \$2,246,734 for ongoing projects.

(E) 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.

##### 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.

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, 2021 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Land	\$ 1,738,545	\$ -	\$ -	\$ 1,738,545
Land improvements	3,709,736	2,271,539	-	5,981,275
Buildings and improvements	142,619,643	375,940	-	142,995,583
Technology equipment	3,460,397	-	-	3,460,397
Vehicles	8,197,969	-	-	8,197,969
General equipment	2,762,266	337,627	-	3,099,893
Construction work in progress	3,428,145	-	3,428,145	-
Totals at historical cost	<u>165,916,701</u>	<u>2,985,106</u>	<u>3,428,145</u>	<u>165,473,662</u>
Less: accumulated depreciation				
Land improvements	3,015,174	211,960	-	3,227,134
Buildings and improvements	50,843,365	4,293,674	-	55,137,039
Technology equipment	3,291,190	68,922	-	3,360,112
Vehicles	5,159,802	564,060	-	5,723,862
General equipment	2,008,805	133,500	-	2,142,305
Total accumulated depreciation	<u>64,318,336</u>	<u>5,272,116</u>	<u>-</u>	<u>69,590,452</u>
Governmental activities capital assets - net	<u>\$ 101,598,365</u>	<u>\$ (2,287,010)</u>	<u>\$ 3,428,145</u>	<u>\$ 95,883,210</u>
<u>Business - Type Activities</u>				
General equipment	\$ 1,602,586	\$ 21,459	\$ -	\$ 1,624,045
Vehicles	21,424	-	-	21,424
Technology equipment	45,323	-	-	45,323
Totals at historical cost	<u>1,669,333</u>	<u>21,459</u>	<u>-</u>	<u>1,690,792</u>
Less: accumulated depreciation				
General equipment	1,324,855	40,842	-	1,365,697
Vehicles	12,531	4,285	-	16,816
Technology equipment	43,049	2,066	-	45,115
Total accumulated depreciation	<u>1,380,435</u>	<u>47,193</u>	<u>-</u>	<u>1,427,628</u>
Business - type activities capital assets - net	<u>\$ 288,898</u>	<u>\$ (25,734)</u>	<u>\$ -</u>	<u>\$ 263,164</u>

**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, 2021 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 4,317,989	\$ -
Student support services	7,894	-
Staff support services	38,098	-
District administration	132	-
School administration	446	-
Business support services	-	-
Plant operation and maintenance	344,775	-
Food service	-	47,193
Student transportation	562,544	-
Community services	238	-
Total	<u>\$ 5,272,116</u>	<u>\$ 47,193</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, 2021 this amount totaled approximately \$503,209 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 2029 and 2030. 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, 2021, for each of the next five years and in the aggregate are as follows:

Year Ending <u>June 30,</u>	
2021-2022	\$ 546,898
2022-2023	503,089
2023-2024	430,814
2024-2025	419,062
2025-2026	300,753
2027-2030	<u>500,281</u>
Total minimum payments	2,700,897
Less amount representing interest	<u>229,489</u>
Present value of net minimum lease payments	<u>\$ 2,471,408</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>
August 31, 2010	\$ 7,440,000	2.630%
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%
June 18, 2020	1,715,000	1.000-1.600%
March 31, 2021	10,060,000	1.500

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, 2021 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, 2021, was \$2,849,030, which consisted of \$2,340,581 from the District and \$508,449 from the employees. Total contributions for the year ended June 30, 2020 and 2019 were \$3,040,612 and \$2,779,076, respectively. The contributions have been contributed in full for fiscal years 2021, 2020 and 2019.

**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](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, 2021, was \$5,097,887, which consisted of \$1,163,956 from the District and \$3,933,931 from the employees. Total contributions for the year ended June 30, 2020 and 2019 were \$4,944,200 and \$4,654,070, respectively. The contributions have been contributed in full for fiscal years 2021, 2020 and 2019.

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, 2021, 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	\$ 29,238,952
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>128,032,516</u>
	<u>\$ 157,271,468</u>

The net pension liability for each plan was measured as of June 30, 2020, 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, 2021, the District's proportion was 0.381216% percent.

For the year ended June 30, 2021, the District recognized pension expense of \$1,615,698 related to CERS. The District also recognized a reduction of expense of \$23,473,576 and a reduction of revenue of \$23,473,576 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 729,127	\$ -
Net difference between projected and actual earnings on pension plan investments	1,267,411	535,742
Changes of assumptions	1,141,732	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	209,844	288,151
District contributions subsequent to the measurement date	<u>2,340,581</u>	<u>-</u>
Total	<u>\$ 5,688,695</u>	<u>\$ 823,893</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

\$2,340,581 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, 2022. 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:	
2022	\$ 1,200,525
2023	694,708
2024	335,131
2025	293,857

***Actuarial assumptions***

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>CERS</b>	<b>TRS</b>
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>TRS Target Allocation</u>	<u>TRS 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%	4.60%	18.80%	4.50%
International equity	22.0%	22.00%	18.8%	5.25%
Core bonds			13.5%	-0.3%
Private equity	7.0%	7.70%	10.0%	6.65%
High yield			15.0%	3.90%
Fixed income	15.0%	0.00%		
Additional categories	7.0%	2.50%		
Real estate	7.0%	4.30%	5.0%	5.30%
Oportunisitic			3.0%	2.25%
Real return			15.0%	3.95%
Cash	2.0%	-0.50%	1.0%	-0.75%
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 TRS 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	\$ 36,057,990	\$ 29,238,952	\$ 23,592,529
TRS	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, 2021, the Franklin County School District reported a liability of \$21,360,575 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, 2020, 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, 2020, the District's proportion was 0.48% for TRS, which was an increase of 0.02% from its proportion measured as of June 30, 2019, and 0.38% for CERS, which was a decrease of 0.01% from its proportion measured as of June 30, 2019.

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	\$ 9,202,575
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>\$ 33,469,575</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

**NOTE 9 OPEB PLANS (CONTINUED)**

For the year ended June 30, 2021, the District recognized OPEB expense of \$4,129,525 and revenue of \$681,500 for support provided by the State. At June 30, 2021, 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	\$ 1,537,557	\$ 6,721,758
Net difference between projected and actual earnings on OPEB plan investments	889,651	187,779
Change of assumptions	2,337,704	9,734
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,331,365	175,281
District contributions subsequent to the measurement date	<u>1,315,578</u>	<u>-</u>
Total	<u>\$ 7,411,855</u>	<u>\$ 7,094,552</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,315,578 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, 2022. 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>	
2022	\$ (97,027)
2023	24,494
2024	(154,901)
2025	(128,851)
2026	(485,990)
Thereafter	(156,000)

**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, 2020 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	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2031	
Municipal Bond Index Rate	2.19%	2.45%
Discount Rate	8.00%	5.34%
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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.4%
Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Other Additional Categories	17.0%	2.5%
Cash (LIBOR)	1.0%	-0.5%
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 5.34%. 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	\$ 14,694,000	\$ 13,425,000	\$ 10,040,000
	<u>1% Decrease (4.34%)</u>	<u>Current Discount Rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
CERS			
Districts' net OPEB liability	\$ 11,822,607	\$ 9,202,575	\$ 7,050,655

***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	\$ 9,636,000	\$ 13,425,000	\$ 15,264,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
Districts' net OPEB liability	\$ 7,125,093	\$ 9,202,575	\$ 11,723,648

***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, 2021, 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		294,000
	\$	294,000

For the year ended June 30, 2021, the District recognized OPEB expense of \$-0- and revenue of \$14,179 for support provided by the State.

***Actuarial assumptions***

The total OPEB liability in the June 30, 2020 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. Equity	40.0%	4.6%
International Equity	23.0%	5.6%
Fixed Income	18.0%	0.0%
Real Estate	6.0%	4.3%
Private Equity	5.0%	7.7%
Other Additional Categories	6.0%	2.5%
Cash (LIBOR)	2.0%	-0.5%
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 8.0% 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
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 Food Service Fund currently has a deficit fund balance of \$303,054, 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:

Building Fund	\$ 548,301
District Activity Fund	4,342
Special Revenue Fund	-
Franklin County High School	12,290
Elkhorn Middle School	21,584
Bondurant Middle School	13,225
Bridgeport Elementary	4,719
Hearn Elementary	608
Westridge Elementary	7,108
Elkhorn Elementary	689

**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).

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

**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	\$ 536,982
General Fund	Special Revenue Fund	KETS match	120,461
Special Revenue Fund	General Fund	Indirect Cost	1,152
Capital Outlay	Debt Service Fund	Debt Service	17,594
Capital Outlay	General Fund	CFR	542,780
Building Fund	Construction Fund	Construction	548,301
Building Fund	Debt Service Fund	Debt Service	5,189,392

**NOTE 17 ON-BEHALF PAYMENTS**

For the year ended June 30, 2021 total payments of \$17,914,148 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	\$ 15,804,034
Debt Service	1,012,284
Day Care	302,606
Food Service	<u>795,224</u>
Total On-Behalf	<u><u>\$ 17,914,148</u></u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

**NOTE 18 SCHEDULE OF LONG-TERM OBLIGATIONS**

2010-Ref, 2012-Ref, 2012B-Ref, 2013-Ref, 2013-EN, 2015-Ref, 2016, 2017, 2018,  
2020 and 2021-Ref

FISCAL YEAR	FRANKLIN COUNTY SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2021-2022	\$ 3,635,460	\$ 1,619,908	\$ 5,255,368	\$ 884,540	\$ 125,437	\$ 1,009,977	\$ 6,265,345
2022-2023	3,736,302	1,545,102	5,281,404	903,698	105,678	1,009,376	6,290,780
2023-2024	3,814,443	1,460,440	5,274,883	845,557	81,389	926,946	6,201,830
2024-2025	3,952,697	1,344,184	5,296,881	222,303	57,657	279,960	5,576,841
2025-2026	4,118,967	1,219,644	5,338,611	226,033	52,201	278,234	5,616,846
2026-2027	4,233,425	1,063,374	5,296,799	231,575	46,659	278,234	5,575,034
2027-2028	3,744,227	927,936	4,672,163	195,773	41,357	237,130	4,909,294
2028-2029	3,685,025	832,282	4,517,307	199,975	37,155	237,130	4,754,437
2029-2030	3,790,920	743,683	4,534,603	214,080	32,737	246,817	4,781,419
2030-2031	3,576,086	640,998	4,217,084	218,914	27,862	246,776	4,463,861
2031-2032	3,559,827	553,992	4,113,819	225,173	22,741	247,914	4,361,733
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>\$ 56,668,069</u>	<u>\$ 13,658,759</u>	<u>\$ 70,326,828</u>	<u>\$ 4,961,931</u>	<u>\$ 687,556</u>	<u>\$ 5,649,487</u>	<u>\$ 75,976,315</u>

There was a bond refinanced in the current year. Total payments to close the existing bond were \$9,370,000 for the refinanced total bond of \$10,060,000.

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, 2021 is as follows:

Governmental Activities	Balance July 1, 2020	Additions	Payments	Balance June 30, 2021
Bond Obligations	\$ 65,805,000	\$ 10,060,000	\$ 14,235,000	\$ 61,630,000
Premium on Bonds	\$ 319,916	\$ -	\$ 49,218	\$ 270,698
Discount on Bonds	\$ (187,645)	\$ 62,333	\$ (11,236)	\$ (114,076)
Capital Leases	\$ 2,973,409	\$ -	\$ 502,001	\$ 2,471,408
Sick Leave	\$ 612,158	\$ 154,494	\$ 108,949	\$ 657,703

**NOTE 19 COVID-19 PANDEMIC**

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.

**NOTE 20 SUBSEQUENT EVENTS**

Subsequent events were considered through November 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, 2021**

	<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>Construction Fund</u>	<u>Total Non-major Government Funds</u>
<b>Assets</b>							
<b>Current:</b>							
Cash and cash equivalents	\$ 1,428,944	\$ 822,185	\$ 144,924	\$ 521,092	\$ -	\$ 2,246,734	\$ 5,163,879
Accounts receivable	<u>-</u>	<u>-</u>	<u>18,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,209</u>
Total assets	<u>\$ 1,428,944</u>	<u>\$ 822,185</u>	<u>\$ 163,133</u>	<u>\$ 521,092</u>	<u>\$ -</u>	<u>\$ 2,246,734</u>	<u>\$ 5,182,088</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,334</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>16,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,334</u>
<b>Fund Balances:</b>							
Restricted:							
Capital projects fund	1,428,944	822,185	-	-	-	2,246,734	4,497,863
Other	<u>-</u>	<u>-</u>	<u>146,799</u>	<u>521,092</u>	<u>-</u>	<u>-</u>	<u>667,891</u>
Total fund balances	<u>1,428,944</u>	<u>822,185</u>	<u>146,799</u>	<u>521,092</u>	<u>-</u>	<u>2,246,734</u>	<u>5,165,754</u>
Total liabilities and fund balances	<u>\$ 1,428,944</u>	<u>\$ 822,185</u>	<u>\$ 163,133</u>	<u>\$ 521,092</u>	<u>\$ -</u>	<u>\$ 2,246,734</u>	<u>\$ 5,182,088</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures and Changes  
In Fund Balances – Nonmajor Governmental Funds  
As of June 30, 2021**

	<b>Capital Outlay Fund</b>	<b>Building Fund</b>	<b>District Activity Fund</b>	<b>School Activity Fund</b>	<b>Debt Service Fund</b>	<b>Construction Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>							
Taxes	\$ -	\$ 4,051,584	\$ -	\$ -	\$ -	\$ -	\$ 4,051,584
Earnings on investments	-	-	2,030	-	-	16,060	18,090
State sources	566,528	1,137,808	-	-	1,012,284	-	2,716,620
Other sources	-	-	71,113	613,879	-	-	684,992
Total revenues	<u>566,528</u>	<u>5,189,392</u>	<u>73,143</u>	<u>613,879</u>	<u>1,012,284</u>	<u>16,060</u>	<u>7,471,286</u>
<b>Expenditures:</b>							
Instructional	-	-	61,544	635,583	-	-	697,127
Staff support services	-	-	15,436	-	-	-	15,436
Student transportation	-	-	505	-	-	-	505
Facility acquisition and construction	-	-	-	-	-	1,878,379	1,878,379
Debt service:							
Principal	-	-	-	-	4,865,000	-	4,865,000
Interest	-	-	-	-	1,891,252	-	1,891,252
Total expenditures	<u>-</u>	<u>-</u>	<u>77,485</u>	<u>635,583</u>	<u>6,756,252</u>	<u>1,878,379</u>	<u>9,347,699</u>
Excess (deficit) of revenues over expenditures	<u>566,528</u>	<u>5,189,392</u>	<u>(4,342)</u>	<u>(21,704)</u>	<u>(5,743,968)</u>	<u>(1,862,319)</u>	<u>(1,876,413)</u>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of bonds	-	-	-	-	10,060,000	-	10,060,000
Refunded bond	-	-	-	-	(9,911,276)	-	(9,911,276)
Bond discount	-	-	-	-	(62,333)	-	(62,333)
Bond issuance expense	-	-	-	-	(86,391)	-	(86,391)
Other Transfers	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	5,743,968	548,301	6,292,269
Operating transfers out	(560,374)	(5,737,693)	-	-	-	-	(6,298,067)
Total other financing sources(uses)	<u>(560,374)</u>	<u>(5,737,693)</u>	<u>-</u>	<u>-</u>	<u>5,743,968</u>	<u>548,301</u>	<u>(5,798)</u>
Net change in fund balance	6,154	(548,301)	(4,342)	(21,704)	-	(1,314,018)	(1,882,211)
Fund balance, July 1, 2020	1,422,790	1,370,486	151,141	542,796	-	3,560,752	7,047,965
Fund balance, June 30, 2021	<u>\$ 1,428,944</u>	<u>\$ 822,185</u>	<u>\$ 146,799</u>	<u>\$ 521,092</u>	<u>\$ -</u>	<u>\$ 2,246,734</u>	<u>\$ 5,165,754</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 27,237,661	\$ 27,237,661	\$ 27,471,200	\$ 233,539
Earnings on investments	125,000	125,000	259,154	134,154
State sources	34,326,252	34,326,252	34,115,583	(210,669)
Federal sources	60,000	60,000	86,757	26,757
Other sources	<u>1,160,412</u>	<u>1,160,412</u>	<u>1,235,472</u>	<u>75,060</u>
Total revenues	<u>62,909,325</u>	<u>62,909,325</u>	<u>63,168,166</u>	<u>258,841</u>
<b>Expenditures</b>				
Instructional	37,990,720	37,990,720	33,843,562	4,147,158
Student support services	3,815,842	3,815,842	2,982,366	833,476
Staff support services	3,066,517	3,066,517	2,525,833	540,684
District administration	2,055,687	2,055,687	1,838,548	217,139
School administration	5,327,466	5,327,466	5,404,023	(76,557)
Business support services	1,480,328	1,480,328	1,402,896	77,432
Plant operation and maintenance	6,954,338	6,954,338	6,401,187	553,151
Student transportation	4,844,163	4,844,163	4,809,696	34,467
Community service operations	58,782	58,782	23,859	34,923
Other	<u>11,698,745</u>	<u>11,698,745</u>	<u>1,234,961</u>	<u>10,463,784</u>
Total expenditures	<u>77,292,588</u>	<u>77,292,588</u>	<u>60,466,931</u>	<u>16,825,657</u>
Net change in fund balance	(14,383,263)	(14,383,263)	2,701,235	17,084,498
Fund balance, July 1, 2020	<u>14,383,263</u>	<u>14,383,263</u>	<u>14,689,343</u>	<u>306,080</u>
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,390,578</u>	<u>\$ 17,390,578</u>



**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Earnings on investments	\$ 3,559	\$ 3,559	\$ 3,559	\$ -
State sources	4,431,584	4,334,083	4,323,893	(10,190)
Federal sources	23,832,136	24,300,779	6,477,169	(17,823,610)
Other sources	<u>377,471</u>	<u>377,471</u>	<u>442,182</u>	<u>64,711</u>
Total revenues	<u>28,644,750</u>	<u>29,015,892</u>	<u>11,246,803</u>	<u>(17,769,089)</u>
<b>Expenditures</b>				
Instructional	23,906,697	26,288,049	7,670,565	18,617,484
Student support services	716,355	904,039	385,012	519,027
Staff support services	771,520	773,306	897,652	(124,346)
District administration	157,539	157,539	-	157,539
Business support services	509,308	513,308	132,302	381,006
Plant operation and maintenance	391,745	294,244	375,586	(81,342)
Student transportation	137,648	43,528	165,507	(121,979)
Food service operation	6,000	7,124	4,876	2,248
Day Care Operations	1,495,560	1,496,634	886,717	609,917
Community service operations	551,226	551,226	582,396	(31,170)
Other	<u>1,152</u>	<u>1,152</u>	<u>1,152</u>	<u>-</u>
Total expenditures	<u>28,644,750</u>	<u>31,030,149</u>	<u>11,246,803</u>	<u>19,783,346</u>
Net change in fund balance	-	(2,014,257)	-	2,014,257
Fund balance, July 1, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ (2,014,257)</u>	<u>\$ -</u>	<u>\$ 2,014,257</u>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Bond and Interest Redemption Funds  
For the Year Ended June 30, 2021**

	<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>	<u>Issue of 2013E</u>
<b>Cash at July 1, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>							
Transfers and miscellaneous deposits	198,120	946,238	184,300	524,222	1,182,706	741,600	281,984
<b>Disbursements:</b>							
Bonds paid	195,000	905,000	-	470,000	1,065,000	570,000	205,000
Interest coupons	3,120	41,238	184,300	54,222	117,706	171,600	76,984
Total disbursements	198,120	946,238	184,300	524,222	1,182,706	741,600	281,984
Excess of receipts over disbursements	-	-	-	-	-	-	-
<b>Cash at June 30, 2021</b>	-	-	-	-	-	-	-
<b>Fund Balance at June 30, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

  

	<u>Issue of 2015R</u>	<u>Issue of 2016</u>	<u>Issue of 2017</u>	<u>Issue of 2018</u>	<u>Issue of 2020</u>	<u>Issue of 2021</u>	<u>Total</u>
<b>Cash at July 1, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>							
Transfers and miscellaneous deposits	129,450	513,850	845,250	423,321	618,403	166,808	6,756,252
<b>Disbursements:</b>							
Bonds paid	30,000	205,000	380,000	105,000	600,000	135,000	4,865,000
Interest coupons	99,450	308,850	465,250	318,321	18,403	31,808	1,891,252
Total disbursements	129,450	513,850	845,250	423,321	618,403	166,808	5,100,894
Excess of receipts over disbursements	-	-	-	-	-	-	-
<b>Cash at June 30, 2021</b>	-	-	-	-	-	-	-
<b>Fund Balance at June 30, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Western Hills High School Activity Fund  
For the Year Ended June 30, 2021**

	<u>Fund Balance July 1, 2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2021</u>
Academic Team	\$ 1,020	\$ -	\$ -	\$ 1,020
AP Capstone	-	340	340	-
AP Exams	5,193	102,601	98,876	8,918
Archery	5,219	630	5,594	255
Art Club	348	16	-	364
Athletic Budget	25,614	60,000	54,958	30,656
Band	93	850	-	943
Baseball	190	5,724	3,576	2,338
Basketball-Boys	5,271	1,312	5,328	1,255
Bass Fishing	52	-	-	52
Bbk Special-Coach	1,670	-	1,670	-
Beta Club	2,936	2,003	2,231	2,708
Book Club	36	-	-	36
Boys Golf	983	26	1,009	-
Boys Soccer	6,601	18,181	14,720	10,062
Business Dept.	83	-	83	-
Cheerleaders	4,819	-	2,805	2,014
Chorus	16	-	-	16
Class of 2019	3,275	-	3,275	-
Class of 2020	10,644	1,838	11,239	1,243
Class of 2021	-	9,693	9,581	112
Coke Teachers Lounge	2,043	256	2,085	214
Counselors	277	3,459	2,950	786
Cross Country	2,748	970	883	2,835
CRP/HOSA	712	880	-	1,592
Cultural Diversity	42	-	42	-
Dance Team	273	-	-	273
DECA	790	83	355	518
Dist/Reg Tournament	-	10,280	10,280	-
Drama Club	19,352	-	-	19,352
Ecology Club	407	-	407	-
English Dept	22	51	73	-
Famco Fees	1,562	1,305	2,667	200
FCCLA	607	-	295	312
FFA	1,095	10,103	7,475	3,723
Football	759	1,593	1,356	996
Football Special	891	-	891	-
Foreign Language	235	-	235	-
French Honor Society	315	305	115	505
Future Educators	30	-	-	30
Gay/Straight Alliance	62	-	-	62
Gbk Sp-Coach Account	1,112	-	1,112	-
General Account	-	449	104	345
General Fund Sweep	-	3,705	3,705	-
Girls Basketball	89	1,113	30	1,172
Girls Golf	57	-	-	57
Girls Soccer	3,470	16,505	3,729	16,246
Horticulture	16,828	21,624	18,980	19,472
Key Club	267	40	140	167
KJHS	22	-	22	-
Library	225	668	629	264

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Western Hills High School Activity Fund (Continued)  
For the Year Ended June 30, 2021**

	<b>Fund Balance July 1, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2021</b>
Math Dept.	\$ 44	\$ -	\$ -	\$ 44
Memorial Garden	1,051	-	-	1,051
Mu Alpha Theta	560	-	-	560
National Honor Society	609	700	963	346
Operating Fund	3,062	4,239	5,013	2,288
Outdoor Classroom	200	-	200	-
Parking Fees	2,003	-	-	2,003
PE Dept.	15	-	-	15
Pep Club	26	-	-	26
Postage	73	-	73	-
Resource Spec. Ed.	6	-	6	-
Science Club	3,297	-	63	3,234
Science Dept.	12	-	-	12
Social Studies	34	22	56	-
Softball	113	544	-	657
Spanish Honor	148	262	80	330
Start Up	-	500	500	-
Student Council	1,593	10	10	1,593
Student Incentives	55	-	55	-
Swim	30	-	-	30
Technology	590	-	590	-
Tennis - boys	324	75	140	259
Tennis - girls	274	46	203	117
Track	751	19,754	5,483	15,022
Volleyball	175	5,075	2,110	3,140
Wrestling	108	1,500	417	1,191
Y-Club	1,147	60	315	892
Yearbook	9,148	2,220	1,822	9,546
Young Democrats	206	-	-	206
Young Republicans	2	-	-	2
<b>Total</b>	<b>\$ 154,011</b>	<b>\$ 311,610</b>	<b>\$ 291,944</b>	<b>\$ 173,677</b>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Franklin County High School Activity Fund  
For the Year Ended June 30, 2021**

	<b>Fund Balance July 1, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2021</b>
All Region G-Ball Team	\$ -	\$ 420	\$ 420	\$ -
AP Exams	4,004	11,593	11,266	4,331
AP Human Geography	-	216	216	-
Archery Team	1,609	3,243	2,835	2,017
Art Ceramics	1,153	-	284	869
Art Club	889	-	40	849
Athletic	6,353	78,439	81,444	3,348
Band Camp	389	175	152	412
Baseball Player Fee	600	4,800	-	5,400
Bass Club	625	-	125	500
Beta Club	3,906	1,640	1,789	3,757
Book Club	43	-	43	-
Boys Bball Player Fee	931	-	470	461
Boys soccer	4,443	4,500	981	7,962
Cheerleaders	396	1,333	1,392	337
Class of 2020	18,191	-	18,191	-
Class of 2021	-	20,876	20,876	-
Class of 2022	-	1,258	-	1,258
Cross Country Team	18,535	115	4,258	14,392
Dance Team	94	3,922	3,384	632
Debate Team	106	-	106	-
Deca Club	183	-	-	183
Disc Golf	36	-	-	36
Don Sturgeon Memorial	-	355	55	300
Drama	8,835	750	5,054	4,531
Environmental Club	620	-	-	620
FB Playoffs	-	5,494	5,494	-
FB Qback Club	1,125	9,528	9,248	1,405
Fellowship/Christian	150	-	150	-
FFA Club	1,251	7,150	4,116	4,285
Field Trips	249	-	249	-
Flyer Connection	3,057	25	200	2,882
Freshman Class	350	1,680	2,030	-
GBB Player Fee	-	5,790	5,790	-
General	9	75	-	84
Girls soccer	3,027	4,260	3,048	4,239
Interest	872	1,472	1,416	928
Junior Class	-	139	120	19
Key Club	308	95	316	87
McConnell Foundation	-	5,000	-	5,000
Movie Night	13	-	13	-
NHS Club	1,232	345	312	1,265
Pep Club	53	-	53	-
Postage	47	35	82	-
PSAT	851	132	221	762

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Franklin County High School Activity Fund (Continued)  
For the Year Ended June 30, 2021**

	<b>Fund Balance July 1, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2021</b>
ROTC Cadets	\$ 684	\$ 70	\$ -	754
Safe Place	120	-	120	-
SB Player Fees	2,359	1,593	2,693	1,259
SB Showcase	506	3,001	1,597	1,910
Sophomore Class	149	350	50	449
Spanish Club	148	-	-	148
Start Up	-	-	-	-
Step Team/Club	912	-	-	912
Student Activities	3,210	2,185	1,844	3,551
Student Council	745	-	329	416
Sweep	60	2,955	3,015	-
Swim Team	75	-	75	-
Teachers Lounge	1,134	837	1,377	594
Track Team	-	2,514	1,105	1,409
VB Team	1,322	4,090	3,444	1,968
Y Club	772	-	49	723
Yearbook Ads	21,145	4,371	7,111	18,405
Young Democrats	252	23	86	189
Young Republicans	152	-	-	152
<b>Total</b>	<b>\$ 118,280</b>	<b>\$ 196,844</b>	<b>\$ 209,134</b>	<b>\$ 105,990</b>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
School Activity Funds  
For the Year Ended June 30, 2021**

	<u>Franklin County Career &amp; 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, 2020	\$ 17,272	\$ 72,384	\$ 88,252	\$ 20,143	\$ 9,637	\$ 9,506
Add: receipts	16,286	77,862	109,950	20,829	14,167	3,196
Less: disbursements	<u>(9,562)</u>	<u>(99,446)</u>	<u>(123,175)</u>	<u>(25,548)</u>	<u>(9,915)</u>	<u>(3,804)</u>
Fund balance at June 30, 2021	<u>\$ 23,996</u>	<u>\$ 50,800</u>	<u>\$ 75,027</u>	<u>\$ 15,424</u>	<u>\$ 13,889</u>	<u>\$ 8,898</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, 2020	\$ 10,895	\$ 22,224	\$ 5,636	\$ 13,679	\$ 269,628	
Add: receipts	35,624	18,117	7,857	14,715	318,603	
Less: disbursements	<u>(27,606)</u>	<u>(25,225)</u>	<u>(8,546)</u>	<u>(13,979)</u>	<u>(346,806)</u>	
Fund balance at June 30, 2021	<u>\$ 18,913</u>	<u>\$ 15,116</u>	<u>\$ 4,947</u>	<u>\$ 14,415</u>	<u>\$ 241,425</u>	

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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	<u>128,032,516</u>	<u>117,757,912</u>	<u>111,237,275</u>	<u>224,641,329</u>	<u>244,592,180</u>	<u>188,106,881</u>	*	*	*	*
Total	<u>\$ 128,032,516</u>	<u>\$ 117,757,912</u>	<u>\$ 111,237,275</u>	<u>\$ 224,641,329</u>	<u>\$ 244,592,180</u>	<u>\$ 188,106,881</u>	*	*	*	*
District's covered-employee payroll	\$ 29,903,280	\$ 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%	0%	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	58.27%	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,163,956	\$ 1,100,138	\$ 1,038,909	\$ 568,366	\$ 990,169	\$ 991,889	\$ 734,373	*	*	*
Contributions in relation to the contractually required contribution	<u>(1,163,956)</u>	<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>	*	*	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*	*	*
District's covered-employee payroll	\$ 30,603,837	\$ 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	3.80%	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*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of net pension liability	0.381260%	0.389093%	0.381864%	0.378479%	0.375952%	0.373775%	0.370956%	*	*	*
District's proportionate share of the net pension liability	\$ 29,238,952	\$ 27,365,084	\$ 23,256,680	\$ 22,153,540	\$ 18,510,424	\$ 16,070,557	\$ 12,035,204	*	*	*
Total net pension liability	\$ 7,669,917,211	\$ 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	\$ 10,350,674	\$ 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	282.48%	262.74%	232.22%	228.25%	197.23%	183.88%	137.71%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	47.81%	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,340,581	\$ 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	(2,340,581)	(2,501,851)	(1,689,930)	(1,450,178)	(1,354,299)	(1,164,923)	(1,103,465)	*	*	*
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
District's covered-employee payroll	\$ 9,726,686	\$ 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	24.06%	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*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0%	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	294,000	252,000	171,000	224,000	*	*	*	*	*	*
Total net OPEB liability	\$ 294,000	\$ 252,000	\$ 171,000	\$ 224,000	*	*	*	*	*	*
District's covered-employee payroll	\$ 30,603,837	\$ 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%	0.0%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	71.57%	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, 2020:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 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	7.50%

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	*	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 30,603,837	\$ 29,903,280	\$ 28,122,613	\$ 27,475,553	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	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*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0.458702%	0.458702%	0.436872%	0.438643%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 13,425,000	\$ 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	\$ 10,842,000	\$ 13,063,206	\$ 12,776,473	*	*	*	*	*	*
Total net OPEB liability	\$ 24,267,000	\$ 24,267,000	\$ 28,221,411	\$ 28,417,508	*	*	*	*	*	*
District's covered-employee payroll	\$ 9,726,686	\$ 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	138.0%	129.7%	145.5%	156.2%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	39.05%	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, 2020:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 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	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2032
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).

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Schedule of District's Contributions – MIF**

Last 10 Fiscal Years\*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 850,771	\$ 798,725	\$ 798,992	\$ 778,201	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(850,771)</u>	<u>(798,725)</u>	<u>(798,992)</u>	<u>(778,201)</u>	<u>*</u>	<u>*</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	\$ 9,726,686	\$ 10,350,674	\$ 10,415,387	\$ 10,015,042	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	8.75%	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, 2020:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 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	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2032
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).

**FRANKLIN COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0.381107%	0.389003%	0.381849%	0.378479%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 9,202,575	\$ 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	\$ 9,202,575	\$ 6,542,855	\$ 6,779,653	\$ 7,608,723	*	*	*	*	*	*
District's covered-employee payroll	\$ 10,350,674	\$ 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	88.9%	62.8%	67.7%	78.4%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 464,807	\$ 516,261	\$ 548,029	\$ 470,707	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(464,807)</u>	<u>(516,261)</u>	<u>(548,029)</u>	<u>(470,707)</u>	<u>*</u>	<u>*</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	\$ 9,726,686	\$ 10,350,674	\$ 10,415,387	\$ 10,015,042	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	4.78%	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, 2021**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Agreement Number</b>	<b>Federal Expenditures for FYE June 30, 2021</b>
<b>U.S. Department of Education</b>			
<b>Passed through Kentucky Department of Education</b>			
Special Education Cluster			
Special Education_Preschool Grants	84.173	3800002 19	\$ (1,836)
Special Education_Preschool Grants	84.173	3800002-20	2,154
Special Education_Grants to States	84.027	3810002 18	377,261
Special Education_Grants to States	84.027	3810002 19	315,540
Special Education_Grants to States	84.027	3810002 20	456,631
Total Special Education Cluster			1,149,750
Title I Grants to Local Educational Agencies	84.010	3100002 18	63,269
Title I Grants to Local Educational Agencies	84.010	3100002 19	269,895
Title I Grants to Local Educational Agencies	84.010	3100002 20	924,944
Title I Grants to Local Educational Agencies	84.010	3100202-20	13,650
Title I Grants to Local Educational Agencies	84.010	S010A200017	152,674
Total CFDA #84.010			1,424,432
Title I Neglected and Delinquent Children and Youth	84.013	S013A180017	1,586
Title I Neglected and Delinquent Children and Youth	84.013	S013A180017	1,990
Title I Neglected and Delinquent Children and Youth	84.013	S013A180017	18,000
Total CFDA #84.013			21,576
Career and technical Education -Basic Grants to States	84.048	3710002 17	9,746
Career and technical Education -Basic Grants to States	84.048	3710002 18	1,210
Career and technical Education -Basic Grants to States	84.048	3710002 19	2,809
Career and technical Education -Basic Grants to States	84.048	3710002 20	51,350
Total CFDA #84.048			65,115
English Language Acquisition State Grants	84.365	3300002 18	(87)
English Language Acquisition State Grants	84.365	3300002 19	1,863
English Language Acquisition State Grants	84.365	3300002 20	33,612
Total CFDA #84.365			35,388
Title II Improving Teacher Quality State Grants	84.367	3230002 18	12,656
Title II Improving Teacher Quality State Grants	84.367	3230002 19	237,903
Title II Improving Teacher Quality State Grants	84.367	3230002 20	10,319
Total CFDA #84.367			260,878
Race to the Top	84.412A	N/A	4,049
Title IV-Part A Student Support & Academic Enrichment Grant	84.424	3420002 18	32,943
Title IV-Part A Student Support & Academic Enrichment Grant	84.424	3420002 19	5,217
Title IV-Part A Student Support & Academic Enrichment Grant	84.424	3420002 20	82,455
Total CFDA #84.424			120,615
Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20	927,946
Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21	1,376,881
Governor's Emergency Education Relief Fund	84.425C	S425C200008	129,383
Total CFDA #84.425			2,434,210
Last Mile Internet	21.019	N/A	72,675
Coronavirus Relief Fund	21.019	N/A	1,093,979
Total CFDA #21.019			1,166,654
CARES Child Development Fund	93.575	N/A	886,717
<b>Total U.S. Department of Education</b>			<b>7,569,384</b>
<b>U.S. Department of Agriculture</b>			
<b>Child Nutrition Cluster</b>			
<b>Passed through Kentucky Department of Education</b>			
Summer Food Service Program for Children	10.559	7740023 20	434,738
Summer Food Service Program for Children	10.559	7740023 21	1,251,598
Summer Food Service Program for Children	10.559	7690024 20	44,611
Summer Food Service Program for Children	10.559	7690024 21	130,992
			1,861,939
<b>Passed through Kentucky Department of Agriculture</b>			
National School Lunch Program - Food Donation	10.555	4005385	194,868
Total Child Nutrition Cluster			2,056,807
<b>Total U.S. Department of Agriculture</b>			<b>2,056,807</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 9,626,191</b>

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021**

**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, 2021 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, 2021, the District reported food commodities expended in the amount of \$194,868.

**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, 2021.

**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, 2021, 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 November 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 75 to 81.

**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  
November 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, 2021. 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, 2021.

**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  
November 15, 2021

**FRANKLIN COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2021**

**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? \_\_\_\_\_ Yes   X   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
21.019	Coronavirus Relief Fund
84.425	Elementary and Secondary School Emergency Relief Fund
93.575	Child Care and Development Block Grant

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**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, 2021**

**SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS**

No matters are reportable

**SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

**Summary of Finding 2020-01:** 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.

**Status:** Monthly cash reconciliations are completed by an accounting clerk and reviewed by the Finance Director to ensure all cash activity is being captured.

**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, 2021

In planning and performing our audit of the financial statements of Franklin County School District for the year ended June 30, 2021, 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 November 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 November 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 Annual AFR was not signed 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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

###### **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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

###### **Franklin County Career & Technical School**

No matters are reportable

###### **Elkhorn Middle School**

No matters are reportable

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2021**

**CURRENT YEAR RECOMMENDATIONS (Continued)**

**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.

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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

**Bridgeport Elementary**

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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

**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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2021**

**CURRENT YEAR RECOMMENDATIONS (Continued)**

**Collins Lane Elementary (Continued)**

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.

Statement of Deficiency: It was noted that there was a negative ending balance on the annual AFR.

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.

**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.

**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.

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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

**Westridge Elementary**

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. A review of summer schedules and reporting requirements will be conducted to ensure timely financial reporting.

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2021**

**CURRENT YEAR RECOMMENDATIONS (Continued)**

**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.

**Early Learning Village East**

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 one deposit could not be traced from the deposit slip to 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.

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management Letter Comments  
Year Ended June 30, 2021**

**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 the amount on a deposit slip did not agree to the total amount of receipts included in the deposit.

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

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

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

**Western Hills High School**

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

Current year status: See current year recommendation.

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

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

**Franklin County Career & Technical School**

No matters are reportable

**Elkhorn Middle School**

No matters are reportable

**Bondurant Middle School**

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

Current year status: See current year recommendation.

**Bridgeport Elementary**

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

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

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2021**

**STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)**

**Bridgeport Elementary (continued)**

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

Current year status: See current year recommendation.

**Collins Lane Elementary**

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

Current year status: See current year recommendation.

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

Current year status: See current year recommendation.

Statement of prior year deficiency: It was noted that the bookkeeper has been opening the mail.

Current year status: See current year recommendation.

**Hearn Elementary**

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

Current year status: See current year recommendation.

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

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

**Peaks Mill Elementary**

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

Current year status: See current year recommendation.

**FRANKLIN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2021**

**STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)**

**Westridge Elementary**

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

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

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

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

**Elkhorn Elementary**

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

Current year status: See current year recommendation.

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

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 Revenue Bonds  
Series of 2022**

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of September 14, 2022, by and between the Board of Education of Franklin County, Kentucky ("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 \$1,400,000 of the Corporation's School Building Revenue Bonds, Series 2022, dated as of September 14, 2022 ("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, commencing with fiscal year ending June 30, 2022, 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**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**FRANKLIN COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Franklin County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

---

**Official Terms and Conditions of Bond Sale**

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$1,400,000\***

**Franklin County School District Finance Corporation  
School Building Revenue Bonds, Series of 2022  
Dated September 14, 2022**

**SALE: August 24, 2022 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Franklin County School District Finance Corporation ("Corporation") will until August 24, 2022, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$140,000.

**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 Franklin County, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

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

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance acquisition of a new central office (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2023.

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

The rental of the school building Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project is leased to the Board for the initial period ending June 30, 2023, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.



Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of 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 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.

### **ADDITIONAL PARITY BONDS**

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

### **BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from September 14, 2022, payable on March 1, 2023, and semi annually thereafter and shall mature as to principal on September 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>
2023	\$70,000
2024	75,000
2025	55,000
2026	115,000
2027	275,000
2028	110,000
2029	110,000
2030	115,000
2031	240,000
2032	235,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$140,000 which may be applied in any or all maturities.

The Bonds maturing on or after September 1, 2026 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after September 1, 2025, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

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

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, 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 March 1 and September 1 of each year, beginning March 1, 2023 (Record Date is the 15th day of month preceding interest due date).

### **BIDDING CONDITIONS AND RESTRICTIONS**

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

(B) Electronic bids for the Bonds must be submitted through [PARITY®](http://PARITY.com) and no other provider of electronic bidding services will be accepted. Subscription to the [PARITY®](http://PARITY.com) 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®](http://PARITY.com) 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®](http://PARITY.com) conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of [PARITY®](http://PARITY.com) 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®](http://PARITY.com). The use of [PARITY®](http://PARITY.com) facilities are at the sole risk of the prospective bidders. For further information regarding [PARITY®](http://PARITY.com), potential bidders may contact [PARITY®](http://PARITY.com), telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$1,372,000 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

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

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$1,400,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$140,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$1,260,000 or a maximum of \$1,540,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$1,400,000 of Bonds bid.

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

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

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

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

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

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

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

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is August 24, 2022.

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

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

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

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

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

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

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

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

## **STATE SUPPORT OF EDUCATION**

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

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

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

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

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

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

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

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

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

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024**

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.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2024 which was approved and signed by the Governor. Such budget becomes effective beginning July 1, 2022. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

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

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

## **CONTINUING DISCLOSURE**

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

Financial information regarding the Board may be obtained from Superintendent, Franklin County Board of Education, 190 Kings Daughters Drive #300, Frankfort, Kentucky 40601, Telephone 502-695-6700.

## **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel advises as follows with respect to the Bonds:

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

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

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2022, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

**FRANKLIN COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/ Rebecca Roberts  
Secretary



**APPENDIX E**

**Franklin County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Official Bid Form**

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

The Franklin County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.D.S.T., on August 24, 2022, 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 \$1,400,000 School Building Revenue Bonds, Series of 2022, dated September 14, 2022; maturing September 1, 2023 through 2032 ("Bonds").

We hereby bid for said \$1,400,000\* principal amount of Bonds, the total sum of \$ \_\_\_\_\_ (not less than \$1,372,000) plus accrued interest from September 14, 2022 payable March 1, 2023 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on September 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2023	\$ 70,000	_____ %
2024	75,000	_____ %
2025	55,000	_____ %
2026	115,000	_____ %
2027	275,000	_____ %
2028	110,000	_____ %
2029	110,000	_____ %
2030	115,000	_____ %
2031	240,000	_____ %
2032	235,000	_____ %

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$1,540,000 of Bonds or as little as \$1,260,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

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

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

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

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

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

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

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

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is August 24, 2022.

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

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall

constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on September 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 Trust Company, 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 September 14, 2022 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 September 14, 2022 to final maturity \$ \_\_\_\_\_

Plus discount or less any premium \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_ %

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 Municipal Advisor and 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>
2023	_____,000	_____%	2028	_____,000	_____%
2024	_____,000	_____%	2029	_____,000	_____%
2025	_____,000	_____%	2030	_____,000	_____%
2026	_____,000	_____%	2031	_____,000	_____%
2027	_____,000	_____%	2032	_____,000	_____%

Dated: August 24, 2022

\_\_\_\_\_  
RSA Advisors, LLC,  
As Agent for the Franklin County  
School District Finance Corporation