

DATED SEPTEMBER 16, 2016

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 imposed on individuals and corporations, all subject to the qualifications described herein under the heading "Tax Exemption." Interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein).

\$5,710,000*

FORT THOMAS INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE REFUNDING BONDS,
SERIES 2016

Dated: October 1, 2016

Due: as shown below

Interest on the Bonds is payable each March 1 and September 1, beginning March 1, 2017. The Bonds will mature as to principal on March 1, 2017 and September 1, 2017 and each September 1 thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

<u>Maturing</u> <u>September 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>	<u>Maturing</u> <u>September 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Reoffering</u> <u>Yield</u>	<u>CUSIP</u>
3/1/2017	\$120,000	%	%		2024	\$555,000	%	%	
2017	\$220,000	%	%		2025	\$460,000	%	%	
2018	\$400,000	%	%		2026	\$505,000	%	%	
2019	\$400,000	%	%		2027	\$485,000	%	%	
2020	\$545,000	%	%		2028	\$125,000	%	%	
2021	\$555,000	%	%		2029	\$130,000	%	%	
2022	\$560,000	%	%		2030	\$105,000	%	%	
2023	\$545,000	%	%						

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

The Bonds constitute a limited indebtedness of the Fort Thomas Independent School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project on an annually renewable basis to the Fort Thomas Independent Board of Education.

The Secretary of the Fort Thomas Independent School District Finance Corporation will until September 23, 2016 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 awarded by up to \$570,000.**

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

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

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



Ross, Sinclair & Associates, LLC

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.

**FT. THOMAS INDEPENDENT
BOARD OF EDUCATION**

Karen Allen, Chairman
Lisa Duckworth, Member
Jeff Beach, Member
Brad Fennell, Member
John Weyer, Member

Gene Kirchner, Superintendent/Secretary

**FT. THOMAS INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION**

Karen Allen, President
Lisa Duckworth, Member
Jeff Beach, Member
Brad Fennell, Member
John Weyer, Member

Gene Kirchner, Secretary
Andy Remlinger, Treasurer

BOND COUNSEL

Dinsmore & Shohl LLP
Covington, Kentucky

FINANCIAL ADVISOR

Ross, Sinclaire & Associates, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank, National Association
Cincinnati, Ohio

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 Fort Thomas Independent School District Finance Corporation School Building Revenue Refunding Bonds, Series 2016, 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**

\$5,710,000*

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION
SCHOOL BUILDING REVENUE REFUNDING BONDS,
SERIES 2016**

** 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 Fort Thomas Independent School District Finance Corporation (the "Corporation") School Building Revenue Refunding Bonds, Series 2016 (the "Bonds").

The Bonds are being issued to (i) pay the accrued interest and refund on a current basis on October 25, 2016 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2006B, dated July 1, 2006 (the "2006B Bonds") maturing June 1, 2017 and thereafter; (ii) pay the accrued interest and refund in advance of maturity on August 1, 2017 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2007, dated August 1, 2007 (the "2007 Bonds") maturing August 1, 2018 and thereafter; (iii) pay the accrued interest and refund in advance of maturity on February 1, 2018 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2008, dated January 1, 2008 (the "2008 Bonds") maturing February 1, 2019 and thereafter; (iv) pay the accrued interest and refund in advance of maturity on June 1, 2018 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2008B dated June 1, 2008 (the "2008B Bonds") maturing June 1, 2019 and thereafter; (v) pay the accrued interest and refund on a current basis on October 25, 2016 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2010 (Taxable Build America Bonds) (the "2010 Bonds") maturing August 1, 2017 and thereafter (collectively, the "Refunded Bonds"); (vi) pay the cost of the Bond issuance expenses (see "Plan of Refunding" herein). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the Fort Thomas Independent School District (the "District") and is in the best interest of the District. The 2007 Bonds maturing August 1, 2017; the 2008 Bonds maturing February 1, 2017 and 2018; and the 2008B Bonds maturing June 1, 2017 and June 1, 2018 (the "Remaining Bonds") will not be defeased and will remain payable under the terms of the Prior Leases (as hereinafter defined).

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the Project to the Fort Thomas Independent Board of Education (the "Board") on a year to year basis (see "Security" herein).

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

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

Copies of the Bond Resolution authorizing the issuance of the Bonds, the Participation Agreement and the Contract, Lease and Option, dated June 1, 2016, may be obtained at the office of Dinsmore & Shohl LLP, 50 East Rivercenter Boulevard, Suite 1150, Covington, KY 41011.

BOOK-ENTRY-ONLY SYSTEM

The Bonds initially will be issued solely in Book-Entry form to be held in the Book-Entry-Only-System maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such Book-Entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, Beneficial owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Ordinance.

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. One fully-registered Bond certificate will be issued for in the aggregate principal amount of the Bonds and will be deposited with 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 2 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of Sections 157.611 through 157.640 of the Kentucky Revised Statutes as repealed, amended, and reenacted by the 1990 Regular Session of said General Assembly (the "Act") for the purpose of assisting local school districts in meeting

their capital construction needs. The Commission is the successor agency to the Kentucky School Building Authority.

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 §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately 75% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2018. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

The Regular Session of the General Assembly of the Commonwealth adopted the State's Budget for the biennium ending June 30, 2016. Inter alia, the Budget provides \$99,334,000 in FY 2014-15 and \$108,270,000 in FY 2015-16 to pay debt service on existing and future bond issues; \$100,000,000 of the Commission's previous Offers of Assistance made during the last biennium; and authorizes \$100,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2018.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012 and 2014 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
Total	<u>\$150,286,900</u>

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, 2018

The Kentucky General Assembly, during its Regular Session, adopted a budget for the biennium ending June 30, 2018 which was approved and signed by the Governor. Such budget was effective beginning July 1, 2016.

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
2006B	\$1,160,000	\$680,000	\$46,252	\$1,113,748	4.000% - 4.200%	2026
2007	\$1,380,000	\$890,000	\$0	\$1,380,000	4.000% - 4.125%	2027
2008	\$1,575,000	\$1,115,000	\$355,000	\$1,220,000	3.750% - 4.250%	2028
2008B	\$1,600,000	\$1,415,000	\$1,600,000	\$0	3.850% - 4.300%	2028
2009-REF	\$10,220,000	\$4,035,000	\$8,658,121	\$1,561,879	3.000% - 3.400%	2020
2010-BABS	\$2,030,000	\$1,510,000	\$0	\$2,030,000	3.000% - 5.200%	2030
2011	\$1,130,000	\$1,020,000	\$1,130,000	\$0	3.100% - 4.200%	2031
2012	\$2,945,000	\$2,785,000	\$2,754,764	\$190,236	1.500% - 3.200%	2032
2013	\$3,310,000	\$3,100,000	\$1,921,568	\$1,388,432	2.000% - 3.125%	2033
2014	\$2,245,000	\$2,115,000	\$2,245,000	\$0	3.000% - 4.000%	2034
2014-REF	\$9,540,000	\$8,420,000	\$3,230,554	\$6,309,446	2.000% - 3.375%	2029
2015-REF	\$9,080,000	\$9,000,000	\$7,837,384	\$1,242,616	2.000% - 3.000%	2026
2015B	\$4,575,000	\$4,425,000	\$3,637,042	\$937,958	2.000% - 3.375%	2035
2015C	\$23,810,000	\$23,810,000	\$811,800	\$22,998,200	2.000% - 3.375%	2035
TOTALS:	\$74,600,000	\$64,320,000	\$34,227,485	\$40,372,515		

AUTHORITY

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

- i) the issuance of approximately \$5,710,000 of Bonds subject to a permitted adjustment increasing or decreasing the amount awarded by up to \$570,000;
- 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 October 1, 2016, will bear interest from that date as described herein, payable semi-annually on March 1 and September 1 of each year, commencing March 1, 2017 and will mature as to principal on March 1, 2017 and September 1, 2017 and each September 1 thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank, National Association, Cincinnati, Ohio, 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.

Redemption

The Bonds scheduled to mature on and after September 1, 2027 are subject to redemption at the option of the Corporation prior to their stated maturities on any date falling on or after September 1, 2026, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, expressed in percentages of the principal amount with respect to each redeemed Bond as set forth below, plus accrued interest to the date of redemption:

Redemption Date	Redemption Price
September 1, 2026 and thereafter	100%

The Bonds are further subject to extraordinary optional redemption prior to their stated maturities, in whole or in part, on any date, in such order of maturities as the Corporation may determine (less than all of a single maturity to be selected by lot), from the proceeds of casualty insurance received upon the total destruction by fire, lightning, windstorm or other hazard of any of the buildings constituting the Project, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

SECURITY

General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project acquired and constructed from the Bond proceeds from the Corporation to the Board.

Mortgage Lien

The Bonds are secured by a statutory mortgage lien on and a pledge of revenues derived from the Project; provided, however, said lien and pledge shall rank on parity with the lien and pledge securing the Remaining Bonds.

The Lease

The Board has leased the school Project securing the Bonds for an initial period from October 1, 2016 through June 30, 2017 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, 2030, the final maturity date of the Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

AMTEC, will verify from the information provided to them the mathematical accuracy as of the date of the closing of the Bonds of (1) the computations contained in the provided schedules to determine that the

anticipated receipts from the securities and cash deposits listed in the Financial Advisor's schedules, to be held in the Escrow Fund (as defined under "Plan of Refunding" herein), will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Refunded Bonds, and (2) the computations of yield on both the securities and the Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the Bonds is not includable in gross income for federal income tax purposes. AMTEC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

PLAN OF REFUNDING

A sufficient amount of the proceeds of the Bonds at the time of delivery will be deposited into a special escrow account established for application to the redemption of the Refunded Bonds (the "Escrow Fund"). The Escrow Fund deposit, together with investment earnings derived therefrom, is intended to be sufficient to (i) pay the accrued interest and refund on a current basis on October 25, 2016 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2006B, dated July 1, 2006 (the "2006B Bonds") maturing June 1, 2017 and thereafter; (ii) pay the accrued interest and refund in advance of maturity on August 1, 2017 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2007, dated August 1, 2007 (the "2007 Bonds") maturing August 1, 2018 and thereafter; (iii) pay the accrued interest and refund in advance of maturity on February 1, 2018 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2008, dated January 1, 2008 (the "2008 Bonds") maturing February 1, 2019 and thereafter; (iv) pay the accrued interest and refund in advance of maturity on June 1, 2018 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2008B dated June 1, 2008 (the "2008B Bonds") maturing June 1, 2019 and thereafter; (v) pay the accrued interest and refund on a current basis on October 25, 2016 the outstanding Ft. Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2010 (Taxable Build America Bonds) (the "2010 Bonds") maturing August 1, 2017 and thereafter (collectively, the "Refunded Bonds"). The Board has determined that the plan of refunding the Refunded Bonds will result in considerable interest cost savings to the District and is in the best interest of the District. The Remaining Bonds will not be defeased and will remain payable under the terms of the Prior Leases.

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

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

PURPOSE OF THE PRIOR BONDS

The Refunded Bonds were issued by the Corporation for the purpose of providing funds to complete improvements at Woodfill Elementary and Highland Heights (the "Project").

STATE INTERCEPT

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

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

COMMISSION'S PARTICIPATION

The Commission has determined that the Board is eligible for an average annual participation equal to approximately \$350,570 from the Commission's appropriation by the Kentucky General Assembly which will be used to meet a portion of the debt service of the Bonds. The plan for financing the Project will require the Commission to pay approximately seventy-five percent (75%) of the debt service of the Bonds.

The Participation Agreement to be entered into with the Board will be limited to the biennial budget period of the Commonwealth of Kentucky, with the first such biennial period terminating on June 30, 2018. The right is reserved in the Commission to terminate the commitment to pay the agreed participation every two years thereafter. The obligation of the Commission to make payments of the agreed participation shall be automatically renewed each two years thereafter unless the Commission gives notice to the Board of its intention not to participate not less than sixty days prior to the end of the biennium. However, the Commission has expressed its intention to continue to pay the agreed participation in successive biennial budget periods until the Bonds are retired, but the Commission is not required to do so.

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 25% of the debt service of the Bonds.

Fiscal Year Ending June 30	Current Local Bond Payments	----- Series 2016 School Building Revenue Refunding Bonds -----					Total Local Bond Payments
		Principal Portion	Interest Portion	Total Payment	SFCC Portion	Local Portion	
2017	\$2,386,662	\$120,000	\$44,725	\$164,725	\$123,544	\$41,181	\$2,336,277
2018	\$2,393,468	\$220,000	\$105,040	\$325,040	\$243,780	\$81,260	\$2,367,481
2019	\$2,389,694	\$400,000	\$101,740	\$501,740	\$376,305	\$125,435	\$2,361,010
2020	\$2,390,969	\$400,000	\$97,140	\$497,140	\$372,855	\$124,285	\$2,359,532
2021	\$2,394,055	\$545,000	\$91,061	\$636,061	\$477,046	\$159,015	\$2,364,310
2022	\$2,392,225	\$555,000	\$82,804	\$637,804	\$478,353	\$159,451	\$2,363,429
2023	\$2,392,563	\$560,000	\$73,045	\$633,045	\$474,784	\$158,261	\$2,359,063
2024	\$2,391,142	\$545,000	\$62,551	\$607,551	\$455,663	\$151,888	\$2,363,226
2025	\$2,390,943	\$555,000	\$51,271	\$606,271	\$454,703	\$151,568	\$2,357,719
2026	\$2,007,929	\$460,000	\$40,015	\$500,015	\$375,011	\$125,004	\$1,975,542
2027	\$1,939,671	\$505,000	\$28,665	\$533,665	\$400,249	\$133,416	\$1,914,395
2028	\$1,937,083	\$485,000	\$16,300	\$501,300	\$375,975	\$125,325	\$1,909,536
2029	\$1,723,457	\$125,000	\$8,308	\$133,308	\$99,981	\$33,327	\$1,721,581
2030	\$1,721,530	\$130,000	\$4,833	\$134,833	\$101,124	\$33,708	\$1,720,448
2031	\$1,399,229	\$105,000	\$1,523	\$106,523	\$79,892	\$26,631	\$1,393,892
2032	\$1,263,928						\$1,263,928
2033	\$1,267,988						\$1,267,988
2034	\$637,801						\$637,801
2035	\$435,086						\$435,086
2036	\$3,620						\$3,620
TOTALS:	\$35,859,043	\$5,710,000	\$809,020	\$6,519,020	\$4,889,265	\$1,629,755	\$35,475,864

Note: Numbers rounded to the nearest \$1.00. Estimated Net Interest Cost of 2.15%

ESTIMATED USE OF BOND PROCEEDS

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

Sources:	
Par Amount of Bonds	<u>\$5,710,000.00</u>
Total Sources	\$5,710,000.00
Uses:	
Deposit to Escrow Fund	\$5,624,350.00
Underwriter's Discount (1.5%)	85,650.00
Cost of Issuance	<u>51,840.00</u>
Total Uses	\$5,710,000.00

DISTRICT STUDENT POPULATION

Selected school census, enrollment and average daily attendance for the Fort Thomas Independent School District is as follows:

<u>Year</u>	<u>Average Daily Attendance</u>	<u>Year</u>	<u>Average Daily Attendance</u>
1989-90	1,972.5	2002-03	2,124.2
1990-91	2,040.3	2003-04	2,108.6
1991-92	2,033.2	2004-05	2,146.1
1992-93	2,033.2	2005-06	2,136.5
1993-94	2,132.1	2006-07	2,197.1
1994-95	2,189.7	2007-08	2,210.2
1995-96	2,228.1	2008-09	2,262.5
1996-97	2,236.7	2009-10	2,271.6
1997-98	2,224.5	2010-11	2,417.8
1998-99	2,224.5	2011-12	2,468.4
1999-00	2,189.2	2012-13	2,561.4
2000-01	2,202.3	2013-14	2,660.4
2001-02	2,154.1	2014-15	2,722.0

Source: Kentucky State Department of Education.

STATE SUPPORT

Support Education Excellence in Kentucky (SEEK). In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,827 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 Fort Thomas Independent School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

<u>Year</u>	<u>Capital Outlay Allotment</u>	<u>Year</u>	<u>Capital Outlay Allotment</u>
1990-91	204,030.0	2003-04	210,860.0
1991-92	203,320.0	2004-05	214,610.0
1992-93	203,320.0	2005-06	213,650.0
1993-94	213,210.0	2006-07	219,710.0
1994-95	218,970.0	2007-08	221,020.0
1995-96	222,810.0	2008-09	226,248.0
1996-97	223,670.0	2009-10	227,159.0
1997-98	222,450.0	2010-11	241,783.0
1998-99	222,450.0	2011-12	246,835.0
1999-00	218,920.0	2012-13	256,143.0
2000-01	220,230.0	2013-14	266,036.0
2001-02	215,410.0	2014-15	272,202.0
2002-03	212,420.0		

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

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

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;

- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

LOCAL SUPPORT

Homestead Exemption. Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$36,900 effective January 1, 2015.

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

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

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

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

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

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

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

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

Local Tax Rates, Property Assessments and Revenue Collections

<u>Tax Year</u>	<u>Combined Equivalent Rate</u>	<u>Total Property Assessment</u>	<u>Property Revenue Collections</u>
1991-92	59.3	517,720,812	3,070,084
1992-93	58.9	589,256,756	3,470,722
1993-94	58.4	598,740,806	3,496,646
1994-95	59.7	675,461,105	4,032,503
1995-96	62	687,489,838	4,262,437
1996-97	65.2	725,733,987	4,731,786
1997-98	67	743,777,011	4,983,306
1998-99	67	777,866,107	5,211,703
1999-00	74.4	800,473,825	5,955,525
2000-01	74.1	856,005,810	6,343,003
2001-02	74.4	841,052,313	6,257,429
2002-03	79.2	964,299,106	7,637,249
2003-04	79.2	973,961,853	7,713,778
2004-05	89	984,927,677	8,765,856
2005-06	88.9	1,011,677,014	8,993,809
2006-07	90.4	1,086,118,824	9,818,514
2007-08	88.9	1,099,739,197	9,776,681
2008-09	93.7	1,124,936,826	10,540,658
2009-10	93.7	1,131,628,445	10,603,359
2010-11	97.7	1,209,125,034	11,813,152
2011-12	97.3	1,213,186,106	11,804,301
2012-13	100.4	1,220,333,065	12,252,144
2013-14	106.1	1,224,069,928	12,987,382
2014-15	107.2	1,249,465,237	13,394,267

Overlapping Bond Indebtedness

The following table shows any other overlapping bond indebtedness of the Fort Thomas Independent School District or other issuing agency within the County as reported by the State Local Finance Officer for the period ending June 30, 2013.

<u>Issuer</u>	<u>Original Principal Amount</u>	<u>Amount of Bonds Redeemed</u>	<u>Current Principal Outstanding</u>
County of Campbell			
General Obligation	16,300,000	3,140,000	13,160,000
Capital Projects Public Corp.	2,870,000	1,840,000	1,030,000
Elderly Care Facility Revenue	1,815,000	255,000	1,560,000
Municipal Improvements Public Corp.	3,960,000	3,205,000	755,000
Refunding Revenue	4,854,410	1,764,497	3,089,913
City of Alexandria			
Sewer Renewable	200,000	170,000	30,000
City of Bellevue			
General Obligation	8,830,000	380,000	8,450,000
Land Acquisition Renewable	730,000	646,987	83,013

City of Cold Spring			
General Obligation	4,200,000	1,472,717	2,727,283
City of Crestview			
General Obligation	300,000	291,378	8,622
City of Dayton			
Infrastructure Revenue	1,150,000	15,000	1,135,000
Improvement Project Refunding	1,150,000	15,000	1,135,000
City of Ft. Thomas			
General Obligation	5,685,000	1,178,426	4,506,574
Property Acquisition Renewable	200,000	88,045	111,955
City of Highland Heights			
General Obligation	11,765,000	1,005,000	10,760,000
City of Newport			
General Obligation	33,225,000	10,310,000	22,915,000
Public Project Revenue	44,230,000	14,485,000	29,745,000
KLC Funding Trust Program Revenue	50,000,000	0	50,000,000
Courthouse & City Hall Lease Revenue	27,750,000	1,220,000	26,530,000
City of Silver Grove			
General Obligation	505,000	112,793	392,207
City of Southgate			
General Obligation	1,814,931	235,134	1,579,797
Community Center Renewable	700,000	0	700,000
City of Wilder			
General Obligation	4,945,000	985,000	3,960,000
City of Woodlawn			
General Obligation	80,000	79,225	775
Special Districts			
Alexandria Fire Department	3,000,000	857,981	2,142,019
Campbell County Fire District #1	1,290,000	432,273	857,727
Campbell County FPD #3	358,500	100,618	257,882
Campbell County Library District	8,440,231	2,735,473	5,704,758
Central Campbell Fire District #4	1,000,000	931,593	68,407
Northern Kentucky Port Authority	1,500,000	480,000	1,020,000
Northern Kentucky Water District	252,502,000	59,480,000	193,022,000
Totals:	495,350,072	107,912,140	387,437,932

Source: 2013 Kentucky Local Debt Report.

SEEK Allotment

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

	<u>Base Funding</u>	<u>Local Tax Effort</u>	<u>Total State & Local Funding</u>
2014-15 SEEK	8,846,013	13,394,267	22,240,280
2013-14 SEEK	8,383,276	12,987,382	21,370,658
2012-13 SEEK	7,937,666	12,252,144	20,189,810
2011-12 SEEK	7,646,099	11,804,301	19,450,400
2010-11 SEEK	6,706,543	11,813,152	18,519,695
2009-10 SEEK	6,366,938	10,603,359	16,970,297
2008-09 SEEK	6,874,929	10,540,658	17,415,587
2007-08 SEEK	6,490,238	9,776,681	16,266,919
2006-07 SEEK	5,648,271	9,818,514	15,466,785
2005-06 SEEK	5,514,691	8,993,809	14,508,500
2004-05 SEEK	5,117,936	8,765,856	13,883,792
2003-04 SEEK	4,713,567	7,713,778	12,427,345
2002-03 SEEK	4,598,807	7,637,249	12,236,056
2001-02 SEEK	4,995,393	6,257,429	11,252,822
2000-01 SEEK	4,912,434	6,343,003	11,255,437
1999-00 SEEK	4,709,519	5,955,525	10,665,044
1998-99 SEEK	4,719,184	5,211,703	9,930,887
1997-98 SEEK	4,592,169	4,983,306	9,575,475
1996-97 SEEK	4,567,190	4,731,786	9,298,976
1995-96 SEEK	4,599,600	4,262,437	8,862,037
1994-95 SEEK	4,521,230	4,032,503	8,553,733
1993-94 SEEK	4,378,836	3,496,646	7,875,482
1992-93 SEEK	4,197,915	3,470,722	7,668,637
1991-92 SEEK	4,271,465	3,070,084	7,341,550

- (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 \$1.072 for FY 2014-15. 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 State Board for Elementary and Secondary 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 30 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.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the Board and the Corporation (the "Obligated Persons") will agree pursuant to Continuing Disclosure Agreements to be dated as of October 1, 2016 (the "Disclosure Agreement"), with Ross, Sinclair & Associates, LLC, as disclosure agent (the "Disclosure Agent"), to be delivered on the respective dates of delivery of the Bonds, to cause the following information to be provided through the Disclosure Agent:

(a) to the Municipal Securities Rulemaking Board ("MSRB") or any successor thereto for purposes of the 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, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained under the headings "Bond Debt Service", "Local Support"-Local Tax Rates, -Property Assessments and Revenue Collections, -District's Largest Taxpayers, -Overlapping Bond Indebtedness", "SEEK Allotment" and in Appendix B of this Official Statement (the "Annual Financial Information"); such information shall include, at a minimum, that financial information and operating data which is customarily prepared by the Obligated Persons and is publicly available. The annual financial information shall be provided on or before the 270th day following the fiscal year ending on the preceding June 30;

(b) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service 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 security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;

- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Persons to comply with the terms thereof; however, a default under the Disclosure Agreement does not constitute an event of default under the Bond Resolution. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Bondholders are advised that the Disclosure Agreement, the form of which is attached to the Official Statement as Appendix C, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds; and
- (c) there are no liquidity providers applicable to the Bonds.

The Board and Corporation have been late in making certain required filings under the terms of the Continuing Disclosure Agreements between the Board and the Corporation executed in connection with previous bond issues. The Board has filed Material Event Notices indicating its failure to file on a timely basis the following information:

- (1) An upgrade in Moody's rating of its bonds from "Aa3" to "Aa2";
- (2) A downgrade in Moody's rating of its bonds from "Aa2" to "Aa3";
- (3) Failure to file Annual Operating Data on a timely basis; and
- (4) Failure to file Annual Financial Information for two (2) years on a timely basis.

The Annual Financial Information for FY ending June 30, 2010 was filed (1) day after the deadline (March 27, 2011) and Annual Financial Information for FY ending June 30, 2011 was filed (14) days after the deadline (March 27, 2012). Operating Data for FYs ending June 30, 2009, 2010, 2011, 2012 and 2013 was filed on July 9, 2014.

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

TAX EXEMPTION; BANK QUALIFIED

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The Corporation has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

LITIGATION

There is no litigation presently pending against the Corporation or the District, nor to the knowledge of the officials of the Corporation or the District is there any litigation threatened, which questions or affects the validity of the Bonds or any proceedings or transactions relating to the issue, sale and delivery thereof.

APPROVAL OF LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

BOND RATING

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in

their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

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

APPROVAL OF OFFICIAL STATEMENT

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

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

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

By /s/ _____
President

By /s/ _____
Secretary

APPENDIX A

Fort Thomas Independent School District Finance Corporation School Building Revenue Refunding Bonds Series 2016

Demographic and Economic Data

NORTHERN KENTUCKY

The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. These three counties are a part of the Cincinnati Primary Metropolitan Statistical Area, which had an estimated 2015 population of 1,743,170. Campbell County has an estimated 2015 population of 92,066.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle is more than one-third of the state's population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving distance from each other.

The Economic Framework

The total number of Campbell County residents employed in 2013 averaged 28,273. Manufacturing in the county reported 2,433 employees; trade, transportation, and utilities provided 4,997 jobs; 12,275 people were employed in services; public administration accounted for 1,036 employees; 1,116 people were working in financial activities; and the information industry accounted for 254 jobs.

Transportation

Major highways serving Boone, Campbell, and Kenton Counties include Interstates 71, 75, 275, and 471; U.S. Highways 42/127, 25, and 27. The Greater Cincinnati-Northern Kentucky International Airport, located in Boone County, Kentucky, provides commercial airline service. The airport is a major hub for Delta Airlines. The Southern Railway System and CSX Transportation provide main line rail service to the area. Several barge and towing companies provide barge transportation on the Ohio River. The Port of Cincinnati extends 30 miles along both banks of the Ohio River.

Power and Fuel

Electric power is provided to Boone, Campbell, and Kenton Counties by Duke Energy Kentucky, E. ON US/KU, East Kentucky Power Cooperative and Owen Electric Cooperative, Inc. Natural gas service is provided to major portions of the three-county area by Duke Energy Kentucky.

LABOR MARKET STATISTICS

The Northern Kentucky Labor Market Area includes Boone, Campbell and Kenton Counties and the adjoining Kentucky counties of Gallatin, Grant, and Pendleton. The Labor Market Area is supplemented by the Ohio counties of Hamilton, Butler, Clermont and Warren; and Dearborn County in Indiana.

Population

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Labor Market Area	1,727,478	1,735,834	1,743,170
Campbell County	91,214	91,737	92,066

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

Population Projections

	<u>2020</u>	<u>2025</u>	<u>2030</u>
Campbell County	91,642	91,475	90,731

Source: Kentucky Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

EDUCATION

Public Schools

	<u>2014-2015 Total Enrollment</u>	<u>2014-2015 Pupil to Teacher Ratio</u>
Bellevue Independent Schools	706	14.4-1
Campbell County Schools	4,872	16.7-1
Dayton Independent Schools	912	15.2-1
Ft. Thomas Independent Schools	3,000	17.1-1
Newport Independent School	1,686	11.2-1
Silver Grove Independent Schools	169	8.9-1
Southgate Independent Schools	168	9.9-1

Vocational - Technical Schools

<u>Institution</u>	<u>Location</u>	<u>Enrollment (2013-2014)</u>
Chapman Career & Tech. Education Ctr.	Ft. Thomas, KY	555
Boone County ATC	Hebron, KY	161
Kenton County Academies of Innovation	Ft. Mitchell, KY	680
Carroll County ATC	Carrollton, KY	372
Harrison County ATC	Cynthiana, KY	502
Mason County ATC	Maysville, KY	120
Campbell County ATC	Alexandria, KY	228

Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2014)</u>
Thomas More College	Crestview Hills, KY	1,655
Northern Kentucky University	Highland Heights, KY	15,090
Beckfield College	Florence, KY	712
Gateway Community & Tech College	Covington, KY	4,594
Brown Mackie College	Ft. Mitchell, KY	304
Maysville Community College	Maysville, KY	3,478

**LARGEST EMPLOYERS
(Tri-County)**

<u>Firm</u>	<u>Product</u>	<u>Employment</u>
<i>Cold Spring</i>		
Auto Vehicle Parts Co.	Distribution center for auto fasteners	85
CCL Labels	Flexographic and variable image printing	75
Fischer Special Manufacturing	Automatic screw machine products, produce specialty fasteners and inserts for the automotive industry	58
Griffin Industries LLC	Regional corporate headquarters	97
<i>Newport</i>		
Defender Security Company	Customer response operation	68
Divisions Inc.	Headquarters	117
Ethos Laboratories	Blood, urinalysis and general chemistry testing	81
Executive Transportation Service Inc.	Freight transportation arrangement	32
International Identification Inc.	Animal identification tags, including livestock ear tags, poultry wing bands, metal and bar coded identification tags	58
Multi-Craft Inc.	Commercial offset printing, marketing, full service bindery, mailing, fulfillment & promotional products	47
PL Marketing Inc.	Headquarters	69
River Metals Recycling LLC	Scrap metal recycling	39
Ryder Dairy	Distribution of fluid milk, cottage cheese, ice cream, fruit drinks, orange juice & ice cream mixes	75
Steinhauser Inc.	Packaging, pressure sensitive labels	34
<i>Wilder</i>		
Andrews Laser Works Corp.	Provider of laser processing, metal stamping, welding, fabrication, and machining services	99
Castellini Company LLC	Distribute product	360
Maxim Crane Works	Heavy construction equipment & regional office	100
TMK IPSCO Tubulars Kentucky Inc.	Manufacture steel pipes for oil and gas industry	349
Trophy Awards Manufacturing Inc.	Awards, crystal awards, acrylic awards, trophies, plaques, corporate awards, gifts, promotional items, imprinted apparel, signs & nametags	46
Valcom Enterprises Inc.	Custom commercial interior & exterior metal & drywall partitions	100

Source: Kentucky Cabinet for Economic Development (9/02/2016).

APPENDIX B

**Fort Thomas Independent School District Finance Corporation
School Building Revenue Refunding Bonds
Series 2016**

Audited Financial Statements for FY Ending June 30, 2015

**FORT THOMAS INDEPENDENT SCHOOL
DISTRICT**

June 30, 2015

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, 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 Fort Thomas Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fort Thomas Independent 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; the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits to the Independent Auditor's Contract, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Fort Thomas Independent School District, as of June 30, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 1 through 4, the budgetary comparison information, on pages 36 and 37, and the pension schedules on pages 38 and 39 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 Fort Thomas Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, 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, other supplementary information 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 5, 2015, on our consideration of the Fort Thomas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fort Thomas Independent School District's internal control over financial reporting and compliance

VonLehman & Company Inc.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

As management of the Fort Thomas Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. 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 and investment balance, including activity funds for the District was \$7,619,634.
- The General Fund had \$26,195,003 in revenue (excluding proceeds from the issuance of a capital lease), which primarily consisted of the state program (SEEK), property, local occupational license taxes and motor vehicle taxes. The General Fund had expenditures of \$25,975,582 (excluding inter-fund transfers of \$725,189).
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education compliance regulations.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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 are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 5 and 6 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 proprietary funds of the District include its food service operations, adult education, and summer enrichment. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 7 through 11 of this report.

Notes to the financial statements. The notes to the financial statements 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 16 through 35 of this report.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(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 of resources exceeded liabilities and deferred inflows of resources by \$21,056,994 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are 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, 2015 and 2014

	June 30,	
	2015	2014 (As Restated)
Current Assets	\$ 8,639,791	\$ 7,572,831
Noncurrent Assets	62,912,872	58,631,604
Total Assets	71,552,663	66,204,435
Deferred Outflows of Resources	1,024,909	576,133
Total Assets and Deferred Outflows of Resources	72,577,572	66,780,568
Current Liabilities	4,461,883	3,232,653
Noncurrent Liabilities	46,579,993	43,777,685
Total Liabilities	51,041,876	47,010,338
Deferred Inflows of Resources	478,702	-
Total Liabilities and Deferred Inflows of Resources	51,520,578	47,010,338
Investment in Capital Assets (Net of Debt)	18,150,783	17,372,926
Restricted	2,551,427	272,598
Unrestricted	354,784	2,124,706
Total Net Position	\$ 21,056,994	\$ 19,770,230

Comments on Budget Comparisons

- The District's total general revenues for the fiscal year ended June 30, 2015 were \$26,195,003.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$6,021,503 in excess of budget, or approximately 29.8%. This is partially a result of the District recording "on behalf" payments made by the state.
- The total cost of all programs and services in the General Fund was \$25,975,582.
- General fund actual expenditures were more than budgeted expenditures by \$2,114,265. This is mainly a result of the District recording "on behalf" payments made by the state.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2015 and 2014.

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
		<u>(As Restated)</u>
Revenues		
Program Revenues		
Charges for Services	\$ 2,115,281	\$ 1,910,085
Operating Grants and Contributions	2,267,168	2,216,533
Capital Grants and Contributions	<u>2,101,528</u>	<u>2,296,792</u>
Total Program Revenues	<u>6,483,977</u>	<u>6,423,410</u>
General Revenues		
Taxes	13,609,148	13,017,494
Grants and Entitlements	12,970,719	12,069,628
Earnings on Investments	18,756	20,345
Miscellaneous	<u>72,303</u>	<u>136,232</u>
Total General Revenues	<u>26,670,926</u>	<u>25,243,699</u>
Total Revenues	<u>33,154,903</u>	<u>31,667,109</u>
Expenses		
Instruction	17,798,424	15,624,532
Student Support Services	1,351,465	1,346,767
Staff Support Services	1,565,512	1,336,741
District Administration	1,275,916	1,895,733
School Administration	2,246,687	1,593,977
Business Support	891,929	845,142
Plant Operations	2,850,084	2,873,780
Student Transportation	128,424	166,263
Community Services	19,450	78,802
Amortization Expense, Net	2,953	7,128
Pension Expense	779,669	-
Bond Issuance Costs	160,316	26,130
Interest on Long-Term Debt	1,369,909	1,676,519
Food Service	<u>1,427,401</u>	<u>1,276,036</u>
Total Expenses	<u>31,868,139</u>	<u>28,747,550</u>
Change in Net Position	<u>\$ 1,286,764</u>	<u>\$ 2,919,559</u>

Capital Assets

At the end of fiscal year 2015, the District had a total of approximately \$62.9 million in capital assets net of accumulated depreciation, including approximately \$62.6 million for governmental activities and approximately \$300,000 for business type activities. Current year capital asset additions totaled approximately \$7.0 million.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Debt

At June 30, 2015, the District had approximately \$43.8 million in outstanding bonds. There was one new bond issuance, one current refunding, and one advance refunding during fiscal year 2015. The issuance was in March, 2015 for \$4.6 million. The current refunding was for \$9.5 million in August, 2014 while the advance refunding for \$9.1 million was in March, 2015.

Budgetary Implications

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$1,634,040 in contingency (6.8%). Significant District action that impacts the finances include a minimum 1% pay raise for all employees.

Contacting the District's Financial Management

Questions regarding this report should be directed to the Superintendent, Mr. Gene Kirchner, at (859) 815-2002 or by mail at Fort Thomas Independent School District, 28 N. Fort Thomas Avenue, Fort Thomas, Kentucky 41075.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 7,556,117	\$ 419,108	\$ 7,975,225
Accounts Receivable	408,885	-	408,885
Inventories	-	40,038	40,038
Prepaid Expenses	215,643	-	215,643
Total Current Assets	8,180,645	459,146	8,639,791
Noncurrent Assets			
Nondepreciable Capital Assets			
Land	465,820	-	465,820
Construction in Progress	3,279,440	-	3,279,440
Depreciable Capital Assets			
Land Improvements	218,119	-	218,119
Buildings and Improvements	66,730,698	-	66,730,698
Vehicles	371,437	-	371,437
Furniture and Equipment	6,217,685	635,401	6,853,086
Less Accumulated Depreciation	(14,670,710)	(335,018)	(15,005,728)
Total Noncurrent Assets	62,612,489	300,383	62,912,872
Total Assets	70,793,134	759,529	71,552,663
Deferred Outflows of Resources			
Contributions After Measurement Date	449,661	79,496	529,157
Deferred Loss on Refunding, Net	495,752	-	495,752
Total Deferred Outflows of Resources	945,413	79,496	1,024,909
Total Assets and Deferred Outflows of Resources	71,738,547	839,025	72,577,572
Liabilities			
Current Liabilities			
Current Portion of Bonds Payable	2,493,736	-	2,493,736
Current Portion of Capital Lease Obligations	218,676	-	218,676
Current Portion of Accrued Sick Leave	134,385	-	134,385
Current Portion of Insurance Assessment Liability	22,822	-	22,822
Accounts Payable	1,100,185	1,763	1,101,948
Accrued Interest	239,407	-	239,407
Funds Received in Excess of Revenues Earned	250,909	-	250,909
Total Current Liabilities	4,460,120	1,763	4,461,883
Noncurrent Liabilities			
Noncurrent Portion of Accrued Sick Leave	417,255	-	417,255
Noncurrent Portion of Insurance Assessment Liability	63,954	-	63,954
Noncurrent Portion of Bonds Payable	41,312,634	-	41,312,634
Noncurrent Portion of Capital Lease Obligations	497,636	-	497,636
Net Pension Liability	3,644,249	644,265	4,288,514
Total Noncurrent Liabilities	45,935,728	644,265	46,579,993
Total Liabilities	50,395,848	646,028	51,041,876
Deferred Inflows of Resources			
Net Difference Between Projected and Actual Investment Earnings	406,786	71,916	478,702
Total Liabilities and Deferred Inflows of Resources	50,802,634	717,944	51,520,578
Net Position			
Invested in Capital Assets, Net of Related Debt Restricted for Capital Projects	17,850,400	300,383	18,150,783
Unrestricted	2,551,427	-	2,551,427
	534,086	(179,302)	354,784
Total Net Position	\$ 20,935,913	\$ 121,081	\$ 21,056,994

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities							
Instructional	\$ 17,798,424	\$ 908,596	\$ 2,195,004	\$ 964,733	\$ (13,730,091)	\$ -	\$ (13,730,091)
Support Services							
Student	1,351,465	-	-	-	(1,351,465)	-	(1,351,465)
Instructional Staff	1,565,512	-	-	-	(1,565,512)	-	(1,565,512)
District Administration	1,275,916	-	-	-	(1,275,916)	-	(1,275,916)
School Administration	2,246,687	-	-	-	(2,246,687)	-	(2,246,687)
Business	891,929	-	-	-	(891,929)	-	(891,929)
Plant Operation and Maintenance	2,850,084	-	-	500,000	(2,350,084)	-	(2,350,084)
Student Transportation	128,424	-	-	-	(128,424)	-	(128,424)
Community Services	19,450	-	-	-	(19,450)	-	(19,450)
Amortization Expense, Net	2,953	-	-	-	(2,953)	-	(2,953)
Pension Expense	779,669	-	-	-	(779,669)	-	(779,669)
Bond Issuance Costs	160,316	-	-	-	(160,316)	-	(160,316)
Interest on Long-Term Debt	1,369,909	-	-	636,795	(733,114)	-	(733,114)
Total Governmental Activities	<u>30,440,738</u>	<u>908,596</u>	<u>2,195,004</u>	<u>2,101,528</u>	<u>(25,235,610)</u>	<u>-</u>	<u>(25,235,610)</u>
Business-Type Activities							
Food Service and Other Activities	<u>1,427,401</u>	<u>1,206,685</u>	<u>72,164</u>	<u>-</u>	<u>-</u>	<u>(148,552)</u>	<u>(148,552)</u>
Total School District	<u>\$ 31,868,139</u>	<u>\$ 2,115,281</u>	<u>\$ 2,267,168</u>	<u>\$ 2,101,528</u>	<u>(25,235,610)</u>	<u>(148,552)</u>	<u>(25,384,162)</u>
General Revenues							
Taxes					13,609,148	-	13,609,148
Federal and State Aid not Restricted to Specific Purposes					12,970,719	-	12,970,719
Investment Earnings					17,802	954	18,756
Miscellaneous					72,303	-	72,303
Total General Revenues					<u>26,669,972</u>	<u>954</u>	<u>26,670,926</u>
Change in Net Position					1,434,362	(147,598)	1,286,764
Net Position July 1, 2014 (As Restated)					19,501,551	268,679	19,770,230
Net Position June 30, 2015					<u>\$ 20,935,913</u>	<u>\$ 121,081</u>	<u>\$ 21,056,994</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Construction Funds</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and Cash Equivalents	\$ 3,881,484	\$ 125,826	\$ 3,496,248	\$ -	\$ 52,559	\$ 7,556,117
Accounts Receivable	283,080	125,083	-	-	722	408,885
Prepaid Expense	215,643	-	-	-	-	215,643
Total Assets	<u>\$ 4,380,207</u>	<u>\$ 250,909</u>	<u>\$ 3,496,248</u>	<u>\$ -</u>	<u>\$ 53,281</u>	<u>\$ 8,180,645</u>
Liabilities						
Accounts Payable	\$ 155,364	\$ -	\$ 944,821	\$ -	\$ -	\$ 1,100,185
Deferred Revenues	-	250,909	-	-	-	250,909
Total Liabilities	<u>155,364</u>	<u>250,909</u>	<u>944,821</u>	<u>-</u>	<u>-</u>	<u>1,351,094</u>
Fund Balances						
Nonspendable-Prepays	215,643	-	-	-	-	215,643
Restricted						
Construction Fund	-	-	2,551,427	-	-	2,551,427
Capital Outlay Fund	-	-	-	-	2,911	2,911
Building Fund	-	-	-	-	50,370	50,370
Committed						
Accumulated Sick Leave	551,640	-	-	-	-	551,640
Unassigned	3,457,560	-	-	-	-	3,457,560
Total Fund Balances	<u>4,224,843</u>	<u>-</u>	<u>2,551,427</u>	<u>-</u>	<u>53,281</u>	<u>6,829,551</u>
Total Liabilities and Fund Balances	<u>\$ 4,380,207</u>	<u>\$ 250,909</u>	<u>\$ 3,496,248</u>	<u>\$ -</u>	<u>\$ 53,281</u>	<u>\$ 8,180,645</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total Governmental Funds Balance		\$ 6,829,551
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 77,283,199	
Accumulated Depreciation	<u>(14,670,710)</u>	62,612,489
Deferred loss on refunding, net is not a financial resource and therefore is not reported as assets in governmental funds		
		495,752
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Contributions After Measurement Date		449,661
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(406,786)
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	43,710,000	
Discount on Bonds, Net	(222,607)	
Premiums on Bonds, Net	225,627	
KITSA Bond Payable	93,350	
KSBIT Assessment	86,776	
Accrued Interest on Bonds	239,407	
Accumulated Sick Leave	551,640	
Capital Lease Obligations	716,312	
Net Pension Liability	<u>3,644,249</u>	<u>(49,044,754)</u>
Total Net Position - Governmental Activities		\$ <u><u>20,935,913</u></u>

See accompanying notes.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Funds	Construction Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 12,210,561	\$ -	\$ -	\$ -	\$ 1,398,587	\$ 13,609,148
Earnings on Investments	12,876	-	3,771	-	1,155	17,802
State Sources	13,037,386	402,536	-	1,351,529	1,061,528	15,852,979
Federal Sources	-	664,273	-	115,095	-	779,368
Other Sources	934,180	181,623	500,000	-	-	1,615,803
Total Revenues	<u>26,195,003</u>	<u>1,248,432</u>	<u>503,771</u>	<u>1,466,624</u>	<u>2,461,270</u>	<u>31,875,100</u>
Expenditures						
Instructional	15,995,465	997,464	-	-	-	16,992,929
Support Services						
Student	1,325,847	44,718	-	-	-	1,370,565
Instructional Staff	1,575,312	152,659	-	-	-	1,727,971
District Administration	1,237,739	10,569	-	-	-	1,248,308
School Administration	1,714,321	-	-	-	-	1,714,321
Business	924,360	-	-	-	-	924,360
Plant Operation and Maintenance	3,039,022	-	-	-	-	3,039,022
Student Transportation	112,692	100,565	-	-	-	213,257
Community Services	-	19,490	-	-	-	19,490
Debt Service						
Principal	13,250	-	-	11,718,250	-	11,731,500
Interest	37,574	-	-	1,546,721	-	1,584,295
Capital Outlay	-	-	5,957,810	-	-	5,957,810
Total Expenditures	<u>25,975,582</u>	<u>1,325,465</u>	<u>5,957,810</u>	<u>13,264,971</u>	<u>-</u>	<u>46,523,828</u>
Excess (Deficit) of Revenues Over Expenditures	<u>219,421</u>	<u>(77,033)</u>	<u>(5,454,039)</u>	<u>(11,798,347)</u>	<u>2,461,270</u>	<u>(14,648,728)</u>
Other Financing Sources (Uses)						
Operating Transfers In	-	77,033	5,532,382	2,255,587	-	7,865,002
Operating Transfers Out	(725,189)	-	-	-	(7,139,813)	(7,865,002)
Proceeds from Issuance of Capital Lease	1,036,341	-	-	-	-	1,036,341
Proceeds from Issuance of Refunding Bonds	-	-	-	18,620,000	-	18,620,000
Proceeds from Issuance of Bonds	-	-	-	-	4,575,000	4,575,000
Payment to Refunded Bond Escrow Agent	-	-	-	(9,183,721)	-	(9,183,721)
Bond Issuance Costs	-	-	-	(124,616)	(35,700)	(160,316)
Underwriters' Premium on Bond Sale	-	-	-	231,097	-	231,097
Underwriters' Discount on Bond Sale	-	-	-	-	(80,074)	(80,074)
Total Other Financing Sources (Uses)	<u>311,152</u>	<u>77,033</u>	<u>5,532,382</u>	<u>11,798,347</u>	<u>(2,680,587)</u>	<u>15,038,327</u>
Net Change in Fund Balance	530,573	-	78,343	-	(219,317)	389,599
Fund Balance July 1, 2014	<u>3,694,270</u>	<u>-</u>	<u>2,473,084</u>	<u>-</u>	<u>272,598</u>	<u>6,439,952</u>
Fund Balance June 30, 2015	<u>\$ 4,224,843</u>	<u>\$ -</u>	<u>\$ 2,551,427</u>	<u>\$ -</u>	<u>\$ 53,281</u>	<u>\$ 6,829,551</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net Changes in Total Fund Balances Per Fund Financial Statements \$ 389,599

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

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.

Depreciation Expense	\$ (2,125,317)	
Capital Outlays	<u>6,441,756</u>	4,316,439

Discounts on bonds are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount by which the current year discount on bonds exceeded the current year amortization expense.

Discount on Bonds	80,074	
Amortization Expense	<u>(8,423)</u>	71,651

Premiums on bonds are reported in the governmental funds as an other financing use. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount by which the current year premium on bonds exceeded the current year amortization expense.

Premium on Bonds	(231,097)	
Amortization Expense	<u>5,470</u>	(225,627)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but, it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Principal Payments Made	12,001,300	
Payments to Escrow for Refunded Debt	<u>9,183,721</u>	21,185,021

The proceeds from bonds and capital leases provide current financial resources and are reported in the fund financial statements but they are presented as liabilities in the statement of net position. (24,231,341)

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(Continued)**

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these amounts are measured by the amount of financial resources used (essentially, the amounts actually paid.) The difference in expenses reported in the statement of activities is as a result of the change in accumulated sick leave.

\$ 30,992

KSBIT Insurance Assessment Liability

34,998

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension Contributions - June 30, 2014

(487,989)

Pension Contributions - June 30, 2015

449,661

Cost of Benefits Earned Net of Employee Contributions

(291,680)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is as a result of (1) the change in accrued interest on bonds and (2) refunding losses and gains are not expended within the fund statements.

192,638

Change in Net Position of Governmental Activities

\$ 1,434,362

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 379,579	\$ 1,169	\$ 38,360	\$ 419,108
Inventories for Consumption	<u>40,038</u>	<u>-</u>	<u>-</u>	<u>40,038</u>
Total Current Assets	<u>419,617</u>	<u>1,169</u>	<u>38,360</u>	<u>459,146</u>
Noncurrent Assets				
Furniture and Equipment	635,401	-	-	635,401
Less Accumulated Depreciation	<u>(335,018)</u>	<u>-</u>	<u>-</u>	<u>(335,018)</u>
Total Noncurrent Assets	<u>300,383</u>	<u>-</u>	<u>-</u>	<u>300,383</u>
Total Assets	720,000	1,169	38,360	759,529
Deferred Outflows of Resources				
Contributions After Measurement Date	<u>79,472</u>	<u>-</u>	<u>24</u>	<u>79,496</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 799,472</u>	<u>\$ 1,169</u>	<u>\$ 38,384</u>	<u>\$ 839,025</u>
Liabilities				
Current Liabilities				
Accounts Payable	\$ 903	\$ -	\$ 860	\$ 1,763
Noncurrent Liabilities				
Net Pension Liability	<u>644,071</u>	<u>-</u>	<u>194</u>	<u>644,265</u>
Total Liabilities	644,974	-	1,054	646,028
Deferred Inflows of Resources				
Net Difference Between Projected and Actual Investment Earnings	<u>71,894</u>	<u>-</u>	<u>22</u>	<u>71,916</u>
Total Liabilities and Deferred Inflows of Resources	<u>716,868</u>	<u>-</u>	<u>1,076</u>	<u>717,944</u>
Net Position				
Invested in Assets, Net of Debt	300,383	-	-	300,383
Unrestricted	<u>(217,779)</u>	<u>1,169</u>	<u>37,308</u>	<u>(179,302)</u>
Total Net Position	<u>82,604</u>	<u>1,169</u>	<u>37,308</u>	<u>121,081</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 799,472</u>	<u>\$ 1,169</u>	<u>\$ 38,384</u>	<u>\$ 839,025</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
Operating Revenues				
Lunchroom Sales	\$ 1,172,377	\$ -	\$ -	\$ 1,172,377
Other Operating Revenues	<u>14,671</u>	<u>610</u>	<u>19,027</u>	<u>34,308</u>
Total Operating Revenues	<u>1,187,048</u>	<u>610</u>	<u>19,027</u>	<u>1,206,685</u>
Operating Expenses				
Salaries and Benefits	596,249	72	19,187	615,508
Contract Services	5,493	-	3,880	9,373
Materials and Supplies	624,850	-	2,669	627,519
Depreciation	35,171	-	-	35,171
Pension Expense	139,614	-	96	139,710
Other Operating Expenses	<u>120</u>	<u>-</u>	<u>-</u>	<u>120</u>
Total Operating Expenses	<u>1,401,497</u>	<u>72</u>	<u>25,832</u>	<u>1,427,401</u>
Operating (Loss) Income	<u>(214,449)</u>	<u>538</u>	<u>(6,805)</u>	<u>(220,716)</u>
Non-Operating Revenues (Expenses)				
State Aid	72,164	-	-	72,164
Interest Income	<u>954</u>	<u>-</u>	<u>-</u>	<u>954</u>
Total Non-Operating Revenues (Expenses)	<u>73,118</u>	<u>-</u>	<u>-</u>	<u>73,118</u>
Net (Loss) Income	(141,331)	538	(6,805)	(147,598)
Net Position July 1, 2014 (As Restated)	<u>223,935</u>	<u>631</u>	<u>44,113</u>	<u>268,679</u>
Net Position June 30, 2015	<u>\$ 82,604</u>	<u>\$ 1,169</u>	<u>\$ 37,308</u>	<u>\$ 121,081</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
Cash Flows From Operating Activities				
Cash Received from Lunchroom Sales	\$ 1,177,848	\$ -	\$ -	\$ 1,177,848
Cash Received from Other Activities	14,671	610	19,710	34,991
Cash Payments to Employees for Services	(675,721)	(72)	(19,211)	(695,004)
Cash Payments to Suppliers for Goods and Services	<u>(630,463)</u>	<u>-</u>	<u>(6,549)</u>	<u>(637,012)</u>
Net Cash (Used) Provided by Operating Activities	(113,665)	538	(6,050)	(119,177)
Cash Flows From Non Capital Financing Activities				
Federal and State Grants	72,164	-	-	72,164
Cash Flows From Investing Activities				
Interest on Investments	<u>954</u>	<u>-</u>	<u>-</u>	<u>954</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(40,547)	538	(6,050)	(46,059)
Cash and Cash Equivalents, Beginning of Year	<u>420,126</u>	<u>631</u>	<u>44,410</u>	<u>465,167</u>
Cash and Cash Equivalents, End of Year	<u>\$ 379,579</u>	<u>\$ 1,169</u>	<u>\$ 38,360</u>	<u>\$ 419,108</u>
Reconciliation of Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities				
Operating (Loss) Income	\$ (214,449)	\$ 538	\$ (6,805)	\$ (220,716)
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities				
Depreciation	35,171	-	-	35,171
Change in Assets and Liabilities				
Increase in Inventories for Consumption	7,303	-	-	7,303
Increase in Deferred Outflows of Resources	8,592	-	56	8,648
(Decrease) Increase in Accounts Payable	(1,832)	-	683	(1,149)
Decrease in Net Pension Liability	(20,344)	-	(6)	(20,350)
Increase in Deferred Inflows of Resources	<u>71,894</u>	<u>-</u>	<u>22</u>	<u>71,916</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (113,665)</u>	<u>\$ 538</u>	<u>\$ (6,050)</u>	<u>\$ (119,177)</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 794,728
Accounts Receivable	<u>17,327</u>
Total Assets	<u>812,055</u>
Liabilities	
Accounts Payable	1,019
Due to Student Groups	
High School Activity Funds	680,329
Elementary and Middle School Activity Funds	<u>130,707</u>
Total Liabilities	<u>812,055</u>
Net Position	
Net Position Held in Trust	<u><u>\$ -</u></u>

See accompanying notes.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fort Thomas Independent Board of Education (the 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 Fort Thomas Independent School District (the 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. District 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 Fort Thomas Independent School District. 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by, or dependent on the District. 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:

Fort Thomas Independent School District Finance Corporation – On December 12, 1988, the Fort Thomas Independent School District resolved to authorize the establishment of the Fort Thomas Independent 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 District Members of the Fort Thomas Independent 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Non-major 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 balance, which reports on the changes in net total assets. 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 47. This is a major fund of the District.
- (C) 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).
 - 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.
 - 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.
 - The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District. No budgetary comparison is presented as this fund does not have a legally adopted budget.
- (D) 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. No budgetary comparison is presented as this fund does not have a legally adopted budget.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

II. Proprietary Fund Types (Enterprise Funds)

- (A) 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). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund is used to account for programs for adult education.
- (C) The Summer Enrichment Fund is used to account for programs for additional learning opportunities outside of the normal school calendar.

The District applies all Governmental Accounting Standards District (GASB) pronouncements to Proprietary Funds.

III. Fiduciary Fund Type (Agency and Trust Funds)

- (A) 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 the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

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.

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

Funds Received in Excess of Revenues Earned - Funds received exceeds revenues earned when assets are recognized before revenue recognition criteria have been satisfied.

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

Restricted and Unrestricted Resources – When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as needed.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in net position as an expense with a like amount reported as donated commodities revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District. 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.

Budgetary Process

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget.

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 \$1,000, 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.

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:

Buildings and Improvements	25 - 50 Years
Land Improvements	20 Years
Technology Equipment	5 Years
Vehicles	5 - 10 Years
Audio-Visual Equipment	15 Years
Food Service Equipment	12 Years
Furniture and Fixtures	7 Years
Other	10 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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 statement 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.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable 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 District's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, District or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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 to fund balance in the governmental funds balance sheet.

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 (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. 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.

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 its 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 and other services. Expenses are primarily payroll, food costs, and supply purchases.

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.

Estimates

The process of preparing 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, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit, cash and cash equivalents totaling \$8,514,041. Of the total cash balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity date of 90 days or less.

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents at June 30, 2015, consist of the following:

	<u>June 30, 2015</u>
Bank Balance	\$ <u>8,514,041</u>
Book Balance	\$ <u>8,769,953</u>

Cash allocation per financial statements:

	<u>June 30, 2015</u>
Governmental Funds	\$ 7,556,117
Proprietary Funds	419,108
Activity Funds	<u>794,728</u>
	<u>\$ 8,769,953</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers</u>	<u>Deductions / Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Land	\$ 465,820	\$ -	\$ -	\$ 465,820
Construction In Progress	582,062	3,279,440	(582,062)	3,279,440
Land Improvements	218,119	-	-	218,119
Buildings & Improvements	64,052,327	2,678,371	-	66,730,698
Technology Equipment	2,379,002	983,102	(61,293)	3,300,811
Vehicles	283,026	88,411	-	371,437
General Equipment	<u>2,922,380</u>	<u>-</u>	<u>(5,506)</u>	<u>2,916,874</u>
Total at Historical Cost	<u>70,902,736</u>	<u>7,029,324</u>	<u>(648,861)</u>	<u>77,283,199</u>
Less Accumulated Depreciation				
Land Improvements	217,046	148	-	217,194
Buildings & Improvements	9,462,472	1,441,557	-	10,904,029
Technology Equipment	1,810,573	468,156	(61,293)	2,217,436
Vehicles	190,564	31,358	-	221,922
General Equipment	<u>926,031</u>	<u>184,098</u>	<u>-</u>	<u>1,110,129</u>
Total Accumulated Depreciation	<u>12,606,686</u>	<u>2,125,317</u>	<u>(61,293)</u>	<u>14,670,710</u>
Governmental Activities Capital Assets, Net	<u>\$ 58,296,050</u>	<u>\$ 4,904,007</u>	<u>\$ (587,568)</u>	<u>\$ 62,612,489</u>

NOTE 3 - CAPITAL ASSETS (Continued)

	Beginning Balance	Additions / Transfers	Deductions / Transfers	Ending Balance
Business-Type Activities				
Technology Equipment	\$ 4,244	\$ -	\$ -	\$ 4,244
General Equipment	631,157	-	-	631,157
Total at Historic Cost	635,401	-	-	635,401
Less Accumulated Depreciation				
Technology Equipment	3,800	272	-	4,072
General Equipment	296,047	34,899	-	330,946
Total Accumulated Depreciation	299,847	35,171	-	335,018
Business-Type Activities Capital Assets, Net				
	\$ 335,554	\$ (35,171)	\$ -	\$ 300,383

Depreciation expense was charged to governmental functions as follows:

	Year Ended June 30, 2015
Instruction	\$ 1,464,549
District Administration	44,621
School Administration	599,373
Business Support Services	2,933
Plant Operation and Maintenance	923
Student Transportation	12,918
	\$ 2,125,317

NOTE 4 - DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Fort Thomas Independent School District Finance Corporation including any unamortized portions of bond discounts or bond premiums.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2015.

	Debt Outstanding July 1, 2014	Additions	Refunding of Debt	Reductions	Debt Outstanding June 30, 2015	Expected to be Paid Within One Year
General Obligation						
Bonds	\$ 41,035,000	\$ 23,195,000	\$ 18,315,000	\$ 2,205,000	\$ 43,710,000	\$ 2,470,000
Unamortized Discount	(150,956)	(80,074)	-	(8,423)	(222,607)	(8,959)
Unamortized Premium	-	231,097	-	5,470	225,627	19,144
KISTA Bond Pool	18,189	88,411	-	13,250	93,350	13,551
Capital Leases	51,432	947,930	-	283,050	716,312	218,676
	\$ 40,953,665	\$ 24,382,364	\$ 18,315,000	\$ 2,498,347	\$ 44,522,682	\$ 2,712,412

NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)

The repayment of general obligation and KISTA bonds includes the following:

	June 30, <u>2015</u>
Paid by the District	\$ 1,375,171
Paid by the Kentucky School Facility Construction Commission	<u>843,079</u>
	<u>\$ 2,218,250</u>

Bonds

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

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

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2015 are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Outstanding Balance at June 30, 2015</u>
April, 2006	\$ 11,220,000	4.13 - 4.38 %	\$ 285,000
July, 2006	1,160,000	3.50 - 4.20	735,000
August, 2007	1,380,000	3.75 - 4.13	1,015,000
January, 2008	1,575,000	3.25 - 4.25	1,180,000
June, 2008	1,600,000	3.35 - 4.30	1,445,000
May, 2009	10,220,000	1.00 - 3.40	4,975,000
January, 2009	36,418	2.00 - 3.90	14,508
August, 2010	2,030,000	1.00 - 5.20	1,690,000
June, 2011	1,130,000	1.85 - 4.20	1,040,000
July, 2012	2,945,000	1.50 - 3.20	2,870,000
May, 2013	3,310,000	2.00 - 3.125	3,165,000
March, 2014	88,411	2.00 - 3.00	78,842
April, 2014	2,245,000	3.00 - 4.00	2,180,000
August, 2014	9,540,000	2.00 - 3.38	9,475,000
March, 2015	9,080,000	2.00 - 3.00	9,080,000
March, 2015	4,575,000	2.00 - 3.38	4,575,000
Less: Unamortized Bond Discounts			(222,607)
Plus: Unamortized Bond Premiums			<u>225,627</u>
			<u>\$ 43,806,370</u>

NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)

All issues may be called prior to maturity at dates and redemption premiums 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, 2015 for debt service (principal and interest) are as follows:

Fiscal Year	Ft. Thomas Independent School District		KY School Facilities Construction Commission		Federal Rebate	Total Requirements
	Principal	Interest	Principal	Interest		
2015-16	\$ 1,511,305	\$ 884,775	\$ 972,246	\$ 527,381	\$ (25,652)	\$ 3,870,055
2016-17	1,551,181	823,188	996,105	512,972	(24,856)	3,858,590
2017-18	1,596,528	782,440	1,015,355	485,819	(23,911)	3,856,231
2018-19	1,633,821	740,257	1,043,344	457,813	(22,939)	3,852,296
2019-20	1,676,131	694,943	1,072,762	427,876	(21,734)	3,849,978
2020-21	1,726,747	647,095	932,307	396,039	(20,321)	3,681,867
2021-22	1,765,115	607,031	959,164	367,761	(18,862)	3,680,209
2022-23	1,817,965	553,497	985,026	335,110	(17,320)	3,674,278
2023-24	1,875,116	497,180	1,018,132	299,637	(15,611)	3,674,454
2024-25	1,922,357	439,392	1,052,643	262,316	(13,730)	3,662,978
2025-26	1,596,568	380,241	1,088,432	222,719	(11,761)	3,276,199
2026-27	1,528,409	325,091	901,591	185,971	(9,749)	2,931,313
2027-28	1,582,453	275,210	902,547	148,920	(7,672)	2,901,458
2028-29	1,414,207	222,705	765,793	112,074	(5,484)	2,509,295
2029-30	1,457,697	176,436	637,303	81,207	(3,185)	2,349,458
2030-31	1,174,240	133,874	260,760	58,172	(1,001)	1,626,045
2031-32	1,058,286	94,253	151,714	43,831	-	1,348,084
2032-33	1,100,010	58,957	154,990	32,053	-	1,346,010
2033-34	486,149	27,754	58,851	19,754	-	592,508
2034-35	299,162	10,096	60,838	10,096	-	380,192
	<u>\$ 28,773,447</u>	<u>\$ 8,374,415</u>	<u>\$ 15,029,903</u>	<u>\$ 4,987,521</u>	<u>\$ (243,788)</u>	<u>\$ 56,921,498</u>

Details of Refundings

Due to favorable interest rates, during fiscal year 2015, \$9,080,000 of the Series 2015 School Building Refunding Revenue Bonds were issued to refund \$8,815,000 of the District's previously issued and outstanding Series 2006A School Building Refunding Revenue Bonds. The Series 2006A School Building Refunding Revenue Bonds will be called on April 1, 2016 at 100%. The reacquisition price exceeded the net carrying amount of the old debt by \$368,721. This amount is being amortized over the remaining life of the refunded debt. As a result of this issuance, \$8,815,000 of the obligation is considered to be defeased and the liability for those bonds has been removed from the District's financial statements. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$826,131 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$680,724.

NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)

Due to favorable interest rates, during fiscal year 2015, \$9,540,000 of the Series 2014-REF School Building Refunding Revenue Bonds were issued to refund \$9,500,000 of the District's previously issued and outstanding Series 2009BAB School Building Revenue Bonds. The Series 2009BAB School Building Revenue Bonds were called on August 26, 2014 at 100%. The reacquisition price exceeded the net carrying amount of the old debt by \$127,031. This amount is being amortized over the remaining life of the refunded debt. As a result of this issuance, \$9,500,000 of the obligation is considered to be defeased and the liability for those bonds has been removed from the District's financial statements. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$868,419 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$686,671.

Capital Leases

The District leases technology equipment for various schools under a capital lease. This lease expires in August, 2019. 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 under capital leases is included in depreciation expense for 2015.

The following is a summary of property held under capital lease obligations at cost less accumulated depreciation:

	June 30, 2015
Technology Equipment	\$ 947,930
Less Accumulated Depreciation	179,735
Net Capital Lease Property	\$ 768,195

The following is a schedule, by year, of the future minimum lease payment under capital lease together with the present value of the net minimum lease payments as of June 30, 2015.

Years Ending June 30,		
2016	\$	232,618
2017		232,618
2018		232,618
2019		51,492
Total		749,346
Less Amount Representing Interest		33,034
Present Value of Minimum Lease Payments		716,312
Less Current Portion		218,676
Long-Term Portion	\$	497,636

NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teachers' 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, 2015, this amount totaled approximately \$551,640 for those employees with twenty-seven or more years of experience. The District has reserved \$551,640 of its General Fund for unpaid sick leave benefits.

Changes in the District's compensated absences during fiscal year 2015 were as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Expected to be Paid Within One Year</u>
Governmental Activities Accumulated Sick Leave	\$ 585,350	\$ 108,570	\$ 142,280	\$ 551,640	\$ 134,385

The accumulated sick leave liability will be liquidated by the General Fund.

NOTE 6 – INSURANCE ASSESSMENT LIABILITY

During a prior year, the District was assessed \$121,774 associated with the underfunded status of The Kentucky School Boards Insurance Trust. The District had been previously notified of the potential for assessment but it wasn't until a court ruling in June, 2014, that a plan was passed and the assessment was calculated. The assessment was comprised of \$91,406 for Worker's Compensation Insurance and \$30,368 for Property & Liability Insurance. The District was given several payment options and chose to pay the assessments over the next six years. The plan included a 25% payment in August, 2014 for both assessments. The remaining Property & Liability Insurance assessment would be paid equally over the following two years while the remaining Worker's Compensation assessment would be paid equally over the following five years.

The remaining maturities on this assessment are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 22,822
2017	22,821
2018	13,711
2019	13,711
2020	<u>13,711</u>
	<u>\$ 86,776</u>

NOTE 7 - COMMITMENTS UNDER NONCAPITALIZED LEASES

The District has operating leases for three copiers for at term of sixty months at \$3,966 per month expiring in May, 2019. Expenditures for the equipment under these operating leases totaled \$47,593 for the year ended June 30, 2015.

Future minimum rental payments under the leases are as follows:

Years Ending June 30,	
2016	\$ 47,593
2017	47,593
2018	47,593
2019	<u>43,627</u>
	<u>\$ 186,406</u>

NOTE 8 – PENSION PLANS

The District's total payroll for the year was \$16,806,136. The payroll for employees covered under the following plans totaled \$16,511,700.

Kentucky Teachers' Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by, and operating under, Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school district. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 12.105% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the District's financial records and amounted to \$2,017,973 for 2015. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the District of Trustees of Kentucky Retirement Systems. The District contributed 15.355% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2015. In addition, the District contributed 2.25% of the employee's compensation to the retiree medical insurance fund for employees who are not in federally funded positions.

The District's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,984,016 (composed of \$348,134 from the District and \$1,635,882 from the employees), \$1,723,792 and \$1,512,562, respectively; 100% has been contributed for fiscal years 2015, 2014, and 2013.

NOTE 8 – PENSION PLANS (Continued)

County Employees Retirement System

Plan description: County Employees Retirement System (CERS) consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in nonhazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Retirement Eligibility for Members Whose Participation Began Before 09/01/2008		
Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008		
Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Benefit Formula				
Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:		Includes earned service, purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program).
			Member begins participating prior to 08/01/2004.	
Average of the last complete five if participation began on or after 09/01/2008.		2.00% if:		
			Member begins participating on or after 08/01/2004 and before 09/01/2008.	
		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:		
			Member begins participating on or after 09/01/2008.	

* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)**

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

NOTE 8 – PENSION PLANS (Continued)

For disability benefits, members participating before 08/01/2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after 08/01/2004 but before 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Each system's assets are used only for the payment of benefits to the members of that system, and a pro rata share of administrative costs in accordance with the provisions of Kentucky Revised Statute Section 78.630.

Contributions: For the fiscal years ended June 30, 2015 and 2014, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545, normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% for the nonhazardous system and 34.31% for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension plan from the District were \$529,157 and \$576,133 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8 – PENSION PLANS (Continued)

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

At June 30, 2015, the District reported a liability of \$4,288,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the District's proportion for the nonhazardous system was 0.13%.

For the year ended June 30, 2015, the District recognized pension expense of \$919,379. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 478,702
District Contributions Subsequent to the Measurement Date	529,157	-
Total	\$ 529,157	\$ 478,702

The \$529,157 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	\$ 95,740
2017	95,741
2018	95,740
2019	95,741
2020	95,740
Total	\$ 478,702

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.5%
Salary Increase	4.5%, Average, Including Inflation
Investment Rate of Return	7.75% Net of Pension Plan Investment Expense, Including Inflation

NOTE 8 – PENSION PLANS (Continued)

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Domestic Equity	30.00 %	8.45 %
International Equity	22.00	8.85
Emerging Market Equity	5.00	10.50
Private Equity	7.00	11.25
Real Estate	5.00	7.00
Core U.S. Fixed Income	10.00	5.25
High Yield U.S. Fixed Income	5.00	7.25
Non U.S. Fixed Income	5.00	5.50
Commodities	5.00	7.75
TIPS	5.00	5.00
Cash	<u>1.00</u>	3.25
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 – PENSION PLANS (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease</u>		<u>Current Discount</u>		<u>1% Increase</u>
	<u>(6.75%)</u>		<u>Rate (7.75%)</u>		<u>(8.75%)</u>
Nonhazardous	\$ 5,643,399	\$	4,288,514	\$	3,091,443

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 9 - CONTINGENCIES

The District receives funding from federal, state and local government agencies as well as private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantor 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 10 - 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.

NOTE 11 - 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 workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Districts 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 Districts Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

NOTE 11 - RISK MANAGEMENT (Continued)

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self insurance term. 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 purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - 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	Special Revenue	Operating	\$ 13,318
General	Special Revenue	KETS Match	63,715
General	Construction	Site Improvement	648,156
Capital Outlay	Construction	Site Improvement	425,000
Capital Outlay	Debt Service	Bond Payments	101,226
Building	Debt Service	Bond Payments	2,154,361
Building	Construction	Site Improvement	4,459,226

NOTE 13 - ON-BEHALF PAYMENTS

As amounts are paid by various state agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2015 is as follows:

	<u>2015</u>
Payments Made by the State for Fringe Benefits of District Employees and Technology Expenses	\$ <u>4,457,804</u>
Payments Made by the KSFCC for its Participation in the District's Bonds - Included in Debt Service Expenditures	\$ <u>1,351,529</u>

NOTE 14 - SUBSEQUENT EVENTS

Effective February, 2015, the District entered into a lease agreement in the amount of \$845,580 for the purchase of laptops in the June 30, 2016 school year. Payments will begin on this lease agreement in July, 2015.

In November, 2015, the School District issued Series 2015C School Building Revenue Bonds in the amount of \$23,810,000 for the complete renovation of Ruth Moyer Elementary.

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is November 5, 2015 which is the date on which the financial statements were available to be issued.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, for the County Employee’s Retirement System and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. These Statements also require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

The implementation of GASB Statements No. 68 and 71 had the following effect:

Net Position, June 30, 2014	\$ 23,618,067
Recognition of Contributions after Measurement Date	576,133
Recognition of Net Pension Liability	<u>(4,423,970)</u>
 Restated Net Position, June 30, 2014	 \$ <u><u>19,770,230</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 11,564,000	\$ 11,564,000	\$ 12,210,561	\$ 646,561
Earnings on Investments	10,000	10,000	12,876	2,876
State Sources	7,774,500	7,774,500	13,037,386	5,262,886
Other Sources	825,000	825,000	934,180	109,180
Total Revenues	<u>20,173,500</u>	<u>20,173,500</u>	<u>26,195,003</u>	<u>6,021,503</u>
Expenditures				
Instructional	12,215,989	12,215,989	15,995,465	(3,779,476)
Support Services				
Student	1,124,848	1,124,848	1,325,847	(200,999)
Instructional Staff	1,452,061	1,452,061	1,575,312	(123,251)
District Administration	1,450,091	1,450,091	1,237,739	212,352
School Administration	1,428,661	1,428,661	1,714,321	(285,660)
Business	819,862	819,862	924,360	(104,498)
Plant Operation and Maintenance	3,602,565	3,602,565	3,039,022	563,543
Student Transportation	56,200	56,200	112,692	(56,492)
Debt Service	52,000	52,000	50,824	1,176
Capital Outlays	25,000	25,000	-	25,000
Contingency	1,634,040	1,634,040	-	1,634,040
Total Expenditures	<u>23,861,317</u>	<u>23,861,317</u>	<u>25,975,582</u>	<u>(2,114,265)</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(3,687,817)</u>	<u>(3,687,817)</u>	<u>219,421</u>	<u>3,907,238</u>
Other Financing (Uses) Sources				
Operating Transfers Out	-	-	(725,189)	(725,189)
Proceeds from Issuance of Capital Leases	-	-	1,036,341	1,036,341
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>311,152</u>	<u>311,152</u>
Net Change in Fund Balance	<u>(3,687,817)</u>	<u>(3,687,817)</u>	<u>530,573</u>	<u>4,218,390</u>
Fund Balance July 1, 2014	<u>3,694,270</u>	<u>3,694,270</u>	<u>3,694,270</u>	<u>-</u>
Fund Balance June 30, 2015	<u>\$ 6,453</u>	<u>\$ 6,453</u>	<u>\$ 4,224,843</u>	<u>\$ 4,218,390</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget (Unfavorable) Favorable
Revenues				
State Sources	\$ 428,379	\$ 428,379	\$ 402,536	\$ (25,843)
Federal Sources	680,725	680,725	664,273	(16,452)
Other Sources	-	-	181,623	181,623
Total Revenues	1,109,104	1,109,104	1,248,432	139,328
Expenditures				
Instructional	894,592	894,592	997,464	(102,872)
Support Services				
Student	80,650	80,650	44,718	35,932
Instructional Staff	88,957	88,957	152,659	(63,702)
District Administration	-	-	10,569	(10,569)
Student Transportation	44,905	44,905	100,565	(55,660)
Community Services	-	-	19,490	(19,490)
Total Expenditures	1,109,104	1,109,104	1,325,465	(216,361)
(Deficit) Excess of Revenues Over Expenditures	-	-	(77,033)	(77,033)
Other Financing Sources				
Operating Transfers In	-	-	77,033	77,033
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2014	-	-	-	-
Fund Balance June 30, 2015	\$ -	\$ -	\$ -	\$ -

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30,**

County Employees Retirement System

	2015
District's Proportion of the Net Pension Liability (Asset)	0.13%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,288,514
District's Covered - Employee Payroll	\$ 3,049,942
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	140.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
JUNE 30,**

**County Employees Retirement System
Last 3 Fiscal Years**

<u>Nonhazardous</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 529,157	\$ 576,133	\$ 566,170
Contributions in Relation to the Contractually Required Contribution	<u>(529,157)</u>	<u>(576,133)</u>	<u>(566,170)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered-Employee Payroll	\$ <u>2,994,701</u>	\$ <u>3,049,942</u>	\$ <u>2,895,942</u>
Contributions as a Percentage of Covered-Employee Payroll	17.67%	18.89%	19.55%

OTHER SUPPLEMENTARY INFORMATION

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	SEEK Capital Outlay Fund	FSPK Building Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 2,911	\$ 49,648	\$ 52,559
Accounts Receivable	-	722	722
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>2,911</u>	\$ <u>50,370</u>	\$ <u>53,281</u>
 Fund Balances			
Restricted			
Capital Outlay and Building Fund	\$ <u>2,911</u>	\$ <u>50,370</u>	\$ <u>53,281</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ <u>2,911</u>	\$ <u>50,370</u>	\$ <u>53,281</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	SEEK Capital Outlay Fund	FSPK Building Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ -	\$ 1,398,587	\$ 1,398,587
Earnings on Investments	554	601	1,155
State Sources	<u>272,202</u>	<u>789,326</u>	<u>1,061,528</u>
 Total Revenues	 <u>272,756</u>	 <u>2,188,514</u>	 <u>2,461,270</u>
 Other Financing (Uses) Sources			
Operating Transfers Out	(526,226)	(6,613,587)	(7,139,813)
Proceeds from Issuance of Bonds	-	4,575,000	4,575,000
Bond Issuance Costs	-	(35,700)	(35,700)
Underwriters' Discount on Bond Sale	<u>-</u>	<u>(80,074)</u>	<u>(80,074)</u>
 Total Other Financing Uses	 <u>(526,226)</u>	 <u>(2,154,361)</u>	 <u>(2,680,587)</u>
 Net Change in Fund Balance	 (253,470)	 34,153	 (219,317)
 Fund Balance July 1, 2014	 <u>256,381</u>	 <u>16,217</u>	 <u>272,598</u>
 Fund Balance June 30, 2015	 <u>\$ 2,911</u>	 <u>\$ 50,370</u>	 <u>\$ 53,281</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Academic Team	\$ 126	\$ 200	\$ 85	\$ 241	\$ -	\$ -	\$ 241
Academic Competition Grants - Tom Jones	5,107	10,000	7,358	7,749	-	-	7,749
Art Club	1,420	480	808	1,092	-	-	1,092
Art Fees	1,106	5,668	5,138	1,636	-	-	1,636
Athletic Hall of Fame	-	1,000	-	1,000	-	-	1,000
BAM	1,557	26,532	24,016	4,073	-	-	4,073
Band	10,165	24,433	26,894	7,704	-	-	7,704
Bank Adjustments	-	20	20	-	-	-	-
Baseball	5,775	39,699	40,341	5,133	-	-	5,133
Baseball Regional Tournament	-	581	581	-	-	-	-
Baseball State Tournament	-	4,140	4,140	-	-	-	-
Bookstore	55,152	43,033	39,732	58,453	-	-	58,453
Boys Basketball	12,321	25,547	26,364	11,504	-	-	11,504
Boys Basketball District Tourney	-	279	279	-	-	-	-
Boys Golf	-	91	91	-	-	-	-
Boys Soccer	3,905	19,313	9,738	13,480	-	-	13,480
Boys Track	1,466	969	585	1,850	-	-	1,850
Cafeteria	67	140	110	97	-	-	97
Cheerleaders	3,000	14,549	14,920	2,629	-	-	2,629
Chorus	1,527	7,079	7,308	1,298	-	-	1,298
Contemporary Issues Field Trip	-	-	(570)	570	-	-	570
Creative Writing	5	-	-	5	-	-	5
Credit Card Fees	-	377	377	-	-	-	-
Cross Country	-	6,590	4,067	2,523	-	-	2,523
Dance Team	381	19,377	19,229	529	-	-	529
Dance Team - Nationals	-	43,679	43,679	-	-	-	-
District Softball Tournament	1,204	2,293	3,497	-	-	-	-
Drama	19,343	24,961	27,860	16,444	-	-	16,444
English Department	627	-	-	627	-	-	627

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Envirothon	\$ 315	\$ 25	\$ 340	\$ -	\$ -	\$ -	\$ -
Faculty/Staff Resource Fund	2,769	1,000	478	3,291	-	-	3,291
Family and Consumer Science	983	3,288	3,087	1,184	-	-	1,184
Fashion and Interior Design	3,420	11,508	12,694	2,234	-	-	2,234
FBLA	62	2,173	2,023	212	-	-	212
FCCLA	16,082	16,070	10,999	21,153	-	-	21,153
Football	42,241	50,841	45,021	48,061	-	-	48,061
Football 1st Round	-	5,077	5,077	-	-	-	-
Football 2nd Round	-	3,979	3,979	-	-	-	-
Football 3rd Round	-	6,880	6,880	-	-	-	-
Football 4th Round	-	8,111	8,111	-	-	-	-
Football Championship	-	5,186	5,186	-	-	-	-
General Fund	21,713	-	811	20,902	-	-	20,902
German Club	523	292	658	157	-	-	157
Girls Basketball	2,931	21,745	20,697	3,979	-	-	3,979
Girls Basketball District Tournament	-	279	279	-	-	-	-
Girls Basketball Regional Tournament	-	6,522	6,522	-	-	-	-
Girls Golf	514	11,074	8,351	3,237	-	-	3,237
Girls Soccer	-	9,510	3,267	6,243	-	-	6,243
Girls Tennis	4,468	-	-	4,468	-	-	4,468
Girls Track	-	1,264	1,264	-	-	-	-
Green Club	314	-	168	146	-	-	146
Guidance Office	36,748	113,691	110,256	40,183	-	-	40,183
History Club	-	1,193	1,193	-	-	-	-
HMS Athletic Tournaments	-	2,796	2,796	-	-	-	-
HMS Dance Team	1,266	18,036	18,529	773	-	-	773
Hospitality/Culinary	2,811	603	2,359	1,055	-	-	1,055
Industrial Arts Club	266	-	-	266	-	-	266
Industrial Arts Department	1,052	-	-	1,052	-	-	1,052

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Instructional Fees	\$ 89,897	\$ 26,872	\$ 26,401	\$ 90,368	\$ 17,327	\$ -	\$ 107,695
Interest Earned	13,976	1,322	-	15,298	-	-	15,298
Intramural Basketball	78	1,120	739	459	-	-	459
Junior Prom	3,758	22,553	21,050	5,261	-	-	5,261
JV Dance Team	251	14,925	15,160	16	-	-	16
Math Honor Society	17	434	410	41	-	-	41
Mock Trial	1,841	11,320	8,462	4,699	-	-	4,699
National German Exam	-	645	645	-	-	-	-
National Honor Society	1,566	2,135	1,448	2,253	-	-	2,253
NEHS	253	1,275	724	804	-	-	804
NSE	-	530	530	-	-	-	-
NSHS	324	200	301	223	-	-	223
Pot Luck Luncheons	149	385	409	125	-	-	125
Principal	27,539	5,109	6,934	25,714	-	-	25,714
Resource Center	2,909	111	2,347	673	-	-	673
Robotics Team	8,691	565	7,919	1,337	-	-	1,337
Science Fees	37,929	20,180	19,088	39,021	-	-	39,021
Science - Field Trips	-	353	353	-	-	-	-
Scholarships	8,261	14,325	12,825	9,761	-	-	9,761
Senior Class	1,432	3,138	885	3,685	-	-	3,685
Senior Class - Sam Scott Scholarship	3,052	3,690	6,742	-	-	-	-
Service Learning Projects	-	500	-	500	-	-	500
Sinfonia Orchestra	1,984	17,824	17,289	2,519	-	-	2,519
Spanish Club	1,259	359	281	1,337	-	-	1,337
Speech/Debate	3,296	2,945	2,778	3,463	-	-	3,463
Softball	4,500	10,717	12,510	2,707	-	-	2,707
Softball - Regional Tourney	-	223	223	-	-	-	-
STLP	50	-	-	50	-	-	50
Student Coke Commission	3,223	342	-	3,565	-	-	3,565

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Student Council	\$ 9,737	\$ 6,033	\$ 5,015	\$ 10,755	\$ -	\$ -	\$ 10,755
Student Fees - Suspense	-	9,743	-	9,743	-	-	9,743
Surplus Payments	-	285	-	285	-	-	285
Swimming	399	640	845	194	-	-	194
Textbook Rental	25,031	42,428	59,433	8,026	-	-	8,026
Tri-M Music Honor Society	-	490	346	144	-	-	144
Video Productions	1,159	2,795	2,776	1,178	-	-	1,178
Volleyball	5,105	27,146	17,290	14,961	-	-	14,961
We The People	-	20,462	20,462	-	-	-	-
Yearbook/Journalism	14,868	14,938	11,132	18,674	-	-	18,674
Total General	535,266	911,230	871,424	575,072	17,327	-	592,399
Total Athletic Department	36,588	636,544	585,202	87,930	-	-	87,930
Total	\$ 571,854	\$ 1,547,774	\$ 1,456,626	\$ 663,002	\$ 17,327	\$ -	\$ 680,329

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
OTHER SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Robert Johnson Elementary School</u>	<u>Ruth Moyer Elementary School</u>	<u>Samuel Woodfill Elementary School</u>	<u>Highlands Middle School</u>	<u>Total</u>
Cash Balance at July 1, 2014	\$ 33,853	\$ 57,647	\$ 9,702	\$ 80,050	\$ 181,252
Add: Receipts	51,512	71,556	55,159	156,564	334,791
Less: Disbursements	<u>(54,338)</u>	<u>(73,317)</u>	<u>(55,752)</u>	<u>(200,910)</u>	<u>(384,317)</u>
Cash Balance at June 30, 2015	31,027	55,886	9,109	35,704	131,726
Accounts Receivable	-	-	-	-	-
Accounts Payable	<u>-</u>	<u>-</u>	<u>(1,019)</u>	<u>-</u>	<u>(1,019)</u>
Fund Balance at June 30, 2015	<u>\$ 31,027</u>	<u>\$ 55,886</u>	<u>\$ 8,090</u>	<u>\$ 35,704</u>	<u>\$ 130,707</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Expenditures</u>	<u>Program/ Cluster Total</u>
U.S. Department of Education				
<i>Passed Through State Department of Education</i>				
Title I - Vocational Education Grants to States	84.048	4621232	\$ <u>15,409</u>	\$ <u>15,409</u>
Title II - Improving Teacher Quality State Grant	84.367	3230002	<u>75,579</u>	<u>75,579</u>
<u>Title I Cluster</u>				
Title I - Grants to Local Education Agencies	84.010	3100002	<u>159,812</u>	<u>159,812</u>
<u>Special Education Cluster</u>				
Special Education Grants to States	84.027	3810002	396,877	
Special Education Preschool Grants	84.173	3800002	<u>17,102</u>	<u>413,979</u>
Total Expenditures of Federal Awards			\$ <u><u>664,779</u></u>	\$ <u><u>664,779</u></u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fort Thomas Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	None reported
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 510(a) of OMB Circular A-133?	No
Identification of major programs:	<ul style="list-style-type: none"> • Special Education Cluster [CFDA #84.027 and #84.173]
Dollar threshold used to distinguish between type A and type B programs:	Type A: > \$300,000 Type B: > all others
Auditee qualified as low-risk auditee?	Yes

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None Reported

**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**

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, 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, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract – General Audit Requirements, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Thomas Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Fort Thomas Independent School District's basic financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District

Compliance and Other Matters

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

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.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
November 5, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Fort Thomas Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The Fort Thomas Independent School District's major federal programs are identified in the summary of auditors' result section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract – General Audit Requirements, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fort Thomas Independent School District, complied in all material respects, with the types of compliance requirements referred to above that could have direct material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Fort Thomas Independent 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 the Fort Thomas Independent 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fort Thomas Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VonLehman & Company Inc.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, Kentucky

In planning and performing our audit of the financial statements of the Fort Thomas Independent School District (the District) for the year ended June 30, 2015, we considered the District's internal controls in order to determine the audit procedures that are appropriate for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls.

During the course of our audit we select samples of activity for our auditing tests. Through these procedures we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the District's internal controls in our report dated November 5, 2015. This letter does not affect our report dated November 5, 2015 on the financial statements of the Fort Thomas Independent School District.

Our findings are presented on the following pages.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)**

CURRENT YEAR RECOMMENDATIONS

ITEM 01- ACTIVITY FUNDS

General Findings for All Schools

- There were instances noted where deposits were not made in a timely manner. It is recommended that deposits greater than one hundred dollars be made the day the deposit is received and deposits less than one hundred dollars be made on at least a weekly basis. For money collected after school business hours for evening events, the money shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day.
- There were instances noted where the purchase order was prepared after the payment was obligated. It is recommended that the purchase order be prepared and approved by the sponsor and principal before the payment is obligated for every purchase.
- It was noted that the schools did not implement the new "Accounting Procedures for Kentucky School Activity Funds" effective July 1, 2013. We recommend the school treasurers review the School Activity Fund account balances to ensure the proper procedures are implemented and in compliance with the "Accounting Procedures for Kentucky School activity Funds" effective July 1, 2013.

Highlands High School

- It was noted that there were instances where teachers were not remitting money timely to the school treasurer. It is recommended that all money collected by teachers be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day.
- It was noted on the Multiple Receipt Form (Form F-SA-6) that teachers were writing in student's names rather than having the students sign the form. It is recommended that students third grade and above sign the Multiple Receipt Form.
- There were instances noted where invoices were not stamped "Paid". We recommend all invoices be stamped "Paid" in order to properly cancel the invoice.
- It was noted that the bank reconciliations are not being performed on a timely basis. We recommend that the school treasurer reconcile the bank statements on a monthly basis. This will assist in recognizing and resolving any issues or errors on a timely basis.
- It was noted that the principal is not receiving the bank statements prior to the bank reconciliation being performed. We recommend the bank statement be emailed directly (if electronically) or opened (if mailed or picked up) by the principal prior to the treasurer having access to it.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)**

Highlands Middle School

- It was noted that the Requisition and Report of Ticket Sales (Form F-SA-1) was being prepared at the high school for the middle school play. However, the form was not being returned to the middle school treasurer to be completed. We recommend the person in charge of sales, the ticket taker, and the school treasurer sign the Requisition and Report of Ticket Sales and for the school treasurer to maintain the form to match up with the deposit.
- It was noted that there were instances where teachers were not remitting money timely to the school treasurer. It is recommended that all money collected by teachers be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day.

Johnson Elementary School

- No specific school findings.

Woodfill Elementary School

- It was noted on the Multiple Receipt Form (Form F-SA-6) that teachers were writing in student's names rather than having the students sign the form. It is recommended that students third grade and above sign the Multiple Receipt Form.

Moyer Elementary School

- No specific school findings.

MANAGEMENT'S RESPONSE

- Teachers, staff, booster organizations and administrators have been trained on the latest Redbook forms and procedures by an expert consultant. The supporting documentation will be reviewed periodically to make sure the proper forms and procedures are being followed.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)**

STATUS OF PRIOR RECOMMENDATIONS

The following section is presented for the purposes of providing an update on the status of our management letter points presented as of and for the year ended June 30, 2014. The recommendations and current status of those recommendations are as follows:

ITEM 01- ACTIVITY FUNDS

General Findings for All Schools

- None reported.

Highlands High School

- It was noted that there were instances where teachers were not remitting money timely to the school treasurer. It is recommended that all money collected by teachers be given to the school treasurer on the day collected.

Current Status: Repeat recommendation for 2015 as a General Finding for All Schools.

- It was noted that there were instances where the school treasurer collected money directly from students or parents. It is recommended that the treasurer not collect money directly from the student or parents.

Current Status: Issue resolved.

Highlands Middle School

- No specific school findings reported.

Johnson Elementary School

- No specific school findings reported.

Woodfill Elementary School

- There were instances noted where deposits were not made in a timely manner. It is recommended that deposits greater than one hundred dollars be made the day the deposit is received and deposits less than one hundred dollars be made within one business day.

Current Status: Repeat recommendation for 2015 as a General Finding for All Schools.

Moyer Elementary School

- There was one instance where a fundraiser did not have the principal's approval. It is recommended that all fundraisers have written principal approval.

Current Status: Issue resolved.

APPENDIX C

**Fort Thomas Independent School District Finance Corporation
School Building Revenue Refunding Bonds
Series 2016**

Continuing Disclosure Agreement

FORM OF CONTINUING DISCLOSURE AGREEMENT

Relating to:

\$5,710,000

FORT THOMAS INDEPENDENT SCHOOL DISTRICT FINANCE CORPORATION
SCHOOL BUILDING REVENUE REFUNDING BONDS, SERIES 2016

Dated as of: October 1, 2016

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of October, 2016, among Ross, Sinclair & Associates, LLC, as disclosure agent (the "Disclosure Agent"), the Board of Education of the Fort Thomas Independent School District (the "Board") and Fort Thomas Independent School District Finance Corporation (the "Issuer").

RECITALS

WHEREAS, the Issuer has issued or will issue its School Building Revenue Bonds, Series 2016 in the original aggregate principal amount of \$_____ (the "Bonds") pursuant to a Bond Resolution adopted September 12, 2016 (the "Bond Resolution") by the Issuer for the purpose of financing the costs of (i) currently refunding the outstanding Fort Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2006B and Series 2009D (Taxable Build America Bonds - Direct Payment), and (ii) refunding in advance of maturity a portion of the outstanding Fort Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2007, Series 2008A and Series 2008B, the proceeds of which were used to finance school building improvements (collectively, the "Project"); and

WHEREAS, the Bonds have been offered and sold pursuant to a Preliminary Official Statement, dated September 16, 2016 and an Official Statement, dated September 23, 2016 (the "Offering Document"); and _____ (the "Original Purchaser") has agreed to purchase the Bonds based on its competitive bid pursuant to the Issuer's Notice of Sale as to the Bonds; and

WHEREAS, the Disclosure Agent, the Board and the Issuer, wish to provide for the disclosure of certain information concerning the Bonds, the Project and other matters on an on-going basis as set forth herein for the benefit of the Bondholders, as hereinafter defined, in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Bond Resolution and the resolution of the Board adopted on September 12, 2016 (the "Board Resolution"), the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

SECTION 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Bond Resolution, as amended and supplemented from time to time. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared by the Board which shall include a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles; provided, however, that the Board may change the accounting principles used for preparation of such financial information so long as the Board includes as information provided to the public, a statement in narrative form to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles. Any or all of the items listed above may be set forth in other documents, including Offering Documents of debt issues of the Issuer, the Board or related public entities, which have been transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Bondholders" shall mean any holder of the Bonds and any Beneficial Owner thereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Event" shall mean any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service 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-exempt status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of the event);
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Person.
- (xiii) The consummation of a merger, consolidation or acquisition involving an Obligated Person, or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and.
- (xv) The cure, in the manner provided under the Bond Resolution, of any payment or nonpayment related default under the Bond Resolution.

The SEC requires the listing of (i) through (xiv) although some of such events may not be applicable to the Bonds.

"Operating Data" shall mean an update of the Operating Data contained in the Offering Document under the headings "BOND DEBT SERVICE," "DISTRICT STUDENT POPULATION," "LOCAL SUPPORT," and "SEEK ALLOTMENT".

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"SEC" shall mean the Securities and Exchange Commission.

"State" shall mean the Commonwealth of Kentucky.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Issuer or the Board to the Disclosure Agent; (ii) in a timely manner, but within ten (10) business days, with respect to Event occurrences disclosed by the Issuer to the Disclosure Agent; or (iii) two (2) business days with respect to the failure, on the part of the Issuer, to deliver Annual Financial Information

and Operating Data to the Disclosure Agent which period commences upon notification by the Issuer or the Board of such failure, or upon the Disclosure Agent's actual knowledge of such failure.

(B) This Agreement applies to the Bonds and any Additional Bonds issued under the Bond Resolution.

(C) The Disclosure Agent shall have no obligation to make disclosure about the Bonds or the Project except as expressly provided herein. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Issuer or the Board, apart from the relationship created by the Bond Resolution, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except as may be provided by written notice from the Issuer or the Board.

SECTION 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Issuer's and the Board's direction to the Disclosure Agent, with respect to information to be made public. In its actions under this Agreement, the Disclosure Agent is acting solely as the Issuer's agent and the Board's agent.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Issuer and the Board shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 270 days following the end of each fiscal year beginning with fiscal year ended June 30, 2016 and continuing with each fiscal year thereafter, for which the information is provided, taking into account the Turn Around Period.

(2) Events Notices. Notice of the occurrence of an Event, in a timely manner, within ten (10) business days of the occurrence of the Event.

(3) Failure to Provide Annual Financial Information. In a timely manner, notice of the failure of the Issuer or the Board to provide the Annual Financial Information and Operating Data by the date required herein.

(C) Information Provided by Disclosure Agent to Public.

(1) The Issuer and the Board direct the Disclosure Agent on their behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Agent agrees to act as the Issuer's and the Board's agent in so making public, the following:

- (a) the Annual Financial Information and Operating Data;
- (b) Event occurrences;
- (c) the notices of failure to provide information which the Issuer and the Board have agreed to make public pursuant to subsection (B)(3) of this Section 2;
- (d) such other information as the Issuer and the Board shall determine to make public through the Disclosure Agent and shall provide to the Disclosure Agent in the form required by subsection (C)(4) of this Section 2. If the Issuer and the Board choose to include any information in any Annual Financial Information report or in any notice of occurrence of an Event, in addition to that which is specifically required by this Agreement, neither the Issuer nor the Board shall have any obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of an Event; and

(2) The information which the Issuer and the Board have agreed to make public shall be in the following form:

- (a) as to all notices, reports and financial statements to be provided to the Disclosure Agent by the Issuer or the Board, in the form required by the Bond Resolution or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Disclosure Agent shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Agent shall make public the Annual Financial Information, the Operating Data, the Event occurrences and the failure to provide the Annual Financial Information within the applicable Turn Around Period. Notwithstanding the foregoing, Annual Financial Information, Operating Data and Events shall be made public on the same day as notice thereof is given to the Bondholders of outstanding Bonds, if required, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Issuer or the Board to the Disclosure Agent has not been provided on a timely basis, the Disclosure Agent shall make such information public as soon thereafter as it is provided to the Disclosure Agent.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Issuer, the Board or the Disclosure Agent under this Section if it is transmitted to one or more of the following as provided in subsection (D)(2) of this Section 2:

- (a) to the Bondholders of outstanding Bonds, by the method prescribed by the Bond Resolution;
- (b) to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB; and/or
- (c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Issuer or the Disclosure Agent is authorized to transmit information to a SEC by whatever means are mutually acceptable to the Disclosure Agent, the Issuer and the Board, and the SEC.

(2) Information shall be transmitted to the following:

- (a) all Annual Financial Information and Operating Data shall be transmitted to the MSRB;
- (b) notice of all Events and notice of a failure by the Issuer or the Board to provide Annual Financial Information on or before the date specified in Section 2(B)(1) hereof shall be transmitted to the MSRB; and
- (c) all information described in clauses (a) and (b) shall be made available to any Bondholder upon request, but need not be transmitted to the Bondholders who do not so request.
- (d) to the extent the Issuer or the Board is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

Nothing in this subsection shall be construed to relieve the Disclosure Agent of its obligation to provide notices to the holders of all Bonds if such notice is required by the Bond Resolution.

If the Disclosure Agent receives more than four (4) requests for periodic or occurrence information from Bondholders during any calendar quarter, the Disclosure Agent may require the payment by requesting holders of a reasonable charge for duplication and transmission of the information and for the Disclosure Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Issuer or the Board, as applicable, for response.

(E) Disclosure Agent Compensation. The Issuer shall pay the Disclosure Agent annually on [September 1][October 1] of each year the sum of \$400, plus out-of-pocket expenses of the Disclosure Agent for Disclosure Agent's services rendered in accordance with this Agreement. The Board shall pay to the Issuer as Supplemental Rent, as reimbursement for the costs of the Issuer hereunder, the sums herein set forth as provided, and subject to the limitations, in the Lease; provided, however, that the Disclosure Agent hereby waives its right to receive compensation hereunder for each year during which the Disclosure Agent serves as financial advisor for the Board.

(F) Indemnification of Disclosure Agent. In addition to any and all rights of the Disclosure Agent to reimbursement, indemnification and other rights pursuant to the Bond Resolution or under law or equity, the Issuer and the Board shall, to the extent permitted by law, indemnify and hold harmless the Disclosure Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Disclosure Agent's performance under this Agreement; provided that neither the Issuer nor the Board shall be required to indemnify the Disclosure Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Disclosure Agent in such disclosure of information hereunder. The obligations of the Issuer and Board under this Section shall survive resignation or removal of the Disclosure Agent and payment of the Bonds.

SECTION 3. Amendment or Waiver. Notwithstanding any other provision of this Agreement, the Issuer, the Board and the Disclosure Agent may amend this Agreement (and the Disclosure Agent shall agree to any amendment so requested by the Issuer and the Board) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized counsel expert in federal securities laws acceptable to the Issuer, the Board and the Disclosure Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute and deliver, and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Issuer, or its successor, enters into a new continuing disclosure agreement with a disclosure agent who agrees to continue to provide, to the MSRB and the Bondholders of the Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws and (iii) notice of the termination of this Agreement is provided to the MSRB.

This Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or defeasance or at maturity.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If a default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Original Purchaser or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to compel performance hereunder. 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 to comply with this Agreement shall be an action to compel performance.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Issuer, the Board, the Disclosure Agent, the Original Purchaser and Bondholders and shall create no rights in any other person or entity.

SECTION 5. Additional Disclosure Obligations. The Issuer and the Board acknowledge and understand that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Issuer and the Board, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer or the Board under such laws.

SECTION 6. Notices. Any notices or communications to or among any of the parties to this Agreement may be given as follows:

To the Issuer: Fort Thomas Independent School District Finance Corporation
28 North Fort Thomas Avenue
Fort Thomas, Kentucky 41075
Attention: Secretary
Telephone: 859-781-3333
Fax: 859-442-4015

To the Board: Board of Education of Fort Thomas Independent School District
28 North Fort Thomas Avenue
Fort Thomas, Kentucky 41075
Attention: Secretary
Telephone: 859-781-3333
Fax: 859-442-4015

To the Disclosure Agent: Ross, Sinclair & Associates, LLC
325 West Main Street, Suite 300
Lexington, Kentucky 40507
Attn: President
Telephone: 859 977-6600
Fax 859-381-1357

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, the Disclosure Agent, the Issuer and the Board have each caused their duly authorized officers to execute this Agreement, as of the day and year first above written.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
FINANCE CORPORATION

By: _____
President

Attest:

Secretary

BOARD OF EDUCATION OF THE FORT THOMAS
INDEPENDENT SCHOOL DISTRICT

By: _____
Chairperson

Attest:

Secretary

ROSS, SINCLAIRE & ASSOCIATES, LLC
Disclosure Agent

By: _____
Name:
Title:

APPENDIX D

**Fort Thomas Independent School District Finance Corporation
School Building Revenue Refunding Bonds
Series 2016**

Official Terms and Conditions

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$5,710,000*

Fort Thomas Independent School District Finance Corporation School Building Revenue Refunding Bonds, Series 2016 Dated October 1, 2016

SALE: Friday, September 23, 2016 at 11:00 A.M., E.D.S.T.

As advertised in the Courier-Journal, published in Louisville, Kentucky and The Campbell County Recorder, published in Fort Thomas, Kentucky, the Secretary of the Fort Thomas Independent School District Finance Corporation (the "Corporation") will until September 23, 2016, at the hour of 11:00 A.M., at the office of the Executive Director of the Kentucky School Facilities Construction, 229 West Main St., Suite 102, Frankfort, Kentucky 40601, receive sealed competitive bids for the revenue refunding bonds (the "Bonds") herein described. To be considered, Bids must be submitted on an Official Bid Form and must be delivered to the Secretary at the address indicated on the date of sale no later than the hour indicated. Bids will be opened by the Secretary and may be accepted without further action by the Corporation's Board of Directors.

*Subject to Permitted Adjustment increasing or decreasing the Bonds by up to \$570,000.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

The 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.

The Bonds are being issued to finance the cost of (i) currently refunding the outstanding Fort Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2006B and Series 2010 (Taxable Build America Bonds - Direct Payment) (the "Currently Refunded Bonds") and (ii) refunding in advance of maturity a portion of the outstanding Fort Thomas Independent School District Finance Corporation School Building Revenue Bonds, Series 2007, Series 2008A and Series 2008B (the "Advance Refunded Bonds"), the proceeds of which were used to finance the construction of various improvements at several schools within the Fort Thomas Independent School District (collectively, the "Projects") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school buildings to the Board under a Contract, Lease and Option (the "Lease") on a year to year basis; the first rental period ending June 30, 2017. The statutory mortgage lien securing the Bonds is limited in its application to the exact site of the Projects, real estate unoccupied by the Projects is unencumbered. The Board has reserved the right to obtain the release of the statutory mortgage lien and revenue pledge on the site of the Projects by effecting the redemption or defeasance of the proportionate part of the Bonds then outstanding as was expended on the site being released. Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of the Bonds have the right to have a receiver appointed to administer the Project under KRS 162.220; foreclosure and sale are not available as remedies.

The rental of the Projects from the Corporation to the Board is to be effected under the Lease, whereunder the Projects are leased to the Board for an initial period ending June 30, 2017, 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 is legally obligated only for the initial rental periods and for one year at a time thereafter each time the Lease is renewed.

Although the Board is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed, the Board has entered into the Lease in reliance upon a certain Participation Agreement by and between the Board and the Kentucky School Facilities Commission (the "Commission"). Under the terms of the Participation Agreement, the Commission has agreed to pay annually, until September 1, 2030 directly to the Paying Agent for the Bonds a stated agreed participation of approximately 75% of the debt service requirements for the Bonds herein identified until such date, subject to the constitutional restrictions limiting the commitment to the biennial; said annual amount is to be applied only to the principal and interest requirements of the Bonds so long as the Board renews the Lease. Under the Lease, the Board has pledged and assigned all of its rights under the Participation Agreement in and to the Agreed Participation to the

Corporation in order to secure the Bonds and has agreed to pay that portion of the rentals in excess of the Agreed Participation for each year in which the Lease is renewed.

KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION

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

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 §§ 157.611 through 157.640 of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need. Pursuant to the provisions of the Act, the Regulations of the State Board of Education and of the Commission, the Commission has determined that the Board is eligible for participation from the Commission in meeting the costs of the Projects and has entered into the Participation Agreement with the Board whereunder the Commission agrees to pay an Agreed Participation equal to approximately 75% of the debt service requirements each year to be applied only to the payment of the principal and interest requirements on the Bonds; provided, however, that the contractual commitment of the Commission to pay the annual Agreed Participation is limited to the biennial budget period of the Commonwealth, with the first such biennial period terminating on June 30, 2018. The right is reserved in the Commission to terminate the commitment to pay the Agreed Participation every two years thereafter. The obligation of the Commission to make payments of the Agreed Participation shall be automatically renewed each two years for a period of two years unless the Commission shall give notice of its intention not to participate not less than sixty days prior to the end of the biennium; however, by execution of the Participation Agreement, the Commission has expressed its present intention to continue to pay the Agreed Participation in each successive biennial budget period until the retirement of all of the Bonds, but such execution does not obligate the Commission to do so.

ADDITIONAL PARITY BONDS FOR COMPLETION OF PROJECTS

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said Projects and secured by the same statutory mortgage liens and pledges of revenues, but only if and to the extent the issuance of such additional parity bonds may be necessary to pay the costs, for which funds are not otherwise available, of completing the construction of said Projects in accordance with the plans and specifications of the architect in charge of said Projects, which plans have been completed, approved by the Board, State Department of Education, and filed in the office of the Secretary of the Corporation.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from October 1, 2016, payable on March 1, 2017 and semiannually thereafter and shall mature as to principal on March 1, 2017 and each September 1 thereafter as follows:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
March 1, 2017	\$ 120,000	September 1, 2024	\$ 555,000
September 1, 2017	220,000	September 1, 2025	460,000
September 1, 2018	400,000	September 1, 2026	505,000
September 1, 2019	400,000	September 1, 2027	485,000
September 1, 2020	545,000	September 1, 2028	125,000
September 1, 2021	555,000	September 1, 2029	130,000
September 1, 2022	560,000	September 1, 2030	105,000
September 1, 2023	545,000		

*Subject to Permitted Adjustment of the amount of Bonds awarded of up to \$570,000 which may be applied in any or all maturities.

The Bonds maturing on or after September 1, 2027, are subject to redemption prior to their stated maturities on any date falling on or after September 1, 2026, in such order of maturities as the Corporation may determine (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 by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

The Bonds are further subject to extraordinary optional redemption prior to their stated maturities on any date, in such order of maturities as the Corporation may determine (less than all of a single maturity to be selected by lot), in whole or in part, from the proceeds of casualty insurance received upon the total destruction by fire, lightning, windstorm or other hazard of any of the buildings constituting the Projects, upon notice of such prior redemption being given by the Paying Agent by regular United States Mail to the registered Owners of the Bonds so selected not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest to the date of redemption.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank National Association, Cincinnati, Ohio, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to each Registered Owner of records of the 15th day of each month preceding the due date by regular United States Mail postmarked as of the interest due date. Principal shall be paid upon submission of matured Bond Certificates to the Paying Agent. Subsequent to the initial delivery of the Bonds, upon the submission of proper authentication, the Bond Registrar shall transfer ownership of Bonds within three (3) business days of receipt without expense to the Registered Owner.

FINAL OFFICIAL STATEMENT

The Corporation shall provide to the successful purchaser a Final Official Statement. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board delivery requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will mature, have interest payment dates, be subject to redemption, have a Paying Agent and Registrar, be subject to the issuance of additional bonds and have other conditions and restrictions as set forth in the Preliminary Official Statement describing the Bonds. Reference is made to the Preliminary Official Statement for such information and for information regarding the District and the Corporation.

BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids for the Bonds must be made on Official Bid Form, contained in the Official Statement available from the undersigned or Ross, Sinclair & Associates, LLC 325 West Main Street, Suite 300, Lexington, Kentucky 40507, enclosed in sealed envelopes marked "Bid for School Building Revenue Refunding Bonds." Bids may alternatively be submitted electronically via BiDCOMP™/PARITY™ system. Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system 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 the BiDCOMP™/PARITY™ system. The use of the BiDCOMP™/PARITY™ system facilities are at the sole risk of the prospective bidders. For further information regarding the BiDCOMP™/PARITY™ system, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(B) The minimum bid for the Bonds shall be not less than \$5,624,350 (98.50% of par), plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/100 of 1% or both. Only one interest rate shall be permitted per maturity 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 for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

(C) The maximum permissible net interest cost for each of 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%.

(D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$5,710,000 principal amount of Bonds offered for sale hereunder; but the Corporation may adjust the principal amount of Bonds which may be awarded to such best bidder upward or downward by \$570,000 (the "Permitted Adjustment") to a minimum of \$5,140,000 or a maximum of \$6,280,000. 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 \$1,000 of Bonds as the price per \$1,000 for the \$5,710,000 of Bonds bid.

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

(F) The Corporation shall 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 bidders, in sufficient time to meet the delivery requirements of the successful bidders under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidders shall be required to pay for the printing of the Final Official Statement.

(G) 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 to the order of the Corporation an amount equal to 2% of the amount of the principal amount of the Bonds awarded by the close of business on the day following the award. Said good faith amount 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 and Series B Bonds respectively. 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.

(H) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They 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 for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). 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 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

(I) 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 bidders, in accordance with the Final Approving Legal Opinion of Dinsmore & Shohl LLP, Covington, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(J) The successful purchaser may require that a portion of the Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that the Term Bonds shall be subject to mandatory sinking fund redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on September 1 of the years and in the principal amounts set forth in the final adjusted maturity schedule as seen on page 3 of the successful bid.

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

(L) As required by the Code, purchasers of the Bonds will be required to certify to the Corporation as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the Board and the Corporation (the "Obligated Persons") will agree pursuant to Continuing Disclosure Agreements to be dated as of October 1, 2016 (the "Disclosure Agreement"), with Ross, Sinclair & Associates, LLC, as disclosure agent (the "Disclosure Agent"), to be delivered on the respective dates of delivery of the Bonds, to cause the following information to be provided through the Disclosure Agent:

(a) to the Municipal Securities Rulemaking Board ("MSRB") or any successor thereto for purposes of the 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, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained under the headings "Bond Debt Service", "Local Support"-Local Tax Rates, -Property Assessments and Revenue Collections, -District's Largest Taxpayers, -Overlapping Bond Indebtedness", "SEEK Allotment" and in Appendix B of this Official Statement (the "Annual Financial Information"); such information shall include, at a minimum, that financial information and operating data which is customarily prepared by the Obligated Persons and is publicly available. The annual financial information shall be provided on or before the 270th day following the fiscal year ending on the preceding June 30;

(b) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service 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 security, or other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;

- (x) Release, substitution or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Persons to comply with the terms thereof; however, a default under the Disclosure Agreement does not constitute an event of default under the Bond Resolution. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Bondholders are advised that the Disclosure Agreement, the form of which is attached to the Official Statement as Appendix C, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds; and
- (c) there are no liquidity providers applicable to the Bonds.

TAX TREATMENT

Bond Counsel is of the opinion that:

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

(B) Interest payable on the Bonds is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. The Corporation has covenanted to comply with the applicable provisions of the Code, and such compliance by the corporation is necessary to maintain the federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The Corporation has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code.

**FORT THOMAS INDEPENDENT SCHOOL
DISTRICT FINANCE CORPORATION**

By: _____
Secretary

APPENDIX E

**Fort Thomas Independent School District Finance Corporation
School Building Revenue Refunding Bonds
Series 2016**

Official Bid Form

OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$5,710,000 of School Building Revenue Refunding Bonds, Series 2016, dated October 1, 2016 (the "Bonds") offered for sale by the Fort Thomas Independent School District Finance Corporation (the "Corporation"), an agency and instrumentality acting on behalf of the Board of Education of the Fort Thomas Independent School District and in accordance with the Notice of Bond Sale, as advertised in The Courier-Journal, published in Louisville, Kentucky and the Campbell County Recorder, published in Fort Thomas, Kentucky, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$5,710,000 principal amount of the Bonds, the total sum of \$_____ (not less than \$5,624,350) plus accrued interest from October 1, 2016, at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

<u>MATURITY</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
March 1, 2017	\$ 120,000	_____%	September 1, 2024	\$ 555,000	_____%
September 1, 2017	220,000	_____%	September 1, 2025	460,000	_____%
September 1, 2018	400,000	_____%	September 1, 2026	505,000	_____%
September 1, 2019	400,000	_____%	September 1, 2027	485,000	_____%
September 1, 2020	545,000	_____%	September 1, 2028	125,000	_____%
September 1, 2021	555,000	_____%	September 1, 2029	130,000	_____%
September 1, 2022	560,000	_____%	September 1, 2030	105,000	_____%
September 1, 2023	545,000	_____%			

*Subject to Permitted Adjustment.

We understand this bid may be accepted for as much as \$6,280,000 of the Bonds or as little as \$5,140,000 of the Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, which will be determined by the Corporation at the time of acceptance of the best bid.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel, of Covington, Kentucky.

No certified or bank cashier's check will be required to accompany the 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 day following the award. Said good faith amount will be applied (without interest) to the purchase price when said Bonds are tendered for delivery.

Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/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 BiDCOMP™/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 BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Sale of Bonds, the Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of BiDCOMP™/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 BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. For further information regarding BiDCOMP™/PARITY™, potential bidders may contact BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty-five (45) days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

Signature

Total interest cost from October 1, 2016
to final maturity \$ _____

Plus discount \$ _____

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 Ross, Sinclair & Associates, LLC, as Financial Advisor and Agent for the Fort Thomas Independent School District Finance Corporation, for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

<u>MATURING</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURING</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
March 1, 2017	\$ _____	_____%	September 1, 2024	\$ _____	_____%
September 1, 2017	_____	_____%	September 1, 2025	_____	_____%
September 1, 2018	_____	_____%	September 1, 2026	_____	_____%
September 1, 2019	_____	_____%	September 1, 2027	_____	_____%
September 1, 2020	_____	_____%	September 1, 2028	_____	_____%
September 1, 2021	_____	_____%	September 1, 2029	_____	_____%
September 1, 2022	_____	_____%	September 1, 2030	_____	_____%
September 1, 2023	_____	_____%			

Dated: September 23, 2016

Ross, Sinclair & Associates, LLC as Financial Advisor
and Agent for the Fort Thomas Independent
School District Finance Corporation