

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 15, 2026

**Book-Entry Only
New Issue – Not Bank Qualified**

**Rating: S&P “AA”
See “RATING” herein**

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption “LEGAL MATTERS – Tax Treatment,” interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is exempt from Kentucky income tax, and the Bonds are also exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.



\$9,705,000*
**CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A**

Dated: Date of Initial Delivery

Due: December 1, as shown below

The interest on the above-captioned Bonds (the “Bonds”) will be payable from their dated date, on each June 1 and December 1, commencing December 1, 2026, and the Bonds mature on each December 1, as shown below:

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP 352262</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP 352262</u>
2026	\$265,000	%	%	%		2036	\$485,000	%	%	%	
2027	310,000					2037	510,000				
2028	325,000					2038	535,000				
2029	340,000					2039	560,000				
2030	360,000					2040	590,000				
2031	375,000					2041	615,000				
2032	395,000					2042	640,000				
2033	415,000					2043	665,000				
2034	440,000					2044	695,000				
2035	460,000					2045	725,000				

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association, in Louisville, Kentucky, as Paying Agent and Bond Registrar. Interest payments will be mailed or otherwise transferred by the Paying Agent and Bond Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. See “DESCRIPTION OF THE BONDS.”

The Bonds are subject to redemption before maturity, as described herein.

The City deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except certain information on the cover page hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

The Bonds are offered when, as, and if issued, subject to the approval of the legality and tax exemption thereof by Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel. Certain legal matters have been passed upon for the City by Dinsmore & Shohl LLP, Louisville, Kentucky, as Disclosure Counsel. The Bonds are expected to be available for delivery on or around May 7, 2026.

**RAYMOND JAMES & ASSOCIATES, INC.
MUNICIPAL ADVISOR**

Dated April __, 2026

* Preliminary, subject to change.

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT, WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY THESE SECURITIES BE ACCEPTED BEFORE THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF, THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

CITY OF FRANKFORT, KENTUCKY

Mayor

Layne Wilkerson

Board of Commissioners

Kelly May

Rob Richardson

Katima Smith-Willis

Leesa Unger

City Attorney

Laura Milam, Esq.

City Clerk

Chermie Maxwell

City Manager

Jason Monroe

Finance Director

Amber Moreland

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Louisville, Kentucky

MUNICIPAL ADVISOR

Raymond James & Associates, Inc.

Lexington, Kentucky

PAYING AGENT AND BOND REGISTRAR

U.S. Bank Trust Company, National Association

Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds by the City. No dealer, broker, salesman, or any other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy the Bonds, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The information and expressions of opinion herein are subject to change without notice. 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 City since the date hereof.

Upon their issuance, the Bonds will not be registered by the City under any federal or state securities law and will not be listed on any stock exchange or any other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency, except the City, will have, at the request of the City, (i) passed upon the accuracy or adequacy of this Official Statement, or (ii) approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for any information expressly attributed to other sources. The presentation of this information, including the tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that the past experience of the City, as is shown by the financial and other information presented in this Official Statement, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized. In addition, such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information contained in this Official Statement may not be current; however, attempts were made to date and document all sources of information. Neither this Official Statement nor any oral or written representations made by or on behalf of the City preliminary to the sale of the Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or any of the City's ordinances, resolutions, or municipal orders, are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

As used in this Official Statement, "debt service" means the principal of and premium, if any, and interest on the obligations referred to; "City" means the City of Frankfort, Kentucky; and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and Appendices hereto, is to provide certain information in connection with the issuance of \$9,705,000* aggregate principal amount of General Obligation Bonds, Series 2026A (the “Bonds”) of the City of Frankfort, Kentucky, as specified on the cover page hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and a guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page hereof and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the City of Frankfort, Kentucky (the “City”), a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City is located in Franklin County in the Bluegrass Region of North Central Kentucky.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.191, inclusive, of the Kentucky Revised Statutes and an ordinance adopted by the Board of Commissioners of the City on November 24, 2025 (the “Ordinance”).

Sources of Payment for the Bonds

The Bonds are a general obligation of the City. The basic security for the Bonds is the City’s ability to levy, and its pledge to levy, an annual tax to pay the principal of and the interest on the Bonds as and when the same become due and payable. (See “DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds,” herein).

Purpose of the Bonds

The Bonds are being issued for the purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new municipal fire station and related facilities, furnishings, and equipment, all within the jurisdictional boundaries of the City, and all for the well-being and benefit of the citizens of the City; (ii) paying the costs of credit enhancement for the Bonds, if any; and (iii) paying the costs of issuance of the Bonds. (See “PLAN OF FINANCING” herein).

Description of the Bonds

The Bonds will mature in the years and in the principal amounts set forth on the cover page hereof. The Bonds are being offered in denominations of \$5,000 or any integral multiple thereof, and will initially be issued in book-entry only form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), which will act as the securities depository for the Bonds, or in the name of its nominee. There will be no distribution of the Bonds to the ultimate purchasers thereof. (See “DESCRIPTION OF THE BONDS – Book-Entry Only System,” herein).

Redemption

The Bonds maturing on or after December 1, 2036 are subject to optional redemption before maturity on December 1, 2035 or any date thereafter (see “DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption,” herein).

*Preliminary, subject to change.

[The Bonds maturing on December 1, 20[___] are subject to mandatory sinking fund redemption before maturity commencing December 1, 20[___] (see “DESCRIPTION OF THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption,” herein).]

If any of the Bonds are called for redemption, notice of such redemption shall be given by U.S. Bank Trust Company, National Association, in its capacity as Paying Agent and Bond Registrar for the Bonds (the “Paying Agent and Bond Registrar”), by mailing a copy of the redemption notice to the registered owner of each Bond to be redeemed at least thirty days before the date fixed for redemption (see “DESCRIPTION OF THE BONDS – Redemption Provisions,” herein).

Book-Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as the nominee of DTC. The purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal and interest due on the Bonds will be made directly to DTC. The principal of and redemption premium, if any, and interest on the Bonds will be paid directly to DTC by the Paying Agent and Bond Registrar. See “DESCRIPTION OF THE BONDS – Book-Entry Only System” and Appendix F attached hereto.

Payment of the Bonds

The principal of and interest on the Bonds are payable in lawful money of the United States of America. The principal of the Bonds shall be paid upon their surrender by the registered owners thereof at the designated corporate trust office of the Paying Agent and Bond Registrar located in Louisville, Kentucky, and interest on the Bonds shall be mailed by the Paying Agent and Bond Registrar to the registered owners thereof, as of the applicable record date set forth below, at their addresses appearing on the registration books maintained by the Paying Agent and Bond Registrar. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners of the Bonds. The record date for each June 1 and December 1 interest payment date shall be the preceding May 15 and November 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest from such date at the rates set forth on the cover page hereof, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2026.

Tax Treatment

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, the interest, including original issue discount, if any, on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). In addition, the interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. Further, the interest on the Bonds is also exempt from Kentucky income taxation, and the Bonds are also exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions contained in this paragraph, Dinsmore & Shohl LLP, as Bond Counsel for the Bonds, has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion with respect to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “LEGAL MATTERS – Tax Treatment” herein and Appendix E hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the delivery of the Bonds.

Parties to the Issuance of the Bonds

The Paying Agent and Bond Registrar for the Bonds will be U.S. Bank Trust Company, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with respect to the treatment of the interest thereon for purposes of federal and Kentucky income taxation are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the Bonds. The Municipal Advisor to the City is Raymond James & Associates, Inc., Lexington, Kentucky.

Offering and Delivery of the Bonds

The Bonds are offered when, as, and if issued by the City. The Bonds will be delivered on or around May 7, 2026 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Ordinance and the bond forms, are available from the City.

The City deems this Preliminary Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement and copies of the basic documentation with respect to the Bonds are available from Raymond James & Associates, Inc., 489 East Main Street, Suite 200, Lexington, Kentucky 40507, Telephone (859) 232-8211, Attention: Bob Pennington.

DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2026, and shall be paid by check or draft mailed to the registered owners thereof, as of the applicable record date identified below, by U.S. Bank Trust Company, National Association, Louisville, Kentucky, as the Paying Agent and Bond Registrar for the Bonds. The principal amount of the Bonds shall be paid when due to the registered owners thereof, upon surrender of the Bonds at the designated corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds which is acceptable to both the Paying Agent and Bond Registrar and the registered owners of the Bonds. The record date for each June 1 and December 1 interest payment date shall be the preceding May 15 and November 15, respectively.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after December 1, 2036 shall be subject to optional redemption before maturity on December 1, 2035 or any date thereafter, in whole or in part, in such order of maturity as may be

selected by the City and by lot within a maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption]

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

<u>Maturing December 1, 20[]</u>	
<u>Date</u>	<u>Amount</u>
December 1, 20__	\$
December 1, 20__	\$
<u>December 1, 20__*</u>	\$
*Final Maturity	

Notice of Redemption

If less than all of the Bonds which, by their terms, are payable on the same date are to be called for redemption, the particular Bonds or portions of such Bonds payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Bond Registrar, in such manner as the Paying Agent and Bond Registrar, in its discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting any Bonds for redemption, the Paying Agent and Bond Registrar shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of such redemption, signed by the Paying Agent and Bond Registrar, to be mailed, postage prepaid, to all registered owners of the Bonds, or portions thereof, to be redeemed, at their addresses as they appear on the registration books maintained by the Paying Agent and Bond Registrar; provided, however, that the failure to mail such notice shall not affect the validity of the proceedings for such redemption. Each notice of redemption shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of such Bond to be redeemed and include a statement that on or after the date fixed for redemption, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for payment of the redemption price being held in a separate account by the Paying Agent and Bond Registrar for the registered owners of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable, at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of their Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or their attorney or legal representative shall present and surrender such Bond to the Paying Agent and Bond Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the City shall execute and the Paying Agent and Bond Registrar shall authenticate and deliver to or upon the order of

such registered owner or their legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered for redemption, of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Security and Source of Payment for the Bonds

The Bonds are general obligations of the City, and the full faith, credit, and taxing power of the City are irrevocably pledged to the payment of the principal of and interest on the Bonds as and when due and payable. The basic security for general obligation indebtedness of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on all general obligation indebtedness of the City, including the Bonds, as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as and when the same become due and payable, the principal of and interest on all outstanding general obligation bonds and other obligations of the City, including the Bonds. The Kentucky Constitution mandates the collection of a tax sufficient to pay the interest on all authorized indebtedness and the creation of a sinking fund for payment of the principal amount thereof. The Ordinance levies such annual tax, which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also requires the maintenance of the City's existing Sinking Fund, into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for the payment of the principal of and interest on all general obligation bonds and other obligations, including the Bonds, and such proceeds or other monies on deposit therein shall not be used for any other purpose.

Chapter 9 of the federal Bankruptcy Code contains provisions relating to the adjustment of the debts of a state's political subdivisions, public agencies, and instrumentalities (each, an "eligible entity"), such as the City. Under the Bankruptcy Code, and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without any prior notice to or consent of its creditors, which bankruptcy proceedings may result in a material and adverse modification or alteration of the rights of such entity's secured and unsecured creditors, including the holders of its bonds and notes.

Statutory Lien

Section 66.400 of the Kentucky Revised Statutes (the "Municipal Bankruptcy Law") permits any political subdivision in Kentucky, such as the City, for the purpose of enabling such political subdivision to take advantage of the provisions of the federal Bankruptcy Code, and for that purpose only, (i) to file a petition stating that the political subdivision (a) is insolvent or unable to meet its debts as they mature, and (b) desires to effect a plan for the composition or readjustment of its debts, and (ii) to take any further proceedings as are set forth in the Bankruptcy Code, as they relate to such political subdivision. Under the Municipal Bankruptcy Law, the City does not need the approval or permission of the Kentucky Department for Local Government State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process.

The Municipal Bankruptcy Law provides that (1) a statutory lien exists on any tax revenues pledged for the benefit of general obligation debt; (2) such tax revenues are pledged for the repayment of the principal of and premium, if any, and interest on all outstanding general obligation indebtedness, regardless of whether such pledge is contained in the documents or proceedings authorizing such indebtedness; and (3) such pledge constitutes a first lien on such tax revenues. In addition, the Municipal Bankruptcy Law also creates a statutory lien on annual appropriations for the payment of any obligations subject to annual renewal, including, without limitation, any leases entered into under Chapter 58 and Chapter 65 of the Kentucky Revised Statutes.

The validity and priority of the statutory lien summarized above have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive, or have the right to

receive, physical delivery of the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, the owners or holders of the Bonds under the Ordinance. For additional information about DTC and the book-entry only system see “Appendix F – Book-Entry Only System” herein.

THE INFORMATION CONTAINED IN THIS SECTION AND IN APPENDIX F ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

PLAN OF FINANCING

The Bonds are being issued for the purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new municipal fire station and related facilities, furnishings, and equipment, all within the jurisdictional boundaries of the City, and all for the well-being and benefit of the citizens of the City; (ii) paying the costs of credit enhancement for the Bonds, if any; and (iii) paying the costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$ _____
[Net] Original Issue [Premium/Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter’s Discount	\$ _____
Deposit to Construction Fund	_____
Cost of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all of the risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze all of the information contained in this Official Statement, including the Appendices hereto, and any additional information in the form of the complete documents summarized herein, copies of which are available as described herein.

Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under the Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency and by the rights of creditors under the application of general principles of equity, and may be substantially delayed or subject to judicial discretion in the event of litigation or the use of statutory remedial procedures. All legal opinions with respect to the enforceability of the Bonds delivered in connection with the Bonds contain an exception relating to the limitations that may be imposed by bankruptcy and insolvency laws and by the rights of creditors under general principles of equity.

Risk of Bankruptcy

The obligations of the City under the Bonds and the Ordinance are general obligations of the City and are secured only by the pledge of the City’s full faith, credit, and taxing power, any monies held in the City’s Sinking Fund (on a parity with all other general obligation indebtedness of the City), the Bond Payment Fund

created under the Ordinance, and the statutory lien provided by the Municipal Bankruptcy Law. A bondholder's enforcement of any of the remedies provided under the Ordinance may be limited or delayed in the event of the application of federal bankruptcy laws or any other laws affecting creditors' rights generally, and may be substantially delayed and subject to judicial discretion in the event of any litigation or any required use of statutory remedial procedures. The validity and priority of the statutory lien provided under the Municipal Bankruptcy Law have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

In accordance with the Municipal Bankruptcy Law, the City is permitted to file a petition for relief under Chapter 9 of Title 11 of the United States Code (the "Bankruptcy Code") without the prior approval of any official or department of state government, including the Kentucky Department for Local Government State Local Debt Officer. If the City were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the City and any interest in (a) monies contained in the Sinking Fund or the Bond Payment Fund, (b) the City's general fund revenues, or (c) the City's taxing power. However, any such petition does not stay the application of pledged special revenues, as defined by the Bankruptcy Code.

During its bankruptcy proceedings, the City could use its property, including its tax receipts and the proceeds thereof, but excluding any pledged special revenues, for the benefit of the City's bankruptcy estate, despite the claims of its creditors. Notwithstanding the foregoing, it is possible that the City could also use its pledged special revenues to pay certain operating expenses, even after filing its bankruptcy petition.

In a Chapter 9 proceeding under the Bankruptcy Code, only the City, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan of adjustment is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the City, and could result in the modification of the rights of any class of creditors, whether secured or unsecured, which modification of rights could be contrary to state law. For a plan to be confirmed, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class of impaired creditors approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of the plan. If fewer than all of the impaired classes vote to accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby, regardless of whether or how they voted. For this "cramdown" to occur, at least one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the non-consenting classes. In addition, for a plan of adjustment to be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed in good faith and is in the best interest of the City's creditors, such that the plan of adjustment represents a reasonable effort by the City to satisfy its debts and is a better alternative than the dismissal of the bankruptcy case. Unlike in a Chapter 11 proceeding, in a Chapter 9 proceeding, this standard does not include the use of a liquidation analysis.

Generally, the City would likely receive a discharge of its debts after (i) its plan of adjustment has been confirmed; (ii) the City deposits any consideration required to be distributed under the plan with a disbursing agent appointed by the bankruptcy court; and (iii) the bankruptcy court determines that the securities deposited with the disbursing agent will constitute valid and legal obligations of the City and that any provision made to pay, or to secure the payment of, such obligations is valid.

See the additional discussion regarding the statutory pledge of tax revenues provided for the Bonds under the heading "DESCRIPTION OF THE BONDS – Statutory Lien" herein. Any prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the City on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds are intended to compensate investors for assuming this element of risk. Prospective investors should carefully

examine this entire Official Statement, including all of the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

The City may, from time to time, issue additional general obligation bonds or notes. The issuance of any additional general obligation bonds or notes would increase the City's overall debt service requirements and could adversely affect the debt service coverage on the Bonds.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in occupational license fees and general tax revenues or decreases in investment portfolio values, resulting in increased funding requirements, which could negatively impact the results of operations and the overall financial condition of the City.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell any of the Bonds they purchase should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time in the future, the effect of which could adversely affect the market price for the Bonds and the marketability of the Bonds. For more information, see "RATING" herein.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before purchasing any of the Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the "Code"), upon their acquisition, holding, or disposition of the Bonds.

PROFILE OF THE CITY AND SURROUNDING AREA

Demographic, economic, and financial information with respect to the City and the surrounding area is set forth in Appendix B hereto.

CITY GOVERNMENT

Elected and Appointed Officials

The City operates under a City Manager form of government. The Board of Commissioners of the City is comprised of a Mayor and four Commissioners elected at large by the citizens of the City on a non-partisan ballot. The Mayor is elected for a four year term, and the Commissioners are elected for a two year term. The Mayor and the Commissioners have equal voting power.

The Board of Commissioners sets policies that govern the City and appoints advisory citizen groups that help in the decision making process for the City. The City Manager is approved and appointed by the Board of Commissioners to act as the chief administrative officer for the City and is responsible for the day-to-day operations of the City's employees. The department managers are responsible for their various departments and report to the City Manager.

The members of the Board of Commissioners and their terms of office are as follows:

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Layne Wilkerson, Mayor	January 1, 2021	December 31, 2028
Kelly May	January 1, 2021	December 31, 2026
Rob Richardson	January 1, 2025	December 31, 2026
Katima Smith-Willis	January 1, 2025	December 31, 2026
Leesa Unger	January 1, 2021	December 31, 2026

The current appointed City officials are:

City Manager	Jason Monroe
Finance Director	Amber Moreland
City Clerk	Chermie Maxwell
City Attorney	Laura Milam, Esq.

Financial Matters

The Finance Director is the fiscal officer of the City and is responsible for the accounting, collection, custody, and disbursement of the funds of the City. The Finance Director serves the Board of Commissioners and the City Manager as a financial advisor in connection with City affairs and performs any other duties as the Board of Commissioners or City Manager may request.

The City's fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Board of Commissioners.
2. Planning and development, the City Manager.
3. Assessment of all real and personal property, the Franklin County Property Valuation Administrator.
4. Financial control functions and supervision, the Finance Director.
5. Inspection of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The Board of Commissioners is responsible for appropriating the funds that are used to support the various activities of the City. The Board of Commissioners exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management for the City.

Financial Reports and Examinations of Accounts

Each city in Kentucky is required to keep its accounting records and render its financial reports in such a way as to: (i) determine compliance with statutory provisions; (ii) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted government accounting principles; and (iii) readily provide all financial data as may be required by federal and state grant programs. Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis under and in accordance with the procedures prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department for Local Government. Annual audits of the City's financials are required to be completed by the February 1 immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from the generally accepted government accounting principles presented and recommended in (a) the Governmental Accounting Standards Board's publication entitled "Governmental Accounting, Auditing, and Financial Reporting," and (b) the American Institute of Certified Public Accountants' publication entitled "State and Local Governments – Audit and Accounting Guide." Those publications provide for, among other things, (1) a modified accrual basis of accounting for the general fund and all special revenue funds, capital project funds, and debt service funds, (2) a full accrual basis of accounting for all other funds, and (3) the preparation, for each fund, of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. In addition, government-wide financial statements are also required for all governmental activities and all business-type activities.

The Audited Financial Statements of the City for its Fiscal Year ended June 30, 2025 are attached hereto as Appendix C.

Budgeting and Appropriations Procedures

Detailed provisions with respect to budgeting, tax levies, and appropriations by cities are made in the Kentucky Revised Statutes. All cities in Kentucky are required to operate under an annual budget ordinance, and no city may expend any moneys from any of its governmental or proprietary funds except in accordance with such budget. A budget proposal must be submitted to the legislative body of the city no later than thirty days before the first day of the fiscal year covered by the proposed budget. Cities may not adopt any budget ordinance that provides for appropriations to exceed revenues and the available fund balances in any fiscal year. The full amount estimated to be required for all debt service during the fiscal year covered by the budget must be appropriated.

Pension Obligations

County Employees Retirement System

All full-time employees of the City belong to the County Employees Retirement System ("CERS"), a state-operated, cost-sharing, multiple-employer pension plan. CERS is a defined benefit plan created by the Kentucky General Assembly that provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan participants and their beneficiaries. Chapter 78 of the Kentucky Revised Statutes and the administrative regulations set forth in Chapter 105 of the Kentucky Administrative Regulations govern the operation of CERS, including the standards regarding participant eligibility, vesting, and benefits. The authority to establish and amend the CERS eligibility, vesting, and benefit provisions rests with the Kentucky General Assembly. Additional information regarding CERS is available online at www.kyret.ky.gov and in the footnotes to the audited financial statements of the City for the fiscal year ended June 30, 2025 attached hereto as Appendix C.

Benefits available to CERS participants depend on their individual dates of participation. Benefits are calculated by multiplying a participant's average salary (as determined in accordance with plan rules) by a benefit factor and the participant's years of service. The benefit factors applicable to the participants entering CERS on or after January 1, 2014 are determined using less favorable benefit factors than earlier participants. However, individuals who became participants of CERS on or after January 1, 2014 receive benefits from a cash balance plan, which has characteristics of both a defined benefit plan and a defined contribution plan. Additional information regarding the benefits that are available to CERS participants is available online at www.kyret.ky.gov and in the footnotes to the audited financial statements of the City for the fiscal year ended June 30, 2025 attached hereto as Appendix C.

CERS is funded through employee and employer contributions. Different mandatory contribution rates apply depending on whether an employee is classified as hazardous or nonhazardous. The City’s police officers and firefighters are classified as hazardous, while all other City employees are classified as nonhazardous. All nonhazardous employees who became eligible to participate in CERS before September 1, 2008 are required to contribute 5% of their creditable compensation to CERS, and all nonhazardous employees who became eligible on or after September 1, 2008 are required to contribute 6% of their creditable compensation to CERS. All hazardous employees who became eligible to participate in CERS before September 1, 2008 are required to contribute 8% of their creditable compensation to CERS, and all hazardous employees who became eligible on or after September 1, 2008 are required to contribute 9% of their creditable compensation to CERS. CERS also provides post-retirement healthcare coverage and contributions towards the costs of such coverage to the City’s employees who satisfy certain eligibility requirements. A portion of each employer and employee’s contribution to CERS is set aside to fund this post-retirement healthcare. Statutory authority requiring public employees and employers to fund post-retirement healthcare through their contributions to CERS is set forth in the Kentucky Revised Statutes.

Employer contributions made by the City for pension benefits change annually, as determined by the Board of Trustees of the Kentucky Retirement System. The City’s employer contribution rates for its hazardous and nonhazardous employees for the plan fiscal years ended on June 30 of the following years were as follows:

<u>Plan Year Ended June 30</u>	Employer Contribution Rate As Percentage of Credible Compensation <u>(Nonhazardous)</u>	Employer Contribution Rate As Percentage of Credible Compensation <u>(Hazardous)</u>
2025	19.71%	38.61%
2024	23.34%	43.69%
2023	26.79%	49.59%
2022	26.95%	44.33%
2021	24.06%	39.58%

Effective as of April 14, 2018, the Kentucky Legislature has capped CERS employer contribution rate increases to a maximum of 12% per year over the prior fiscal year for the period beginning on and including July 1, 2018 and ending on and including June 30, 2028.

The City has made all of its required payments of employer contributions to CERS that are due and payable as of the date of this Official Statement. The amount of employer contributions paid by the City to CERS for hazardous and nonhazardous pension benefits during the City’s five most recent fiscal years were:

<u>Fiscal Year Ended June 30</u>	Employer Contribution <u>(Rounded)</u>
2025	\$5,586,917
2024	\$6,037,644
2023	\$6,718,348
2022	\$4,786,975
2021	\$5,697,733

Future contribution rates may change given changes in benefits or the value of investments held by CERS. The City can make no representation regarding the potential for any future changes or reforms to CERS by the Kentucky General Assembly. Moreover, the City can make no representation with respect to the impact that any such changes or reforms would have on the City’s operation, finances, or employees.

Police and Firefighters Retirement Fund

The City also sponsors a Police and Firefighters Retirement Fund (“PFRF”), a defined benefit plan for the benefit of certain of the City’s former police officers and firefighters. The City established the PFRF

to provide retirement and disability benefits for retiring, disabled, or deceased personnel and their surviving spouses. The PFRF is administered by an independent Board of Directors in accordance with Sections 95.851 to 95.884, inclusive, of the Kentucky Revised Statutes. On August 1, 1998, the City closed the PFRF to new entrants and all active duty police officers and firefighters at that time were given the choice to remain in the PFRF or to transfer into CERS. No active duty police officers or firefighters remain in the PFRF.

The City obtains an actuarial report for the PFRF every three years. The most recent actuarial report for the PFRF, dated January 1, 2025, states that as of the date of the report, the assets held in the PFRF were sufficient to meet projected liabilities (allowing for an annual 3% cost of living adjustment) for the participating retirees and their beneficiaries, as shown below:

Actuarial Value of Assets	\$2,988,927
Less: Actuarial Value of Liabilities	<u>1,795,584</u>
Unfunded Actuarial Accrued Liability	\$ 0

Deferred Compensation Plan

The City also sponsors a deferred compensation plan for the benefit of its employees who elect to participate in accordance with Section 457 of the Internal Revenue Code of 1986, as amended. Plan assets are held in a separate trust for the exclusive benefit of plan participants and their beneficiaries. The City does not match any portion of the participating employees’ contributions to this plan.

Additional Pension Information

Additional information regarding all pension plans and the City’s obligations with respect thereto can be found in the audited financial statements of the City for the fiscal year ended June 30, 2025 attached hereto as Appendix C.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations relating to investments by the state’s political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may only invest its funds in the classifications of obligations which are eligible for investment, which includes:

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of such obligations is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - 1. United States Treasury obligations;
 - 2. United States Export-Import Bank notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;

2. Federal Farm Credit Banks;
 3. the Bank for Cooperatives (CoBank);
 4. Federal Intermediate Credit Banks;
 5. Federal Land Banks;
 6. Federal Home Loan Banks;
 7. the Federal National Mortgage Association; and
 8. the Tennessee Valley Authority;
- (d) Certificates of deposit or other interest-bearing accounts issued through a bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or a similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
- (e) Uncollateralized certificates of deposit issued by a bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics:
1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five years; and
 3. All of the securities in the mutual fund shall be eligible investments hereunder;
- (k) Individual equity securities, if the funds being invested will be managed by a professional investment manager that is regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed 25% of the equity allocation; and
- (l) Individual high-quality corporate bonds managed by a professional investment manager and that:
1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 2. Have a standard maturity of no more than ten years; and
 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The City's current investment policy, adopted on October 24, 2022, matches the investments permitted by Section 66.480 of the Kentucky Revised Statutes.

The City values safety, liquidity, and return, in that order.

Debt Limitation

Section 158 of the Kentucky Constitution provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (i) Cities having a population of 15,000 or more, 10%;
- (ii) Cities having a population of less than 15,000 but not less than 3,000, 5%; and
- (iii) Cities having a population of less than 3,000, 3%.

Nothing shall prevent the issue of renewal bonds or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth Section 158 and elsewhere in the Kentucky Constitution, the General Assembly has the power to establish additional limits on indebtedness and the conditions under which debt may be incurred by cities.

Section 66.041 of the Kentucky Revised Statutes provides the same limitations on indebtedness as are set forth in Section 158 of the Kentucky Constitution, and further states that the debt limitations apply to “net indebtedness.” In calculating “net indebtedness,” Section 66.031 of the Kentucky Revised Statutes provides that certain obligations of a municipality are not to be considered as “indebtedness,” including any notes issued in anticipation of bonds, self-supporting obligations, revenue bonds, special assessment debt, and other infrequently-issued types of obligations. For a complete list of all debt exempt from the calculation of “net indebtedness,” see the Statement of Indebtedness attached hereto as Appendix D.

Appendix D to this Official Statement contains a Statement of Indebtedness for the City, certified by the Finance Director, which calculates the amount of the outstanding obligations of the City (including the Bonds) that are subject to the 10% total direct debt limit. The total principal amount of general obligation debt that could be issued by the City, subject to the 10% direct debt limitation, is \$183,307,789, and the City’s net debt subject to such limit presently outstanding (including the Bonds) is \$26,271,283[†], leaving a balance of approximately \$157,036,506* borrowing capacity issuable within such limitation.

However, as described below, the City’s ability to incur debt in these amounts is also restricted by tax limitations. In the case of general obligation debt, both the debt limitation and tax limitation must be met.

Tax Limitation

Section 157 of the Kentucky Constitution also indirectly imposes a debt limitation upon the general obligation indebtedness of cities by limiting the tax rates that cities may impose upon the assessed value of the taxable property therein, as follows:

- (i) cities having a population of 15,000 or more, \$1.50 on each \$100.00 of assessed value;
- (ii) cities having a population of less than 15,000 and not less than 10,000, \$1.00 on each \$100.00 of assessed value; and
- (iii) cities having a population of less than 10,000, \$0.75 on each \$100.00 of assessed value.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The

* Preliminary, subject to adjustment.

† Includes a portion of Kentucky Infrastructure Authority Loan A12-006 and Loan A17-021. The debt service of Loan A17-021 is estimated, as the loan will not begin amortizing until construction of the related project is complete. The loans are secured by the revenues of the City’s sewer system, but the City internally separates the proportional amount of the loans utilized for stormwater improvements and pays that portion of the debt service of the loans from the General Fund.

two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it only applies to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D to this Official Statement contains a Statement of Indebtedness of the City, certified by the Finance Director, which sets forth the property tax rates currently levied by the City of \$0.195 per \$100.00 of assessed value for real property and \$0.195 per \$100.00 of assessed value for personal property, and which certifies that the issuance of the Bonds will not cause such tax rates to increase to an amount in excess of the maximum permissible rates.

Bond Anticipation Notes

Under Section 56.513 and Section 58.150 of the Kentucky Revised Statutes, cities are authorized to issue notes from time to time, including renewal notes, in anticipation of the issuance of bonds, upon the same terms and conditions as bonds, except bond anticipation notes may be sold by private, negotiated sale in any manner authorized by the legislative body of the city. The ability of a city to retire its bond anticipation notes from the proceeds of the sale of either bonds or renewal notes will ultimately depend upon the marketability of such bonds or renewal notes under the market conditions prevailing at the time of such sale.

Future Borrowings of the City

The City may incur additional general obligation indebtedness in the future to finance the costs of any other public projects, subject to the constitutional and statutory restrictions described herein.

Within the next five years, the City has proposed plans to incur approximately \$12 million of general obligation indebtedness to finance the costs of various projects contemplated by the City's Downtown Master Plan and Parks Master Plan. The City has enacted a 1% surcharge for the Project and a 1% surcharge for the downtown/parks project to help offset anticipated debt service for the projects.

Outside of the planned financings discussed above, the City currently has no formal plans to incur any additional general obligation indebtedness to finance the costs of designated public projects. Nevertheless, the City further reserves the right to incur additional general obligation indebtedness in the future.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, as Bond Counsel. Upon delivery to the successful bidder therefor, the Bonds will be accompanied by an approving legal opinion dated the date of such delivery, rendered by Dinsmore & Shohl LLP. A draft of such legal opinion for the Bonds is attached hereto as Appendix E.

As Bond Counsel, Dinsmore & Shohl LLP has performed certain functions to assist the City in the preparation of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders, the holders of the Bonds, or any other persons.

The engagement of the firm as Bond Counsel for the Bonds is limited to (i) the preparation of certain documents contained in the transcript of proceedings related to the Bonds, and (ii) an examination of such transcript of proceedings incident to rendering its approving legal opinion for the Bonds. In its capacity as

Bond Counsel, the firm has reviewed the information set forth in this Official Statement under the Sections entitled “INTRODUCTION – Authority for Issuance,” “DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds,” “CITY GOVERNMENT – Debt Limitation,” “CITY GOVERNMENT – Tax Limitation,” “LEGAL MATTERS – General Information,” and “LEGAL MATTERS – Tax Treatment,” which review did not include any independent verification of the financial statements and the statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a No Litigation Certificate and other appropriate closing documents, will be delivered by the City when the Bonds are delivered to the original purchaser. At the time of such delivery, the City will also provide the original purchaser with a certificate, executed by the Mayor or the Finance Director of the City and addressed to such purchaser, relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation, administrative action, or other proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with the proceeds of the Bonds. A No Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Treatment

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions in effect as of the date hereof, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, Bond Counsel is of the opinion that interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “LEGAL MATTERS – Tax Treatment – Corporate Alternative Minimum Tax” herein). In addition, Bond Counsel is also of the opinion that interest on the Bonds is exempt from Kentucky income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel to be delivered concurrently with the issuance of the Bonds is set forth in Appendix E, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or any events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if

any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds will be excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers under Section 265 of the Code. Finally, the residence of a bondholder in a state other than Kentucky or a bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such bondholder by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

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

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

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable on such Bonds at maturity (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond

at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for the Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

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

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

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for tax years commencing after December 31, 2022. Under the Inflation Reduction Act, the interest on tax-exempt bonds, including interest on the Bonds, is included (i) in computing a corporation’s “average annual adjusted financial statement income” for the purpose of determining whether the corporation qualifies as an “applicable corporation,” and (ii) in calculating an applicable corporation’s “adjusted financial statement income” for the purpose of determining the alternative minimum tax that will be imposed on such applicable corporation under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

RATING

As noted on the cover page of this Official Statement, S&P Global Ratings (“S&P”) has assigned its municipal bond rating of “AA”, to the Bonds. Such rating reflects only the view of S&P. Any explanation of the significance of the rating may only be obtained from S&P at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041, (212) 438-2124.

There can be no assurance that a rating, when assigned, will continue for any given period of time or that it will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The City presently expects to furnish S&P with any information and materials that S&P may request on future general obligation bond issues. However, the City assumes no obligation to furnish any requested information and materials and may issue debt for which a rating is not requested. The failure to furnish any

requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of S&P's ratings on the City's outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with the Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"), and so long as the Bonds are outstanding, the City will agree, in a continuing disclosure undertaking to be dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the "MSRB"), or to 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 SEC, for each fiscal year of the City, certain annual financial information and operating data of the City (the "Annual Financial Information"), including its audited financial statements, generally consistent with (a) the financial information and operating data set forth in Appendix B attached hereto under the headings "Tax Base Information," "Tax Receipts," "Five Year Summary of Revenues, Expenditures, and Changes in Fund Balance – General Fund," and "Existing Bonded Debt Service Requirements – General Fund," and (b) the audited financial statements of the City attached hereto as Appendix C. The City's Annual Financial Information shall be provided on or before the December 31 following the fiscal year ending the preceding June 30, beginning with the fiscal year ending on June 30, 2026; provided, however, that the audited financial statements may not be available by such date, but shall be made available immediately upon the delivery thereof by the auditors for the City; and
- (ii) to the MSRB, through EMMA, 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:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, 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 any other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or under any other state or federal law in which a court or governmental authority has assumed jurisdiction over

substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession of such assets or business 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 City);

- (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 in accordance with its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a financial obligation of the City, if material, or any agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect its security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of any failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) [there are no credit enhancements applicable to the Bonds;]
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

The City has previously entered into certain continuing disclosure undertakings in accordance with the Rule (the “Prior Disclosure Undertakings”). During the past five years, the City has complied with all of its continuing disclosure obligations under the Rule, except that the City’s audited financial statements for the fiscal year ended June 30, 2025 were unavailable by the filing deadline established under the Prior Disclosure Undertakings. The City posted unaudited financial statements for fiscal year 2025 before the filing deadline, and posted the final audited financial statements as soon as available in accordance with the Prior Disclosure Undertakings. The City’s audited financial statements for the fiscal year ended June 30, 2025 are included as

Appendix C to this Official Statement. The City intends to file all future Annual Financial Information within the time requirements specified in the Rule, the Prior Disclosure Undertakings, and the Disclosure Undertaking with respect to the Bonds, and the City has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

UNDERWRITING

The Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Bonds, [plus/less] [net] original issue [premium/discount] of \$[____], less underwriter’s discount of \$[____]). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter, and the Underwriter may also offer and sell the Bonds to certain dealers (including any dealers depositing the Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page hereof.

MUNICIPAL ADVISOR

Raymond James & Associates, Inc., Lexington, Kentucky, has been employed as independent registered Municipal Advisor to the City in connection with the issuance of the Bonds (the “Municipal Advisor”). The Municipal Advisor’s fee for its services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements contained herein involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. The information contained herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information, other than any information obtained from official records of the City, has not been independently confirmed or verified by the City, and the accuracy of such information is not guaranteed. Neither this Official Statement nor any statement which may have been made, orally or in writing, by or on behalf of the City is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered in the name and on behalf of the City of Frankfort, Kentucky, by its Mayor.

CITY OF FRANKFORT, KENTUCKY

By: _____
Mayor

Dated: April __, 2026

APPENDIX A
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

ESTIMATED DEBT SERVICE SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Fiscal Year Total</u>
12/01/2026	\$265,000	\$258,520.42	\$523,520.42	
06/01/2027		\$221,481.25	\$221,481.25	
06/30/2027				\$745,001.67
12/01/2027	\$310,000	\$221,481.25	\$531,481.25	
06/01/2028		\$213,731.25	\$213,731.25	
06/30/2028				\$745,212.50
12/01/2028	\$325,000	\$213,731.25	\$538,731.25	
06/01/2029		\$205,606.25	\$205,606.25	
06/30/2029				\$744,337.50
12/01/2029	\$340,000	\$205,606.25	\$545,606.25	
06/01/2030		\$197,106.25	\$197,106.25	
06/30/2030				\$742,712.50
12/01/2030	\$360,000	\$197,106.25	\$557,106.25	
06/01/2031		\$188,106.25	\$188,106.25	
06/30/2031				\$745,212.50
12/01/2031	\$375,000	\$188,106.25	\$563,106.25	
06/01/2032		\$178,731.25	\$178,731.25	
06/30/2032				\$741,837.50
12/01/2032	\$395,000	\$178,731.25	\$573,731.25	
06/01/2033		\$168,856.25	\$168,856.25	
06/30/2033				\$742,587.50
12/01/2033	\$415,000	\$168,856.25	\$583,856.25	
06/01/2034		\$158,481.25	\$158,481.25	
06/30/2034				\$742,337.50
12/01/2034	\$440,000	\$158,481.25	\$598,481.25	
06/01/2035		\$147,481.25	\$147,481.25	
06/30/2035				\$745,962.50
12/01/2035	\$460,000	\$147,481.25	\$607,481.25	
06/01/2036		\$135,981.25	\$135,981.25	
06/30/2036				\$743,462.50
12/01/2036	\$485,000	\$135,981.25	\$620,981.25	
06/01/2037		\$123,856.25	\$123,856.25	
06/30/2037				\$744,837.50
12/01/2037	\$510,000	\$123,856.25	\$633,856.25	
06/01/2038		\$111,106.25	\$111,106.25	
06/30/2038				\$744,962.50
12/01/2038	\$535,000	\$111,106.25	\$646,106.25	
06/01/2039		\$97,731.25	\$97,731.25	
06/30/2039				\$743,837.50
12/01/2039	\$560,000	\$97,731.25	\$657,731.25	
06/01/2040		\$83,731.25	\$83,731.25	
06/30/2040				\$741,462.50
12/01/2040	\$590,000	\$83,731.25	\$673,731.25	
06/01/2041		\$71,931.25	\$71,931.25	
06/30/2041				\$745,662.50
12/01/2041	\$615,000	\$71,931.25	\$686,931.25	
06/01/2042		\$59,246.88	\$59,246.88	
06/30/2042				\$746,178.13

12/01/2042	\$640,000	\$59,246.88	\$699,246.88	
06/01/2043		\$45,646.88	\$45,646.88	
06/30/2043				\$744,893.76
12/01/2043	\$665,000	\$45,646.88	\$710,646.88	
06/01/2044		\$31,515.63	\$31,515.63	
06/30/2044				\$742,162.51
12/01/2044	\$695,000	\$31,515.63	\$726,515.63	
06/01/2045		\$16,312.50	\$16,312.50	
06/30/2045				\$742,828.13
12/01/2045	\$725,000	\$16,312.50	\$741,312.50	
06/30/2046				\$741,312.50
<u>Total</u>	\$9,705,000	\$5,171,801.70	\$14,876,801.70	\$14,876,801.70

APPENDIX B
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

ECONOMIC AND DEMOGRAPHIC DATA ON THE CITY OF FRANKFORT, KENTUCKY

CITY OF FRANKFORT AND FRANKLIN COUNTY, KENTUCKY

Frankfort is a home-rule city in Kentucky that serves as the capital of the Commonwealth of Kentucky and the county seat of Franklin County. Frankfort generally follows national trends in commercial development, with much of the major development in the area occurring near the on-and-off ramps of Interstate 64.

Frankfort is located approximately 26 miles west of Lexington, Kentucky, approximately 53 miles east of Louisville, Kentucky, and about 79 miles south of Cincinnati, Ohio.



Downtown revitalization in Frankfort was led by the private sector with the restoration of numerous residential, commercial, and mixed-use buildings. The core of Frankfort's historic business district remains an active center of commerce, with a trend line that is perhaps more positive today than it was a decade ago. The continued efforts of groups such as Downtown Frankfort, Inc., the impetus provided by the renovation of several historic buildings for use as restaurants and specialty shops, and the reclamation of the historic Grand Theater have all made downtown Frankfort an attractive destination for many, inside and outside of Franklin County.

Attractions in Frankfort, Kentucky include some of the following:

Kentucky State Capitol – The capitol building is a tourist highlight and the center of government and legislative operations in the Commonwealth.

Old State Capitol – A historic statehouse building (used until 1910) which has been preserved as a monument to Frankfort's political history.

Liberty Hall Historic Site – A beautiful historic home (plus gardens) dating to the late 1700s/early 1800s. Great for lovers of architecture and early American history.

Capital City Museum – A small museum in downtown Frankfort that explores local and state history, giving context to Frankfort's unique past.

Frankfort Cemetery – Set on a bluff with views of the Kentucky River and state capitol, this historic cemetery is the resting place of many notable figures, including Daniel Boone, William Goebel, Richard Mentor Johnson, and Issaac Shelby, among other famous dignitaries.

Buffalo Trace Distillery – With roots dating to the late 1700s, Buffalo Trace is the oldest continuously operating distillery in the United States. Well-known brands include Blantons, George T. Stagg, E.H Taylor, Weller, Pappy Van Winkle, and the flagship bourbon, Buffalo Trace.

Frankfort operates under a City Manager form of government. Frankfort's Board of Commissioners is comprised of a Mayor and four Commissioners elected at large by the citizens of Frankfort on a non-partisan ballot. The Mayor is elected for a four-year term, and the Commissioners are elected for a two-year term. The Mayor and the Commissioners have equal voting power. The Board of Commissioners sets the policies that govern Frankfort and appoints advisory citizen groups that aid the Board of Commissioners in their decision-

making process. The City Manager is appointed (and approved) by the Board of Commissioners to act as the chief administrative officer for Frankfort and is responsible for day-to-day operations of Frankfort's employees.

As of 2025, Frankfort had a population of 29,004, and Franklin County had a population of 52,605.

Transportation

Frankfort and Franklin County are served by I-64, U.S. 60, U.S. 421, U.S. 127, U.S. 460, and Kentucky Highway 676, and are also easily accessible from I-75 and the Bluegrass Parkway, all of which are AAA-rated trucking highways. Thirty-three trucking companies provide interstate and/or intrastate service to Frankfort, while two trucking firms maintain terminals in Frankfort. Main line rail service is provided to Franklin County by CSX Transportation. Frankfort's centralized location positions it between 3 major airports: (1) Lexington's Blue Grass Airport, which is 25 miles east of Frankfort; (2) Louisville Muhammad Ali International Airport, which is 54 miles west of Frankfort; and (3) Cincinnati/Northern Kentucky International Airport, which is 84 miles northeast of Frankfort. The Capitol City Airport, located in Frankfort, is a public use airport that is owned and operated by the Commonwealth of Kentucky. Along with a 5,005-foot single runway, the airport covers 355 acres and adjoins the Boone National Guard Center.

The Economic Framework (Franklin County)

The total number of Franklin County residents employed in 2025 was 26,119. In 2025, the largest sector of employment in Franklin County was Public Administration with 10,147 jobs. Education accounted for the second largest number of jobs in Franklin County at 2,486, followed by other services (repair, personal care, laundry, religious, etc.) with 2,473 jobs.

Power and Fuel

The Frankfort Electric and Water Plant Board provides electric power, which is supplied to it by the Kentucky Municipal Energy Agency, to Frankfort and a portion of Franklin County. Franklin County is also served directly by the Kentucky Utilities Company and the Fox Creek Rural Electric Cooperative, which is supplied by East Kentucky Power. Natural gas is supplied to Frankfort by Columbia Gas of Kentucky, Inc.

Education

Primary and secondary education in Frankfort is provided by the Franklin County School System and the Frankfort Independent School System. Both school systems are accredited by the Southern Association of Colleges and Schools. There are also three non-public schools in Franklin County. Frankfort is also home to Kentucky State University, a small, liberal arts studies-oriented institution of higher learning which offers programs leading to two-year associate degrees or four-year baccalaureate degrees, as well as a master's degree program in public administration. There are 40 four-year colleges and universities, 29 two-year colleges, and 18 technical schools located within a 60-mile radius of Frankfort. Vocational training is provided locally by the Franklin County Area Vocational Education Center, and the Central Kentucky Regional Technology Center in Lexington, 28 miles east of Frankfort, and the Anderson County Regional Technology Center, 9 miles south of Frankfort, also provide vocational training.

Sources: Kentucky Cabinet for Economic Development, U.S. Department of Commerce, Bureau of Economic Analysis, and the City of Frankfort.

FRANKLIN COUNTY ECONOMIC AND DEMOGRAPHIC STATISTICS

Labor Market Area

The Frankfort Labor Market Area includes Franklin County, Owen County, Henry County, Oldham County, Scott County, Jefferson County, Shelby County, Bourbon County, Spencer County, Mercer County,

Woodford County, Anderson County, Fayette County, Clark County, Jessamine County, Washington County, and Madison County.

Population

<u>Year</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Franklin County	51,599	51,712	51,882	51,913	52,605
Frankfort	28,776	28,553	27,945	28,676	29,004

Source: Kentucky Cabinet for Economic Development

Population Projections

<u>Year</u>	<u>2025</u>	<u>2030</u>
Franklin County	52,605	54,291

Source: Kentucky Cabinet for Economic Development

Employment and Income Statistics (Franklin County)

<u>Year</u>	<u>Per Capita Income</u>	<u>Median Family Income</u>	<u>Employment</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
2025	(1)	\$67,709	26,120	27,322	4.40%
2024	(1)	\$67,788	24,971	26,132	4.20%
2023	\$52,606	\$64,016	24,792	25,709	3.56%
2022	N/A	\$62,617	24,656	24,707	3.94%
2021	\$49,985	\$59,498	24,592	23,611	5.38%

(1) Not available.

In 2023, Franklin County had a per capita personal income (PCPI) of \$52,606, which ranked 25th in Kentucky and was 95% of the state average of \$55,360, and 75.4% of the national average of \$69,810. Franklin County’s PCPI in 2023 reflected an increase of 5.5% from the PCPI in 2022, as compared to the statewide increase of 5.0% and the nationwide increase of 5.4%. In 2013, the PCPI of Franklin County was \$37,003 and ranked 19th in Kentucky. Franklin County’s compound annual growth rate of PCPI from 2013 to 2023 was 3.6%, as compared to 4.5% for Kentucky and 4.6% for the United States.

Sources: Kentucky Cabinet of Economic Development, Kentucky Office of Employment and Training, and the U.S. Department of Commerce, Bureau of Economic Analysis (BEARFACTS).

CITY OF FRANKFORT GOVERNMENT

Tax Base Information

Assessed Valuation & Property Tax Levies and Collections (excludes Motor Vehicles)

<u>Fiscal Year</u>	<u>Total Assessed Value</u>	<u>Total Current Tax Levy</u>	<u>Taxes Collected</u>	<u>Collection (%)</u>	<u>Delinquent Tax Collected</u>
2024-2025	\$1,833,077,886	\$3,611,163	\$3,536,561	97.94%	\$87,326
2023-2024	\$1,818,637,714	\$3,582,716	\$3,379,460	94.30%	\$163,591
2022-2023	\$1,782,277,231	\$3,439,795	\$3,394,036	98.67%	\$101,911
2021-2022	\$1,677,023,903	\$3,286,967	\$3,270,070	99.49%	\$56,700
2020-2021	\$1,613,964,951	\$3,163,371	\$3,102,944	98.04%	\$50,235

Tax Rates (per \$100.00 assessed valuation)

<u>Tax Year</u>	<u>City</u>	<u>County</u>	<u>School</u>	<u>State</u>	<u>Total</u>
2025	19.5	18.3	102.9	10.6	151.3
2024	19.7	18.4	103.5	10.9	152.5
2023	19.7	18.4	103.5	11.4	153.0
2022	19.3	18.4	101.9	11.5	151.1
2021	19.6	18.5	101.3	11.9	151.3

City Revenue Sources (General Fund only)

The primary source of Frankfort’s locally generated revenues are taxes, which collectively contribute approximately 79% of its total revenues. The other major sources of the City’s locally generated revenues are intergovernmental revenues, which contribute approximately 10.5% of total revenues; licenses and permits, which contribute approximately 0.09% of total revenues; and charges for service and miscellaneous revenues, which provide the remaining 10.41% of total revenues.

Tax Receipts

<u>Fiscal Year</u>	<u>Insurance Premium Tax</u>	<u>Payroll Tax Receipts</u>	<u>Occupational Withholding Fees</u>	<u>Regulatory Fees, Penalties, & Interest</u>	<u>Total Occupational Tax Receipts</u>	<u>Licenses, Permits, & Fines¹</u>
2024-2025	\$8,437,107	\$21,340,690	\$4,385,245	\$134,836	\$34,297,878	\$204,913
2023-2024	\$6,026,898	\$19,882,493	\$3,688,424	\$120,315	\$29,718,130	\$106,255
2022-2023	\$5,179,987	\$18,285,461	\$3,320,653	\$131,342	\$26,917,443	\$219,966
2021-2022	\$4,376,250	\$16,633,315	\$3,465,463	\$70,758	\$24,545,786	\$203,456
2020-2021	\$3,926,515	\$15,826,227	\$3,056,684	\$146,240	\$22,955,666	\$121,168

¹ Includes all Governmental Funds.

Largest Real Property Taxpayers

<u>Name</u>	<u>FY 2025 Real Property Tax</u>
ARC PSFKFKY001 LLC	25,075,000
Buffalo Trace Distillery Inc.	20,639,000
Franklin Square Investments LLC	17,040,000
Hospital Corporation of America	23,500,000
Huntley Ridge Frankfort LLC	11,175,000
KCRI Trust & KROCIKO Acquisition Co	12,014,925
SIR Riverford LLC	27,100,000
Sky Properties LLC	14,005,000
The Capital LLC	11,500,000
Wal-Mart Real Estate Business Trust	10,720,000
Total	172,768,925

Source: City of Frankfort, Kentucky

Investment and Cash Management Practices

On October 24, 2022 the Board of Commissioners of the City, at the recommendation of the City’s Finance Director, adopted a new investment policy. This policy requires the investment of the public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting

the daily cash flow demands of the City and fully conforming to all Kentucky law and all City regulations. The City's investment objectives include safety, liquidity, and return on investment. Authorized investments are consistent with those set forth in Section 66.480 of the Kentucky Revised Statutes and include, but are not limited to, the following:

- Primary government dealers as designated by the Federal Reserve Bank
- Nationally or state-chartered banks
- The Federal Reserve Bank
- Direct issuers of securities eligible for purchase
- Kentucky League of Cities Investment Pool Plus

The City's pension trust fund may be invested in a broader range of investments. With the exception of the pension trust fund, the City only invested in certificates of deposit and money market funds in fiscal year 2025. The City records all interest revenue related to investment activities in the respective funds.

Source: City of Frankfort, Kentucky

CITY OF FRANKFORT, KENTUCKY

**Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30,**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues:					
Taxes	3,849,901	4,054,699	4,340,830	4,309,016	4,454,824
Occupational Receipts	22,955,666	24,545,786	26,917,443	29,718,130	34,163,041
Licenses, Permits, Fines	33,921	42,248	50,338	40,663	50,733
Fines and Forfeitures	565	1,785	150	-	-
Charges for Services	3,163,926	3,981,257	4,164,907	3,857,622	4,171,286
Intergovernmental Rev.	4,609,697	6,692,314	6,755,942	3,179,266	3,295,011
Interest Income	88,571	104,104	965,059	1,421,855	1,234,014
Miscellaneous	190,092	46,463	155,020	501,747	115,178
Rental Income	96,330	80,356	69,439	48,215	46,466
Recycling	8,098	33,557	41,014	21,550	12,019
Total Revenues	\$ 34,996,767	\$ 39,582,569	\$ 43,460,142	\$ 43,098,064	\$ 47,542,572
Expenditures:					
General government	3,970,332	3,474,652	4,296,248	2,889,673	3,426,614
Public Safety	16,815,555	18,015,319	19,793,906	20,863,168	21,216,249
Public Works	6,502,823	7,236,449	7,236,733	7,349,166	7,468,304
Parks and Recreation	2,719,858	3,389,931	3,990,111	4,122,147	4,149,871
Planning and Building Codes	559,601	624,368	916,950	932,308	825,139
Pension and Accrual Payouts	-	652,837	498,059	411,366	418,347
Capital Outlay	-	-	-	-	-
Debt Service	1,460,818	1,236,614	-	-	728,503
Principal Ret, Capitalized Lease Obligations	-	-	416,909	170,166	-
Interest and Fiscal Charges	-	-	150,893	264,864	-
Finance	587,819	570,378	646,776	623,597	663,664
Insurance	3,492,521	3,885,582	4,183,605	4,218,438	4,215,196
Special Projects	-	-	-	-	-
Total Expenditures	\$36,109,327	\$39,086,130	\$42,130,190	\$41,844,893	\$43,111,886
Excess of Revenues Over (Under) Expenditures	(\$1,112,560)	\$496,439	\$1,329,952	\$1,253,171	\$4,430,685
Other Financing Sources (Uses):					
Transfers In	780,000	805,000	830,000	846,665	-
Transfers Out	(593,710)	(766,731)	(1,926,221)	(3,658,014)	(3,531,505)
Other	-	-	-	-	-
Sale of Property	48,140	133,368	49,314	53,537	27,975
Capital Lease Obligation Proceeds	-	-	-	-	-
Total	\$234,430	\$171,637	(\$1,046,907)	(\$2,757,812)	(\$3,503,530)
Excess of Revenues Over (Under) Expenditures & Other Uses	(878,130)	668,076	283,045	(1,504,641)	927,155
Fund Balance July 1	26,730,921	25,852,791	26,520,867	26,803,912	25,299,271
Fund Balance June 30	\$25,852,791	\$26,520,867	\$26,803,912	\$25,299,271	\$26,226,426

Source: Audited Financial Statements for City of Frankfort (2022-2025).

CITY OF FRANKFORT, KENTUCKY
EXISTING BONDED DEBT SERVICE REQUIREMENTS - GENERAL FUND

F.Y. Ended	Genreal Obligation Bonds Series 2025A ⁽¹⁾			Genreal Obligation Bonds Series 2023A ⁽¹⁾			General Obligation Bonds, Series 2014 ⁽¹⁾			KIA G.O. Stormwater ⁽²⁾	Total Debt Service Requirements
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL		
2026	160,000	352,687.50	512,688	165,000	223,638	388,638	150,000	121,413	271,413	56,306	1,229,044
2027	170,000	344,437.50	514,438	175,000	215,138	390,138	155,000	116,838	271,838	56,223	1,232,636
2028	175,000	335,812.50	510,813	180,000	206,263	386,263	165,000	111,213	276,213	56,139	1,229,427
2029	185,000	326,812.50	511,813	190,000	197,013	387,013	170,000	104,513	274,513	56,053	1,229,391
2030	195,000	317,312.50	512,313	200,000	187,263	387,263	175,000	97,613	272,613	55,966	1,228,153
2031	205,000	307,312.50	512,313	210,000	177,013	387,013	185,000	90,413	275,413	55,877	1,230,614
2032	215,000	296,812.50	511,813	220,000	166,263	386,263	190,000	82,913	272,913	55,786	1,226,774
2033	225,000	285,812.50	510,813	235,000	154,888	389,888	200,000	75,113	275,113	55,694	1,231,507
2034	240,000	274,187.50	514,188	245,000	142,888	387,888	205,000	67,013	272,013	55,601	1,229,688
2035	250,000	261,937.50	511,938	255,000	130,388	385,388	215,000	58,613	273,613	55,505	1,226,443
2036	265,000	249,062.50	514,063	270,000	117,263	387,263	225,000	49,813	274,813	55,409	1,231,546
2037	275,000	235,562.50	510,563	285,000	103,388	388,388	230,000	41,144	271,144	55,310	1,225,404
2038	290,000	221,437.50	511,438	300,000	90,263	390,263	240,000	32,625	272,625	55,439	1,229,764
2039	305,000	206,562.50	511,563	310,000	78,063	388,063	250,000	23,744	273,744	55,107	1,228,476
2040	320,000	192,537.50	512,538	320,000	65,463	385,463	260,000	14,500	274,500	55,003	1,227,503
2041	330,000	179,537.50	509,538	335,000	52,363	387,363	270,000	4,894	274,894	20,925	1,192,719
2042	345,000	166,037.50	511,038	350,000	38,663	388,663				20,886	920,586
2043	360,000	151,937.50	511,938	365,000	23,906	388,906				20,846	921,690
2044	375,000	137,237.50	512,238	380,000	8,075	388,075				20,806	921,118
2045	390,000	121,937.50	511,938								511,938
2046	405,000	105,784.38	510,784								510,784
2047	425,000	88,665.63	513,666								513,666
2048	440,000	70,550.00	510,550								510,550
2049	460,000	51,425.00	511,425								511,425
2050	480,000	31,450.00	511,450								511,450
2051	500,000	10,625.00	510,625								510,625
	<u>\$ 7,985,000</u>	<u>\$ 5,323,475</u>	<u>\$ 13,308,475</u>	<u>\$ 4,990,000</u>	<u>\$ 2,378,194</u>	<u>\$ 7,368,194</u>	<u>\$ 3,285,000</u>	<u>\$ 1,092,369</u>	<u>\$ 4,377,369</u>	<u>\$ 918,884</u>	<u>\$ 25,972,922</u>

(1) The above figures do not include short-term notes outstanding, if any.

(2) Includes KIA A17-021, which will not begin amortizing until construction is completed. Debt Service is estimated. All KIA loans are secured by sewer revenues. The City internally separates the proportional amount of the loans utilized for stormwater, and pays that portion of their debt service from the General Fund.

**CITY OF FRANKFORT, KENTUCKY
INDEBTEDNESS**

The information set forth in the following table is derived in part from the audited financial statements of the City and should be read in conjunction with the audited financial statements. The table does not include future funding plans.

INDEBTEDNESS	2020	2021	2022	2023	2024	2025
TAX SUPPORTED						
General Obligation Bonds & Notes	\$5,770,000	\$4,760,000	\$3,720,000	\$3,580,000	\$8,580,000	\$16,260,000
KIA	0	568,337	1,108,556	875,026	849,466	823,457
TOTAL TAX SUPPORTED	\$5,770,000	\$5,328,337	\$4,828,556	\$4,455,026	\$9,429,466	\$17,083,457
REVENUE SUPPORTED						
Sewer System Revenue Bonds	\$11,455,000	\$10,385,000	\$9,275,000	\$8,125,000	\$6,935,000	\$6,590,000
Build America Bonds	6,340,000	5,400,000	4,415,000	3,385,000	2,310,000	1,180,000
Subordinate Debt - KIA	21,083,208	22,617,507	21,693,384	20,651,285	21,065,818	19,900,000 ⁽¹⁾
TOTAL REVENUE SUPPORTED	\$38,878,208	\$38,402,507	\$35,383,384	\$32,161,285	\$30,310,818	\$27,670,000
TOTAL DEBT	\$44,648,208	\$43,730,844	\$40,211,940	\$36,616,311	\$39,740,284	\$44,753,457
Less: Revenue Supported Debt	(\$38,878,208)	(\$38,402,507)	(\$35,383,384)	(\$32,161,285)	(\$30,310,818)	(\$27,670,000)
Less: Debt Service Funds	0	0	0	0	0	0
NET DIRECT DEBT	\$5,770,000	\$5,328,337	\$4,828,556	\$4,455,026	\$9,429,466	\$17,083,457
TAX SUPPORTED OVERLAPPING DEBT	\$71,607,147	\$69,367,857	\$60,029,304	\$56,893,976	\$61,869,975	\$84,995,791
NET DIRECT AND TAX SUPPORTED OVERLAPPING DEBT	\$77,377,147	\$74,127,857	\$63,769,722	\$61,349,002	\$71,299,441	\$102,079,248

PROPERTY TAX BASE						
Estimated Actual Value	1,686,437,943	1,696,772,813	1,545,087,154	1,613,964,951	\$1,677,023,903	\$1,818,637,714
Appraised Value	1,686,437,943	1,696,772,813	1,545,087,154	1,613,964,951	\$1,677,023,903	\$1,818,637,714
Assessed Value	1,696,772,813	1,545,087,154	1,613,964,951	1,677,023,903	\$1,818,637,714	\$1,833,077,886

(1) Estimated

**CITY OF FRANKFORT, KENTUCKY
DEBT RATIOS**

DEBT RATIOS

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
TOTAL DEBT to Estimated Actual Value	2.65%	2.58%	2.60%	2.27%	2.37%	2.46%
TOTAL DEBT to Appraised Value	2.65%	2.58%	2.60%	2.27%	2.37%	2.46%
TOTAL DEBT to Assessed Value	2.63%	2.83%	2.49%	2.18%	2.19%	2.44%
NET DIRECT DEBT to Estimated Actual Value	0.34%	0.31%	0.31%	0.28%	0.56%	0.94%
NET DIRECT DEBT to Appraised Value	0.34%	0.31%	0.31%	0.28%	0.56%	0.94%
NET DIRECT DEBT to Assessed Value	0.34%	0.34%	0.30%	0.27%	0.52%	0.93%
OVERLAPPING DEBT to Assessed Value	4.22%	4.49%	3.72%	3.39%	3.40%	4.64%
NET DIRECT AND OVERLAPPING DEBT to Assessed Value	4.56%	4.80%	3.95%	3.66%	3.92%	5.57%

PER CAPITA RATIOS

POPULATION (1)	25,912	28,776	28,553	27,945	28,676	29,004
PER CAPITA PERSONAL INCOME (2)	\$28,330	\$30,295	\$30,295	\$35,369	\$35,369 ⁽²⁾	\$35,369 ⁽²⁾
Estimated Actual Value to POPULATION	\$53,563	\$54,334	\$54,113	\$57,755	\$58,482	\$62,703
Assessed Value to POPULATION	\$54,334	\$54,334	\$56,525	\$60,012	\$63,420	\$63,201
Total Debt to POPULATION	\$1,253	\$346	\$1,408	\$1,310	\$1,386	\$1,543
Net Direct Debt to POPULATION	\$904	\$185	\$169	\$159	\$329	\$589
Overlapping Debt to POPULATION	\$2,763	\$2,411	\$2,102	\$2,036	\$2,158	\$2,930
Net Direct Debt and Overlapping Debt to POPULATION	\$2,986	\$2,576	\$2,233	\$2,195	\$2,486	\$3,519
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	6.08%	5.02%	4.65%	3.70%	3.92%	4.36%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.19%	0.61%	0.56%	0.45%	0.93%	1.67%
Overlapping Debt as a percent of PER CAPITA PERSONAL INCOME	9.75%	7.96%	6.94%	5.76%	6.10%	8.29%
Net Direct Debt and Overlapping Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	10.54%	8.50%	7.37%	6.21%	7.03%	9.95%

(1) Population figure is based upon the most current data available

(2) Per Capita and population computations are based upon the most current data available

Estimated Overlapping Debt (principal) ⁽¹⁾

<u>Governmental Unit</u>	<u>Debt</u>	<u>% Applicable to City</u>	<u>Overlapping Debt</u>	<u>as of Date</u>	<u>Notes</u>
Frankfort Independent School District	\$8,827,848 ⁽²⁾⁽⁴⁾	100%	\$8,827,848	as of 6/30/24	audit
Franklin County School District	\$65,216,864 ⁽²⁾⁽⁴⁾	48.45%	\$31,597,571	as of 6/30/24	audit
Frankfort Electric and Water Plant Board - Cable	\$3,750,000 ⁽³⁾	100.00%	\$3,750,000	as of 12/1/25	in Local Gov Report
Frankfort Electric and Water Plant Board	\$18,500,000 ⁽³⁾	100.00%	\$18,500,000	as of 12/1/25	in Local Gov Report
Franklin County Pool Fund by KACo	\$3,290,000 ⁽³⁾	57.48%	\$1,891,153	as of 12/1/25	in Local Gov Report
Franklin County G.O. Series 2023	\$9,915,000	57.48%	\$10,000,000	as of 12/1/25	Series 2023 audit Emma Municipal
Franklin County Fire Station, 2015	\$240,000 ⁽³⁾	57.48%	\$137,956	as of 12/1/25	in Local Gov Report
Franklin County Refinancing, 2015	\$1,457,500 ⁽³⁾	57.48%	\$837,798	as of 12/1/25	in Local Gov Report
Franklin County Refinancing 2017	\$8,070,000 ⁽³⁾	57.48%	\$4,638,785	as of 12/1/25	in Local Gov Report
Franklin County Refunding Revenue Bonds, Series 2009	\$546,000 ⁽³⁾	57.48%	\$313,851	as of 12/1/25	in Local Gov Report
Franklin County Justice Center, 2020	\$3,365,000 ⁽³⁾	57.48%	\$1,934,264	as of 12/1/25	in Local Gov Report
Franklin County Fire Vehicles, 2020	\$4,465,000 ⁽³⁾	57.48%	\$2,566,565	as of 12/1/25	in Local Gov Report

⁽¹⁾ These figures do not include short term notes and bank loans.

⁽²⁾ Does not include debt attributable to the Kentucky School Facilities Construction Commission

⁽³⁾ Information from the 2026 KY Debt Report

⁽⁴⁾ Information from the SDFC's audits

CITY OF FRANKFORT, KENTUCKY
SUMMARY OF BONDED INDEBTEDNESS - AS OF DECEMBER 31, 2025⁽¹⁾

AMOUNT ISSUED	PURPOSE	MATURITY DATE	INTEREST RATE(S)	OUTSTANDING
9,995,000.00	Sewer System Revenue Bonds, Series 2013	December 1, 2038	Fixed	6,230,000.00
9,410,000.00	Sewer System Revenue Bonds, Series 2025	December 1, 2054	Fixed	9,410,000.00
4,650,000.00	General Obligation Bonds, Series 2014	December 1, 2040	Fixed	3,135,000.00
5,145,000.00	General Obligation Bonds, Series 2023 A	December 1, 2043	Fixed	4,825,000.00
7,985,000.00	General Obligation Bonds, Series 2025 A	December 1, 2050	Fixed	7,825,000.00
37,185,000.00		TOTAL EXISTING BONDED DEBT		31,425,000.00

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in APPENDIX C herein.

APPENDIX C

**CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A**

AUDITED FINANCIAL STATEMENTS OF THE CITY OF FRANKFORT, KENTUCKY
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

CITY OF FRANKFORT

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2025

And Reports of Independent Auditor

CITY OF FRANKFORT
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Report of Independent Auditor

To the Honorable Mayor and City Commissioners
City of Frankfort
Frankfort, Kentucky

Report on the Audit of the Financial Statements

Opinions

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 City of Frankfort (the “City”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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 City as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary Information, as listed in the table of contents, which includes the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is 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 March 31, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Lexington, Kentucky
March 31, 2026

CITY OF FRANKFORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

As management of the City of Frankfort (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements (statement of net position and statement of activities) report the City's net position and how it has changed. Net position, the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works, streets, parks and recreation, landfill, recycling, golf, tourism, planning and zoning, codes enforcement, and general administration. Property taxes, occupational taxes, insurance premium taxes, and charges for services provide most of the funding.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides, in this case Sewer.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has three kinds of Funds:

- Governmental Funds – Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. The governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs.
- Proprietary Funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. Proprietary funds also include internal service funds that report services provided to internal units of government.
- Fiduciary Fund – The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. These funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

CITY OF FRANKFORT
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Financial Highlights

- The total net position of the City at the close of fiscal year 2025 was \$109,044,433.
- The total unrestricted (deficit) net position at the end of fiscal year 2025 was (\$36,106,450). This deficit is mainly the result of the pension and other postemployment benefits (“OPEB”) liabilities recorded on the government-wide statements.
- The total long-term debt of governmental activities is included in other parts of this discussion.
- The actual revenues of the General Fund of the City were approximately \$2,816,915 more than budgeted revenues.
- Expenditures were approximately \$2,617,525 less than budgeted amounts.

Financial Overview

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Capital assets	\$ 69,843,553	\$ 64,518,454	\$ 115,445,937	\$ 93,554,419	\$ 185,289,490	\$ 158,072,873
Other assets	54,518,866	38,768,268	15,786,422	21,364,257	70,305,288	60,132,525
Total Assets	<u>\$ 124,362,419</u>	<u>\$ 103,286,722</u>	<u>\$ 131,232,359</u>	<u>\$ 114,918,676</u>	<u>\$ 255,594,778</u>	<u>\$ 218,205,398</u>
Deferred outflows of resources	\$ 10,735,127	\$ 11,381,103	\$ -	\$ -	\$ 10,735,127	\$ 11,381,103
Long-term liabilities	\$ 71,486,513	\$ 68,656,029	\$ 38,965,193	\$ 27,645,107	\$ 110,451,706	\$ 96,301,136
Other liabilities	17,249,325	7,425,472	5,958,823	3,869,309	23,208,148	11,294,781
Total Liabilities	<u>\$ 88,735,838</u>	<u>\$ 76,081,501</u>	<u>\$ 44,924,016</u>	<u>\$ 31,514,416</u>	<u>\$ 133,659,854</u>	<u>\$ 107,595,917</u>
Deferred inflows of resources	\$ 23,625,618	\$ 26,349,236	\$ -	\$ -	\$ 23,625,618	\$ 26,349,236
Invested in capital assets, net of related debt	\$ 57,304,061	\$ 54,166,174	\$ 74,172,717	\$ 63,268,494	\$ 131,476,778	\$ 117,434,668
Restricted	6,941,325	6,217,310	6,732,780	6,527,834	13,674,105	12,745,144
Unrestricted	(41,509,296)	(48,146,396)	5,402,846	13,607,932	(36,106,450)	(34,538,464)
Total Net Position	<u>\$ 22,736,090</u>	<u>\$ 12,237,088</u>	<u>\$ 86,308,343</u>	<u>\$ 83,404,260</u>	<u>\$ 109,044,433</u>	<u>\$ 95,641,348</u>

**CITY OF FRANKFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2025

Financial Overview (continued)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenue:						
Charges for service	\$ 8,573,987	\$ 8,885,709	\$ 12,914,276	\$ 12,084,049	\$ 21,488,263	\$ 20,969,758
Operating grants and contributions	186,695	320,136	-	-	186,695	320,136
Capital grants and contributions	4,487,328	7,753,849	550,579	1,496,081	5,037,907	9,249,930
General Revenue:						
Taxes:						
Property taxes	4,451,872	4,309,016	-	-	4,451,872	4,309,016
Occupational and insurance premium taxes	34,297,878	29,718,130	-	-	34,297,878	29,718,130
Interest and investment earnings	1,614,190	1,702,805	821,960	620,494	2,436,150	2,323,299
Gain (loss) on sale of capital assets	(107,921)	(177,422)	-	-	(107,921)	(177,422)
Transfers	-	521,917	-	(521,917)	-	-
Total Revenue	<u>53,504,029</u>	<u>53,034,140</u>	<u>14,286,815</u>	<u>13,678,707</u>	<u>67,790,844</u>	<u>66,712,847</u>
Expenditures:						
General government	3,351,784	3,998,836	-	-	3,351,784	3,998,836
Finance	596,342	563,311	-	-	596,342	563,311
Insurance	4,214,038	4,218,438	-	-	4,214,038	4,218,438
Public safety	17,217,184	18,312,844	-	-	17,217,184	18,312,844
Public works	9,059,582	8,522,348	-	-	9,059,582	8,522,348
Parks and recreation	4,207,553	4,156,113	-	-	4,207,553	4,156,113
Planning and building codes	726,756	860,710	-	-	726,756	860,710
Special projects	3,223,940	-	-	-	3,223,940	-
Interest on long-term debt	407,848	282,775	-	-	407,848	282,775
Sewer	-	-	11,382,732	11,342,980	11,382,732	11,342,980
Total Expenditures	<u>43,005,027</u>	<u>40,915,375</u>	<u>11,382,732</u>	<u>11,342,980</u>	<u>54,387,759</u>	<u>52,258,355</u>
Change in net position	10,499,002	12,118,765	2,904,083	2,335,727	13,403,085	14,454,492
Net position, beginning of year	<u>12,237,088</u>	<u>118,323</u>	<u>83,404,260</u>	<u>81,068,533</u>	<u>95,641,348</u>	<u>81,186,856</u>
Net position, end of year	<u>\$ 22,736,090</u>	<u>\$ 12,237,088</u>	<u>\$ 86,308,343</u>	<u>\$ 83,404,260</u>	<u>\$ 109,044,433</u>	<u>\$ 95,641,348</u>

The City has continued to provide a high level and quality of services to the Citizens of Frankfort while maintaining a structurally balanced budget. Additionally, the City's Sewer Division has continued to move forward with consent judgment projects to meet the deadlines established by the State. The Sewer Division will continue to monitor cash flow and funding capabilities to ensure that the projects are properly funded while continuing to keep a strong bond rating.

The City experienced a 0.9% increase in Governmental Activities revenues from the prior year. Governmental Activities expenditures increased by 5.1% from the prior year. The revenue increase is mainly attributed to increased insurance premium tax collections. The expenditure increase is mainly attributed to increased activity associated with costs with the Vandalay Road bond for the acquisition, construction, installation, and equipping of roadway and streetscape improvements.

CITY OF FRANKFORT
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Capital Assets and Debt Administration

Capital Assets – The City had significant activity in capital assets during the year ended June 30, 2025. Total capital assets as of June 30, 2025 was \$185,289,490. Sewer Fund plant and equipment make up the business-type capital assets. The net sewer capital assets as of June 30, 2025 was \$115,447,937. As of June 30, 2025, there was \$63,692,006 of construction in progress related to business type activities only. These construction costs consist primarily of Sewer Consent Projects, new development and Public Works projects.

Debt Administration – The governmental activities of the City include three bonds. The City issued \$7,985,000 in 2025A general obligation bonds during the year. The bond debt of \$16,260,000 will be paid off between 2040-2049. Additionally, the City has \$823,456 in KIA notes payable.

Business-type activities had \$7,770,000 in bonds and \$33,523,496 in KIA notes outstanding as of June 30, 2025.

The following long-term liabilities are currently outstanding and payable:

	Governmental Activities	Business-Type Activities
Bonds payable	\$ 16,786,086	\$ 7,749,724
Lease obligations	547,693	-
SBITA obligations	20,621	-
KIA notes payable	823,456	33,523,496
Compensated absences	7,336,070	862,141
Pension liability	47,984,445	-
OPEB liability	1,126,074	-
	\$ 74,624,445	\$ 42,135,361

Analysis of Individual Funds

The City’s Governmental Funds for the year ended June 30, 2025 reflect a combined ending fund balance of \$39,543,640, an increase of \$6,286,298 from the prior year.

The total fund balance in the General Fund as of June 30, 2025 was \$26,359,452, which represents an increase of \$1,060,181 from the prior year. The City’s other governmental funds experienced significant grant activity during the year, along with the receipt of funds related to the Vandalay Road project, which collectively contributed to an increase in fund balance of \$5,226,117.

Economic Factors and Next Year’s Budget – The City of Frankfort, Kentucky’s General Fund budgeted expenditures for the year ending 2026, decreased approximately \$574,700 compared to the fiscal year 2025 original budget. The fiscal year 2026 budget reflects a conservative fiscal approach while incorporating the impact of current economic conditions, including upward pressure on salaries and inflationary cost increases.

Contacting the City of Frankfort, Kentucky Financial Management – This financial report is designed to provide citizens, creditors, or other users with an overview of the City of Frankfort’s finances, fiscal practices and responsibility. If you have questions or need additional information, please contact the City of Frankfort, Kentucky at PO Box 697, Frankfort, KY 40602.

CITY OF FRANKFORT
STATEMENT OF NET POSITION

JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,461,639	\$ 3,154,531	\$ 16,616,170
Investments	14,531,388	4,870,921	19,402,309
Accounts receivable	2,188,729	985,725	3,174,454
Due from (to) other funds	(39,370)	39,370	-
Accrued interest	11,050	3,095	14,145
Prepaid expenses	114,503	-	114,503
Restricted Assets:			
Cash and cash equivalents	5,876,181	2,342,190	8,218,371
Investments	17,181,403	4,385,651	21,567,054
Accrued interest	-	4,939	4,939
Net pension asset	1,193,343	-	1,193,343
Capital Assets:			
Nondepreciable capital assets	22,917,234	64,688,014	87,605,248
Depreciable capital assets, net	46,926,319	50,757,923	97,684,242
Total Assets	<u>124,362,419</u>	<u>131,232,359</u>	<u>255,594,778</u>
Deferred outflows of resources - pension and OPEB	<u>10,735,127</u>	<u>-</u>	<u>10,735,127</u>
LIABILITIES			
Accounts payable	838,678	2,733,945	3,572,623
Accrued expenses	593,309	-	593,309
Workers' compensation reserve liability	766,939	48,954	815,893
Healthcare liability	364,687	5,756	370,443
Compensated Absences:			
Due within one year	2,420,903	448,313	2,869,216
Due in more than one year	4,915,167	413,828	5,328,995
Unearned revenue	11,547,780	-	11,547,780
Lease Liabilities Payable:			
Due within one year	167,608	-	167,608
Due in more than one year	380,085	-	380,085
Subscription Liabilities Payable:			
Due within one year	20,621	-	20,621
KIA Loans Payable:			
Due within one year	26,466	1,186,465	1,212,931
Due in more than one year	796,990	32,337,031	33,134,021
Bonds Payable:			
Due within one year	502,334	1,535,390	2,037,724
Due in more than one year	16,283,752	6,214,334	22,498,086
Net pension liability	47,984,445	-	47,984,445
Net OPEB liability	1,126,074	-	1,126,074
Total Liabilities	<u>88,735,838</u>	<u>44,924,016</u>	<u>133,659,854</u>
Deferred inflows of resources - pension and OPEB	<u>23,625,618</u>	<u>-</u>	<u>23,625,618</u>
Net Position:			
Net investment in capital assets	57,304,061	74,172,717	131,476,778
Restricted	6,941,325	6,732,780	13,674,105
Unrestricted (deficit)	(41,509,296)	5,402,846	(36,106,450)
Total Net Position	<u>\$ 22,736,090</u>	<u>\$ 86,308,343</u>	<u>\$ 109,044,433</u>

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

Function/Programs	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 3,351,784	\$ 148,315	\$ -	\$ -	\$ (3,203,469)	\$ -	\$ (3,203,469)
Finance	596,342	-	-	-	(596,342)	-	(596,342)
Insurance	4,214,038	1,453,784	-	-	(2,760,254)	-	(2,760,254)
Public safety	17,217,184	2,727,417	186,695	-	(14,303,072)	-	(14,303,072)
Public works	9,059,582	3,085,962	-	4,487,328	(1,486,292)	-	(1,486,292)
Parks and recreation	4,207,553	1,107,776	-	-	(3,099,777)	-	(3,099,777)
Planning and building codes	726,756	50,733	-	-	(676,023)	-	(676,023)
Special projects	3,223,940	-	-	-	(3,223,940)	-	(3,223,940)
Interest	407,848	-	-	-	(407,848)	-	(407,848)
Total Governmental Activities	43,005,027	8,573,987	186,695	4,487,328	(29,757,017)	-	(29,757,017)
Business-type Activities:							
Sewer	11,382,732	12,914,276	-	550,579	-	2,082,123	2,082,123
Total Primary Government	\$ 54,387,759	\$ 21,488,263	\$ 186,695	\$ 5,037,907	(29,757,017)	2,082,123	(27,674,894)
General Revenues:							
Taxes:							
Property tax					4,451,872	-	4,451,872
Occupational and insurance premium tax					34,297,878	-	34,297,878
Investment income					1,614,190	821,960	2,436,150
Loss on sale of assets					(107,921)	-	(107,921)
Total General Revenues					40,256,019	821,960	41,077,979
Change in net position					10,499,002	2,904,083	13,403,085
Net position, beginning of year					12,237,088	83,404,260	95,641,348
Net position, end of year					\$ 22,736,090	\$ 86,308,343	\$ 109,044,433

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2025

	General Fund	Capital Improvements	Convention Center	Vandalay Bond	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,112,650	\$ 751,713	\$ -	\$ -	\$ 6,597,276	\$ 13,461,639
Investments	14,531,388	-	-	-	-	14,531,388
Accounts and grants receivable	1,021,545	501,350	-	-	665,834	2,188,729
Due (to) from other funds	576,857	362,895	-	-	(979,122)	(39,370)
Accrued interest	10,759	-	-	-	291	11,050
Prepaid expenses	114,503	-	-	-	-	114,503
Restricted Assets:						
Cash and cash equivalents	5,746,602	-	-	129,579	-	5,876,181
Investments	1,380	-	11,365,995	5,814,028	-	17,181,403
Total Assets	\$ 28,115,684	\$ 1,615,958	\$ 11,365,995	\$ 5,943,607	\$ 6,284,279	\$ 53,325,523
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 345,736	\$ -	\$ -	\$ -	\$ 492,942	\$ 838,678
Accrued payroll expenses	590,804	-	-	-	-	590,804
Unearned revenue	15,071	-	11,250,000	-	282,709	11,547,780
Healthcare liability	187,983	-	-	-	-	187,983
Total Liabilities	1,139,594	-	11,250,000	-	775,651	13,165,245
Deferred Inflows of Resources –						
Unavailable Resources	616,638	-	-	-	-	616,638
Fund Balances:						
Unassigned funds	4,635,866	-	-	-	-	4,635,866
Restricted funds	5,747,982	1,615,958	115,995	5,943,607	5,508,628	18,932,170
Committed funds	11,660,848	-	-	-	-	11,660,848
Assigned funds	4,200,253	-	-	-	-	4,200,253
Non-spendable funds	114,503	-	-	-	-	114,503
Total Fund Balances	26,359,452	1,615,958	115,995	5,943,607	5,508,628	39,543,640
Total Liabilities and Fund Balances	\$ 28,115,684	\$ 1,615,958	\$ 11,365,995	\$ 5,943,607	\$ 6,284,279	\$ 53,325,523

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

JUNE 30, 2025

Total Fund Balance Per Fund Financial Statement	\$ 39,543,640
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the statement of net position	69,843,553
Opioid settlement funds are deferred inflows of resources in the General Fund but are not considered deferred at the government-wide level	616,638
Pension assets are not current financial resources, but they are reported in the statement of net position	1,193,343
Deferred Outflows and Inflows are not current financial resources or due and payable in the current period:	
Deferred inflows associated with pension and OPEB	(23,625,618)
Deferred outflows associated with pension and OPEB	10,735,127
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(47,984,445)
Net OPEB liability	(1,126,074)
Lease and subscription liabilities	(568,314)
Interest payable	(2,505)
KIA payable	(823,456)
General obligation bond debt	(16,786,086)
Accrued compensated absences	(7,336,070)
Healthcare liability	(176,704)
Workers' compensation reserve liability	(766,939)
Net Position for Governmental Activities	<u>\$ 22,736,090</u>

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	General Fund	Capital Improvements	Convention Center	Vandalay Bond	Transit Center (Formerly Major)	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 4,451,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,451,872
Occupational receipts	34,297,878	-	-	-	-	1,453,784	35,751,662
Licenses, permits, and fines	50,733	-	-	-	-	-	50,733
Fines and forfeitures	-	-	-	-	-	154,180	154,180
Charges for service	3,759,072	-	-	-	-	435,603	4,194,675
Intergovernmental	2,916,731	-	-	-	-	2,341,907	5,258,638
Interest income	1,202,389	57,222	115,995	67,507	-	171,079	1,614,192
Recycling	12,019	-	-	-	-	-	12,019
Rental income	46,466	-	-	-	-	24,131	70,597
Miscellaneous	937,280	1,267,385	-	-	-	18,879	2,223,544
Total Revenues	47,674,440	1,324,607	115,995	67,507	-	4,599,563	53,782,112
Expenditures:							
Current:							
General government	2,881,739	222,484	-	2,226,680	-	59,127	5,390,030
Public safety	21,216,254	1,916,367	-	-	-	491,748	23,624,369
Finance	663,662	-	-	-	-	-	663,662
Insurance	4,214,038	-	-	-	-	-	4,214,038
Public works	8,013,183	3,121,211	-	-	-	3,593,000	14,727,394
Parks and recreation	4,149,867	250,908	-	-	-	634,315	5,035,090
Planning and building codes	825,136	-	-	-	-	-	825,136
Pension and accrual payouts	418,347	-	-	-	-	-	418,347
Debt service	305,000	-	-	187,463	-	-	492,463
Interest	423,503	-	-	-	-	-	423,503
Total Expenditures	43,110,729	5,510,970	-	2,414,143	-	4,778,190	55,814,032
Excess (Deficiency) of Revenues Over Expenditures	4,563,711	(4,186,363)	115,995	(2,346,636)	-	(178,627)	(2,031,920)
Other Financing Sources (Uses):							
Reoffering premium	-	-	-	305,243	-	-	305,243
Bond proceeds	-	-	-	7,985,000	-	-	7,985,000
Transfers in	-	3,331,505	-	-	-	200,000	3,531,505
Transfers out	(3,531,505)	-	-	-	-	-	(3,531,505)
Proceeds from sales of capital assets	27,975	-	-	-	-	-	27,975
Total Other Financing Sources (Uses)	(3,503,530)	3,331,505	-	8,290,243	-	200,000	8,318,218
Net change in fund balances	1,060,181	(854,858)	115,995	5,943,607	-	21,373	6,286,298
Fund balances at beginning of year, as previously stated	25,299,271	-	-	-	1,418,475	6,539,596	33,257,342
Change within financial reporting entity (major to nonmajor)	-	-	-	-	(1,418,475)	-	(1,418,475)
Change within financial reporting entity (nonmajor to major)	-	2,470,816	-	-	-	(1,052,341)	1,418,475
Fund balances at beginning of year, as restated	25,299,271	2,470,816	-	-	-	5,487,255	33,257,342
Fund balances at end of year	\$ 26,359,452	\$ 1,615,958	\$ 115,995	\$ 5,943,607	\$ -	\$ 5,508,628	\$ 39,543,640

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES

YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total governmental funds	\$ 6,286,298
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense.	
Governmental funds also report only the proceeds from sales of fixed assets while the net gain or loss is reported in the statement of activities.	5,325,099
The long-term portion of the Opioid Settlement is a recognized as revenue in the government-wide settlement and is a deferred inflow of resources in the government fund statements	(113,821)
Net pension assets are not available for the payment of current expenditures and, therefore, are not reported in the governmental funds.	(30,334)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term and related items.	(7,820,051)
The difference between pension and OPEB expense and contributions.	7,537,191
Some expenses such as long-term compensated absences and insurance liabilities are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(685,380)</u>
Change in Net Position of Governmental Activities	<u>\$ 10,499,002</u>

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – SEWER FUND

JUNE 30, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,154,531
Investments	4,870,921
Accounts receivable	985,725
Accrued interest	3,095
Interfund receivable/payable	39,370
Total Current Assets	<u>9,053,642</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents	2,342,190
Investments	4,385,651
Accrued interest	4,939

Capital Assets:

Nondepreciable capital assets	64,688,014
Depreciable capital assets, net	50,757,923

Total Noncurrent Assets	<u>122,178,717</u>
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Total Assets	<u><u>\$ 131,232,359</u></u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 2,733,945
Accrued compensated absences	448,313
Workers' compensation reserve liability	48,954
Healthcare liability	5,756
KIA loans payable	1,186,465
Bonds payable	1,535,390
Total Current Liabilities	<u>5,958,823</u>

Noncurrent Liabilities:

Bonds payable	6,214,334
KIA loans payable	32,337,031
Accrued compensated absences	413,828

Total Noncurrent Liabilities	<u>38,965,193</u>
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Total Liabilities	<u><u>\$ 44,924,016</u></u>
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NET POSITION

Net investment in capital assets	\$ 74,172,717
Restricted	6,732,780
Unrestricted	5,402,846
Total Net Position	<u><u>\$ 86,308,343</u></u>

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS – SEWER FUND

YEAR ENDED JUNE 30, 2025

Operating Revenues:	
User fees	\$ 12,516,663
Dump fees	350,801
Tap fees	46,812
Total Operating Revenues	<u>12,914,276</u>
Operating Expenses:	
Personnel services	2,654,981
Employee benefits	1,202,010
Heat, light, and power	724,057
Insurance	163,655
Other contracted services	462,281
Drug and lab supplies	412,460
Shop supplies	338,282
Other expenses	394,564
Repairs and maintenance	1,520,133
Depreciation expense	2,679,967
Total Operating Expenses	<u>10,552,390</u>
Operating Income	<u>2,361,886</u>
Nonoperating Revenues (Expenses):	
Grants and aids	550,579
Interest expense	(825,725)
Bond discount and amortization	(4,617)
Investment income	821,960
Total Nonoperating Revenues (Expenses)	<u>542,197</u>
Change in net position	2,904,083
Net position, beginning of year	<u>83,404,260</u>
Net position, end of year	<u><u>\$ 86,308,343</u></u>

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – SEWER FUND

YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:	
Cash receipts from customers and users	\$ 13,042,625
Cash paid to employees	(2,560,004)
Cash payments to vendors	<u>(2,890,114)</u>
Net cash flows from operating activities	<u>7,592,507</u>
Cash flows from capital and related financing activities:	
Grants and aid	550,579
Purchase of capital assets and construction in progress	(24,571,485)
Principal paid on bonds	(1,475,000)
Principal paid on KIA	(1,215,997)
Proceeds from KIA	13,673,675
Interest payments	<u>(825,725)</u>
Net cash flows from capital and related financing activities	<u>(13,863,953)</u>
Cash flows from investing activities:	
Purchase of investments	(267,601)
Receipt of interest	<u>821,960</u>
Net cash flows from investing activities	<u>554,359</u>
Net change in cash and cash equivalents	(5,717,087)
Cash and cash equivalents, beginning of year	<u>11,213,808</u>
Cash and cash equivalents, end of year	<u>\$ 5,496,721</u>
Reconciliation of cash - end of year	
Cash and cash equivalents	\$ 3,154,531
Restricted cash funds	<u>2,342,190</u>
	<u>\$ 5,496,721</u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income	\$ 2,361,886
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	2,679,967
Change in assets and liabilities:	
Accounts receivable	273,151
Interfund receivables/payables	(144,802)
Accounts payable	2,384,248
Accrued payroll	(102,278)
Insurance liabilities	(56,920)
Compensated absences	<u>197,255</u>
Net cash flows from operating activities	<u>\$ 7,592,507</u>

The accompanying notes to the financial statements are in integral part of these statements.

CITY OF FRANKFORT
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2025

	Pension Trust - Police and Firemen's Retirement	Custodial Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 115,762	\$ 792,268
Investments	2,895,013	-
Total Assets	<u>\$ 3,010,775</u>	<u>\$ 792,268</u>
LIABILITIES		
Other Liabilities	<u>\$ -</u>	<u>\$ 299,634</u>
NET POSITION		
Net Position	<u>\$ 3,010,775</u>	<u>\$ 492,634</u>

CITY OF FRANKFORT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2025

	Pension Trust - Police and Firemen's Retirement	Custodial Funds
Additions		
Investment earnings		
Interest and dividends	\$ 96,354	\$ 11,251
Tax revenue	-	522,145
Realized and unrealized gains	137,987	-
Total Additions	<u>234,341</u>	<u>533,396</u>
Deductions		
Expenditures	-	362,055
Retirement claims paid	210,161	-
Administrative fees	8,730	-
Total Deductions	<u>218,891</u>	<u>362,055</u>
Change in net position	15,450	171,341
Net position, beginning of year	<u>2,995,325</u>	<u>321,293</u>
Net position, end of year	<u>\$ 3,010,775</u>	<u>\$ 492,634</u>

CITY OF FRANKFORT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies

The financial statements of the City of Frankfort, Kentucky (the “City”) have been prepared in accordance with generally accepted accounting principles (“U.S. GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for government accounting and financial reporting. The City applies all relevant GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

The Reporting Entity – The City was incorporated in 1786 under the provisions of the Commonwealth of Kentucky. The City operates under a mayor and commission-manager form of government. The governing body consists of the Mayor and four elected commission members. The Mayor is elected to serve a four-year term, and commissioners are each elected to serve a two-year term. The City Manager administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager.

The accompanying financial statements present the City and its component units (traditionally separate reporting entities) for which the City is considered to be financially accountable. The City, (the “primary government”) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Blended Component Unit – The City has included the financial operations of the City of Frankfort, Kentucky Police and Firefighters’ Retirement Fund as a blended fiduciary component unit and a separate fiduciary fund. Policemen and firefighters retired prior to August 1, 1988 participate in this plan. The City does not select the pension board nor does it have the ability to significantly influence operations. However, there would be financial interdependency because the City would be responsible for funding any deficit and any surplus in the fund would be returned to the City.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the primary government of the City including its blended component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double accounting of internal activities. These statements distinguish between the governmental and business-type activities of the City.

Governmental activities normally are supported through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, property taxes, interest and investment income, and other revenues are reported as general revenues.

Fund Financial Statements – The fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditures/expenses. Funds are organized into three major categories – governmental, proprietary, and fiduciary, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

CITY OF FRANKFORT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

The City has the following major funds:

- *Governmental Fund Types* – The General Fund is the primary operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use.
- The Convention Center Fund accounts for the financial resources related to the construction of the Frankfort Convention Center. The State of Kentucky appropriated \$11.25 million to support the Meeting and Event Center as part of broader downtown revitalization and economic development in Frankfort. The City of Frankfort's proposal focuses on creating a modern, multi-use facility to support these revitalization efforts and meet community and regional event needs.
- The Vandalay bond fund is used to support the financing, construction, and completion of roadway and streetscape improvement projects within the City as a result of the issuance of GO Bonds Series 2025A.
- The Capital Improvement Fund accounts for the financial resources related to transportation grant funds and trolley revenue.
- *Proprietary Fund Types* – The Sewer Fund accounts for revenues received for sewer services for the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.
- *Fiduciary Fund Types* – Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support City programs.
- Pension Trust Funds are used to report resources that are held in trust for the members and beneficiaries of the Police and Firefighters' Retirement Benefit Plan.
- Custodial Funds are used to report resources held by the City in a purely custodial capacity. Custodial funds typically involve the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (matured).

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents and Investments – The City's cash is considered to be cash on hand and demand deposits. Legal requirements and the City's policies governing investments are discussed in Note 3.

Restricted Net Position – The City has certain assets that are restricted by terms of federal or state grants and programs, debt service, or other agreements and are segregated on the government-wide statement of net position and the proprietary fund statement of net position. They include:

- Funds restricted in trust accounts for the payment of health and workers' compensation claims as needed totaled \$5,670,003.
- Funds restricted for the payment of police and firefighters pensions in the amount of \$1,193,343.
- Funds held related to the Opioid settlement in the amount of \$542,562.
- Funds restricted by bond agreements in the amount of \$6,268,197.

Interfund Receivables and Payables – Interfund transactions that would be treated as revenues or expenditures/expenses, if they involved organizations external to the City, are similarly treated when involving funds of the City. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as interfund transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Receivables – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trend and the periodic aging of accounts receivable. The City's management considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible accounts receivable is required. Major receivable balances for the governmental funds consist of grant and interest receivables. Business-type activities report sewer receivables as their major receivables.

Property Taxes – Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in the month of November and are due and payable at that time. All unpaid taxes levied in the month of November become delinquent January 1 of the following year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year-end. Delinquent taxes are at least six months delinquent at June 30 and are not considered collectible.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

Property taxes for the fiscal year ended June 30, 2025 were levied on September 30, 2023, on the assessed valuation of property located in the City as of the preceding January 1. The due date and collection periods for property taxes are as follows:

<u>Description</u>	<u>Per KRS.134.015(3)</u>
Due date for payment of taxes	Upon receipt
2% discount period	By November 30
Face value amount payment dates	December 1 through December 31
10% penalty plus ½%	After December 31
10% penalty plus ½% each additional month	After January 31

The City's tax rate applicable to the 2025 fiscal year was \$0.197 per \$100 of assessed valuation for real estate.

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 government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized. Depreciation is computed using the straight-line method.

Capitalization thresholds and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

<u>Asset</u>	<u>Threshold</u>	<u>Years</u>
Buildings and improvements	25,000	5-40
Computers and electronics	1,500	3-10
Machinery and equipment	1,500	3-10
Vehicles	1,500	3-10
Furniture and fixtures	1,500	3-10
Infrastructure	25,000	20-100
Inland/marine	1,500	3-10
Pump stations	1,500	20

The City's capital assets also include certain intangible right to use assets. These right-to-use assets arise in association with agreements where the City reports a lease (where the City serves as a lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with U.S. GAAP requirements.

The intangible right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

The intangible right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The intangible right-to-use subscription assets should be amortized on a straight-line basis over the subscription term.

Accrued Compensated Absences and Sick Pay – A compensated absence liability is recognized in accordance with GASB 101, *Compensated Absences*, include: 1) leave that is attributable to services already rendered, 2) leave that accumulates, 3) leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash items.

Long-term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and bond premiums are reported as “other financing sources” while discounts are reported as “other financing uses.” Bond issuance costs are reported as debt service expenditures.

Fund Balance and Designations – The Board of Commissioners is the City’s highest level of decision-making authority. Commitments of fund balance must be approved by the Commission in an open meeting by formal vote. Per the City’s policy, assigned fund balances are proposed by the City Manager or the Finance Director and approved by the Board of Commissioners and may include the following: (1) vital projects requiring use of current resources in future periods, (2) capital projects, (3) interim funding for operating costs during shortfalls or (4) contractual obligations including compensated absences and amounts encumbered for a specific purpose if the resources are not already reported as restricted. The City’s policy when both restricted and unrestricted amounts are available is to use restricted funds first. The City has a minimum unrestricted fund balance policy in the General Fund based on General Fund operating expenditures and three months’ minimum balance. Committed fund balance as of June 30, 2025 was \$11,660,848. Assigned fund balances in the governmental funds consist of the following:

Encumbrances	\$ 52,280
Compensated absences	4,147,973
	<u>\$ 4,200,253</u>

Budgetary Information – The City Commission approves, by ordinance, total budget appropriations only. The City manager is authorized to transfer budget amounts between departments within any fund; however, any revisions to the total appropriations of any fund must be approved by the City Commission. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes this level has been expanded to a departmental basis.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

Detailed annual budgets are adopted for the General Fund and the Sewer Fund. The annual budget for those funds is prepared in accordance with the basis of accounting utilized by those funds. The City has adopted budgets for its special revenue and capital projects funds. However, these budgets are prepared using only total revenues and total expenditures.

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and actual presents comparisons of legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with U.S. GAAP, a reconciliation of resultant entity and timing differences in excess (deficiency) of revenues over (under) expenditures are shown, if necessary. Additionally, any purchase orders intended to be honored from the prior year are carried forward and reflected in the final budgeted amounts of the statement, if applicable.

Encumbrance accounting is utilized during the year to facilitate effective budgetary control. Encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Budgetary comparisons presented in this report are on this budgetary basis of accounting. Adjustments necessary to convert from budgetary basis to U.S. GAAP are provided on the face of the budgetary comparison statements. In governmental funds, encumbrances outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Encumbrances do not lapse at the close of the fiscal year but are carried forward as assigned fund balance until liquidated.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the County Employers' 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.

Other Post-Employment Benefits ("OPEB") – For purposes of measuring the City's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the CERS Insurance Fund and additions to/deductions from the Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by the Insurance Fund. For this purpose, the Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. The liability was measured at June 30, 2023. Investments are reported at fair value.

Deferred Inflows of Resources and Deferred Outflows of Resources – With the implementation of GASB Statements 65, 68, and 75, the government's statement of net position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. These amounts will not be recognized as expense or revenue until the applicable period.

Implementation of Accounting Pronouncement – In June 2022, GASB issued *Statement 101 – Compensated Absences*. The provisions of the statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires liabilities for compensated absences to be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The City adopted this statement effective July 1, 2024 with no impact on net position.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Deposits

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which together with FDIC insurance equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the City and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the Board of Directors of the depository institution or its loan committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a depository institution failure, the City’s deposits may not be returned. The City does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3—Investments

The City follows state statutes pertaining to investments permitted by law. Governmental and proprietary investments include assets held by fiscal agents for healthcare and workers’ compensation claims which are maintained in trust accounts and subject to different investment criteria than the general assets of the City. The general operating fund investments are in certificates of deposit which are held at cost which approximates fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other than observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements for restricted and unrestricted investments as of June 30, 2025:

<u>Governmental</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit and savings	\$ 581,460	\$ -	\$ -	\$ 581,460
Fixed income	-	1,380	-	1,380
Money market funds	31,129,951	-	-	31,129,951
	<u>\$ 31,711,411</u>	<u>\$ 1,380</u>	<u>\$ -</u>	<u>\$ 31,712,791</u>
<u>Proprietary</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit and savings	\$ 3,814,513	\$ -	\$ -	\$ 3,814,513
Fixed income	-	2,569,454	-	2,569,454
Money market funds	1,116,216	-	-	1,116,216
Equities	826,064	-	-	826,064
Municipal bonds	-	930,325	-	930,325
	<u>\$ 5,756,793</u>	<u>\$ 3,499,779</u>	<u>\$ -</u>	<u>\$ 9,256,572</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 3—Investments (continued)

The City’s Police and Firefighters’ Retirement Fund is not subject to the same investment laws as the City. The City’s Police and Firefighters’ Retirement Fund investments are all categorized as either insured or registered. The securities are held by the retirement fund, or by its agent, in the name of the Police and Firefighters’ Retirement Fund.

The City’s Police and Firefighters’ Retirement Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Fund has the following recurring fair value measurements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal bonds	\$ -	\$ 74,709	\$ -	\$ 74,709
U.S. government securities	866,757	-	-	866,757
Equities	295,185	-	-	295,185
Corporate bonds	-	1,576,515	-	1,576,515
Money market funds	81,847	-	-	81,847
	<u>\$ 1,243,789</u>	<u>\$ 1,651,224</u>	<u>\$ -</u>	<u>\$ 2,895,013</u>

While the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, the City does, as part of its safety of principle objective, strive to mitigate credit risk and interest rate risk. Kentucky Revised Statute 66.480 defines investments a city may invest in and also places restrictions on certain types of investments and concentrations of investments.

- *Interest Rate Risk* – Interest rate risk is the risk an investment will decline in value as a result of unexpected fluctuations in interest rates.
- *Credit Risk* – Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt.

Concentration of Credit Risk – It is the policy of the City to diversify its investment portfolios within the restrictions of state and federal law. KRS 66.480(2) limits local government investments in securities to 20% of total investments with no more than 5% of total investment in a single issuer absent exceptions in KRS 66.480(2)(d)(1-4). Furthermore, local governments are restricted from investing 40% of allowed securities investment total in mutual funds and exchange traded funds, individual equity securities, and individual high quality corporate bonds by KRS 66.480(2)(b).

Note 4—Receivables

Receivables consist primarily of amounts due in relation to grant agreements.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Capital assets

Capital asset activity for governmental activities for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 6,428,257	\$ -	\$ -	\$ 6,428,257
Construction in progress	12,124,630	4,364,347	-	16,488,977
Total nondepreciable capital assets	<u>18,552,887</u>	<u>4,364,347</u>	<u>-</u>	<u>22,917,234</u>
Depreciable capital assets:				
Buildings and improvements	24,906,889	84,215	-	24,991,104
Infrastructure	49,384,209	-	-	49,384,209
Inland marine	5,093,493	240,455	-	5,333,948
Computers and electronic equipment	875,245	-	-	875,245
Machinery and equipment	1,609,778	103,650	-	1,713,428
Furniture and fixtures	2,827,891	37,966	-	2,865,857
Vehicles	19,190,052	3,622,395	(1,103,434)	21,709,013
Total depreciable capital assets	<u>103,887,557</u>	<u>4,088,681</u>	<u>(1,103,434)</u>	<u>106,872,804</u>
Less accumulated depreciation:				
Buildings and improvements	(15,505,446)	(573,330)	-	(16,078,776)
Infrastructure	(20,512,592)	(753,797)	-	(21,266,389)
Inland marine	(4,400,723)	(159,045)	-	(4,559,768)
Computers and electronic equipment	(751,794)	(12,321)	-	(764,115)
Machinery and equipment	(1,316,957)	(57,198)	-	(1,374,155)
Furniture and fixtures	(1,950,297)	(128,582)	-	(2,078,879)
Vehicles	(14,150,524)	(1,196,988)	967,539	(14,379,973)
Total accumulated depreciation	<u>(58,588,333)</u>	<u>(2,881,261)</u>	<u>967,539</u>	<u>(60,502,055)</u>
Right-to-use:				
Right-to-use lease assets	640,916	197,184	-	838,100
Right-to-use subscription asset	498,877	-	(347,384)	151,493
Accumulated amortization - lease asset	(150,695)	(154,110)	-	(304,805)
Accumulated amortization - subscription asset	(322,755)	(153,847)	347,384	(129,218)
Net right-to-use assets	<u>666,343</u>	<u>(110,773)</u>	<u>-</u>	<u>555,570</u>
Total depreciable and amortized capital assets, net	<u>45,965,567</u>	<u>1,096,647</u>	<u>(135,895)</u>	<u>46,926,319</u>
Total capital assets, net	<u>\$ 64,518,454</u>	<u>\$ 5,460,994</u>	<u>\$ (135,895)</u>	<u>\$ 69,843,553</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Capital assets (continued)

Capital asset activity for business-type activities for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 996,008	\$ -	\$ -	\$ 996,008
Construction in progress	39,456,213	24,235,793	-	63,692,006
Total nondepreciable capital assets	<u>40,452,221</u>	<u>24,235,793</u>	<u>-</u>	<u>64,688,014</u>
Capital assets, being depreciated:				
Buildings	14,713,284	9,070	-	14,722,354
Machinery and equipment	2,391,903	-	-	2,391,903
Furniture and fixtures	72,858	-	-	72,858
Computers and electronic equipment	210,321	-	-	210,321
Inland marine	863,995	-	-	863,995
Vehicles	2,744,360	326,622	-	3,070,982
Pump stations	18,456,265	-	-	18,456,265
Infrastructure	54,663,321	-	-	54,663,321
Total depreciable capital assets	<u>94,116,307</u>	<u>335,692</u>	<u>-</u>	<u>94,451,999</u>
Less accumulated depreciation:				
Buildings	(10,477,558)	(410,685)	-	(10,888,243)
Infrastructure	(16,109,840)	(1,558,271)	-	(17,668,111)
Inland marine	(646,681)	(10,268)	-	(656,949)
Pump stations	(9,680,704)	(506,053)	-	(10,186,757)
Computers and electronic equipment	(199,075)	-	-	(199,075)
Machinery and equipment	(2,109,873)	(44,096)	-	(2,153,969)
Furniture and fixtures	(64,459)	(787)	-	(65,246)
Vehicles	(1,725,919)	(149,807)	-	(1,875,726)
Total accumulated depreciation	<u>(41,014,109)</u>	<u>(2,679,967)</u>	<u>-</u>	<u>(43,694,076)</u>
Total depreciable assets, net	<u>53,102,198</u>	<u>(2,344,275)</u>	<u>-</u>	<u>50,757,923</u>
Total capital assets, net	<u>\$ 93,554,419</u>	<u>\$ 21,891,518</u>	<u>\$ -</u>	<u>\$ 115,445,937</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Capital assets (continued)

Depreciation and amortization were charged to the functions/programs of the primary government as follows:

Governmental activities:

Depreciation:

General government	\$ 74,807
Public safety	1,318,784
Public works	1,185,121
Parks and recreation	302,549
	<u>\$ 2,881,261</u>

Amortization:

General government	<u>\$ 307,957</u>
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Business-type activities:

Sewer	<u>\$ 2,679,967</u>
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Note 6—Interfund receivables and payables

Interfund receivables/payables exist between the following funds:

Due to	Due from					Total
	General	Tiger/Raise	Transit Center	Sewer	Municipal	
General	\$ -	\$ 200,000	\$ 700,000	\$ 158,753	\$ 33,941	\$ 1,092,694
Transit Center	-	-	-	22,078	-	22,078
Capital improvements	234,247	-	-	13,488	115,160	362,895
Tiger/RAISE	46,028	-	-	-	-	46,028
Stormwater	-	-	-	1,873	-	1,873
Sewer	235,562	-	-	-	-	235,562
	<u>\$ 515,837</u>	<u>\$ 200,000</u>	<u>\$ 700,000</u>	<u>\$ 196,192</u>	<u>\$ 149,101</u>	<u>\$ 1,761,130</u>

During the year ended June 30, 2025, transfers between funds were as follows:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Capital improvements	To fund capital assets and capital projects	\$ 3,331,505
Operating	General	Tiger	To fund grant expenses prior to reimbursement	200,000
				<u>\$ 3,531,505</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Long-term liabilities

A summary of long-term liabilities activity for the year ended June 30, 2025 is as follows. Additional detailed information is available in the following notes.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Premiums/ Discounts</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds payable	\$ 8,812,915	\$ 7,985,000	\$ (317,072)	\$ 305,243	\$ 16,786,086	\$ 502,334
KIA payable	849,466	-	(26,010)	-	823,456	26,466
Lease liabilities	496,056	195,494	(143,857)	-	547,693	167,608
SBITA liabilities	191,892	-	(171,271)	-	20,621	20,621
Compensated absences	6,555,086	780,984	-	-	7,336,070	2,420,903
	<u>\$ 16,905,415</u>	<u>\$ 8,961,478</u>	<u>\$ (658,210)</u>	<u>\$ 305,243</u>	<u>\$ 25,513,926</u>	<u>\$ 3,137,932</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Discounts</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:						
Bonds payable	\$ 9,220,107	\$ -	\$ (1,475,000)	\$ 4,617	\$ 7,749,724	\$ 1,535,390
KIA payable	21,065,818	13,673,675	(1,215,997)	-	33,523,496	1,186,465
Compensated absences	664,886	197,255	-	-	862,141	448,313
	<u>\$ 30,950,811</u>	<u>\$ 13,870,930</u>	<u>\$ (2,690,997)</u>	<u>\$ 4,617</u>	<u>\$ 42,135,361</u>	<u>\$ 3,170,168</u>

The change in compensated absences is shown as the net change.

Bonds Payable – General obligation and revenue bond issues reported as liabilities in the statement of net position are as follows (amounts shown on statement of financial position are shown net of premium/discounts):

	<u>Purpose of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Governmental activities:					
General obligation bonds:					
2014 general obligation	Aquatic Center	\$ 4,650,000	1%-4%	12/1/2040	\$ 3,285,000
2023A general obligation	Transit Center roadway &	5,145,000	4%-5%	12/1/2043	4,990,000
2025A general obligation	Streetscapes Improvements	7,985,000	4.25%	12/1/2049	7,985,000
Total general obligation bonds					<u>\$ 16,260,000</u>
	<u>Purpose of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Business-type activities					
Revenue bonds:					
2010 revenue bonds	Sewer System Improvements	\$ 13,445,000	1.20%-4.55%	12/1/2025	\$ 1,180,000
2013 revenue bonds	Sewer System Improvements	9,995,000	1.00%-4.50%	6/30/2039	6,590,000
Total revenue bonds					<u>\$ 7,770,000</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Long-term liabilities (continued)

KIA Payable – On August 1, 2013, the City entered into an assistance agreement with the Kentucky Infrastructure Authority (“KIA”) and received a federally assisted wastewater revolving fund loan to construct a 10-million gallon equalization basin for the City’s sanitary sewer system. The loan will be \$8,000,000 upon completion of the project and will be repaid with interest of 1.75%. The balance is to be repaid over 20 years. The balance as of June 30, 2025 is \$4,544,957.

During 2017-2018, the City received draws on five loans for additional Sewer Department Improvements to which part of the loans were federally funded from KIA. The loan balances as of June 30, 2025 were \$7,778,498. Complete amortization on one loan is not available as future draws will occur. For disclosure purposes, maturities were estimated based on anticipated completion date.

During 2019-2020, the City received three additional draws for additional Sewer Department Improvements to which part of the loans were federally funded from KIA. The loan balances of these loans as of June 30, 2025 were \$4,030,414 in the Sewer Fund and \$466,963 in the government-wide statements. Complete amortization of one of these loans is not available due to the plan for further draws. For disclosure purposes, maturities were estimated based on anticipated completion dates. Maturities of the two fully drawn loans range from December 1, 2040 to June 1, 2042. Interest on these loans is 1.75%.

During 2020-2021, the City received two additional draws for additional Sewer Department Improvements to which part of the loans were federally funded from KIA. The loan balances of these loans as of June 30, 2025 were \$2,121,410 in the Sewer Fund and \$356,493 in the government-wide statements. Amortization of one loan is not available due to the plan for further draws. For disclosure purposes, maturities were estimated based on anticipated completion dates. The fully drawn loan matures December 1, 2040 and bears interest at 1.75%.

During 2023-2024, the City received one additional draw for additional Sewer Department Improvements to which part of the loan was funded from KIA. The loan balance of this loan as of June 30, 2025 was \$1,438,326. Complete amortization of the loan is not available as future draws will occur. For disclosure purposes, maturities were estimated based on anticipated completion date.

During 2024-2025, the City received two additional draws for additional Sewer Department Improvements. The loan balances of these loans as of June 30, 2025 were \$13,609,891. Complete amortization of the loan is not available as future draws will occur. For disclosure purposes, maturities were estimated based on anticipated completion dates.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 7—Long-term liabilities (continued)

Long-term Debt Maturities – Debt service requirements (principal and interest) to maturity for the City's bonds and KIA loans payable are as follows:

Fiscal Year	Governmental Activities			
	General Obligation Bonds		KIA	
	Interest	Principal	Interest	Principal
2026	\$ 697,738	\$ 475,000	\$ 8,057	\$ 26,466
2027	676,413	500,000	7,591	26,932
2028	653,288	520,000	7,118	27,405
2029	628,338	545,000	6,636	27,887
2030	602,188	570,000	6,146	28,377
2031-2035	2,571,565	3,295,000	23,072	149,545
2036-2040	1,721,428	4,145,000	9,459	163,157
2041-2045	756,690	3,500,000	67	17,194
2046-2050	347,876	2,210,000	-	-
2051-2055	10,625	500,000	-	-
Loans not fully drawn	-	-	-	356,493
	8,666,149	16,260,000	68,146	823,456
Premiums/discounts	-	526,086	-	-
Net liability	\$ 8,666,149	\$ 16,786,086	\$ 68,146	\$ 823,456

Fiscal Year	Business-Type Activities			
	Revenue Bonds		KIA Notes Payable	
	Interest	Principal	Interest	Principal
2026	\$ 295,408	\$ 1,540,000	\$ 331,625	\$ 1,186,465
2027	256,013	370,000	310,613	1,207,478
2028	241,838	385,000	289,227	1,228,863
2029	226,138	400,000	267,463	1,250,627
2030	209,738	420,000	245,313	1,272,777
2031-2035	772,947	2,360,000	880,319	6,166,669
2036-2040	212,178	2,295,000	350,664	5,396,828
2041-2045	-	-	33,901	2,203,899
Loans not fully drawn	-	-	-	13,609,890
	2,214,260	7,770,000	2,709,125	33,523,496
Premiums/discounts	-	(20,276)	-	-
	\$ 2,214,260	\$ 7,749,724	\$ 2,709,125	\$ 33,523,496

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 8—Conduit debt

In December 2009, the City authorized the Kentucky Economic Development Finance Authority to issue industrial revenue bonds to finance an industrial building project within the City for Goodwill Industries. The bonds are secured by the property they finance and are payable solely from payments from the private sector entity. No commitments beyond the collateral, the payments from the private sector entity, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the City. The City has not guaranteed the debt; accordingly, the debt is not reported as a liability in the accompanying financial statements.

Note 9—Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omission, injuries to employees, and natural disasters for which the City carries commercial insurance. Settled claims, relating to these exposures, have not exceeded insurance coverage in any of the past three years. The City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads. All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Management estimates that the amount of actual or potential claims against the City as of June 30, 2025 will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

The City has elected to retain risk related to employees' health insurance and workers' compensation insurance. The City does maintain insurance coverage for health insurance claims in excess of \$100,000 per person per year with an unlimited maximum per person per lifetime in anticipated claims. Claims expected to be paid using current resources are accrued in the modified accrual statements. Liabilities reported in the proprietary fund and in the government-wide statements include claims that have been incurred but not reported based on historical experience.

The City has elected to retain risk in its workers' compensation and employers' liability coverage and maintains insurance coverage for workers' compensation, each accident in excess of \$650,000 to statutory limits. An accident may involve one or more employees. Workers' compensation insurance claims reserve balance has been accrued as a liability in the governmental activities in the statement of net position and the Sewer Fund. The City pays the Anthem TPA ("Health Plan") and Risk Management Services Company ("Work Comp") a fee to administer the plans. The City has set up trust funds to use for workers' compensation and health insurance claims as needed. These funds are restricted for use for only those purposes. All claims for health insurance coverage and workers' compensation are paid out of the General Fund and the Sewer Fund. The separate trust accounts are additional assets that have been provided if the General Fund and proprietary fund appropriations are not sufficient to cover claims filed. Even though management believes there are sufficient assets to cover any claims filed, there is no guarantee that the assets available are adequate to cover all liabilities.

Changes in the balances of claims liabilities on the accrual basis during the past two years are as follows:

	Healthcare	Workers' Compensation
Liability at June 30, 2023	\$ 135,532	\$ 647,796
Claims and changes in estimated in fiscal year 2024	3,761,070	1,099,947
Claims paid in fiscal year 2024	<u>(3,473,023)</u>	<u>(831,303)</u>
Liability at June 30, 2024	423,579	916,440
Claims and changes in estimated in fiscal year 2025	3,717,244	249,877
Claims paid in fiscal year 2025	<u>(3,770,380)</u>	<u>(350,424)</u>
Liability at June 30, 2025	<u><u>\$ 370,443</u></u>	<u><u>\$ 815,893</u></u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Retirement plans

Police and Firefighters’ Retirement Fund – The Police and Firefighters’ Retirement Fund is a single employer defined benefit plan administered by its own Board of Directors in accordance with KRS 95.851 to KRS 95.884. The Fund was established to provide retirement and disability benefits for retiring, disabled, or deceased personnel and their surviving spouse. On August 1, 1988, the Plan was closed to new entrants and current active-duty police and firemen of the City were given the choice of remaining in this plan or transferring into the County Employees Retirement System (“CERS”).

Summary of Significant Accounting Policies and Basis of Accounting – The preparation of the financial statements of the Police and Firefighters’ Retirement Fund (“PFRF”) conform to the provisions of GASB Statement No. 68. For purposes of measuring the net pension liability (asset) deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the PFRF and additions to/deductions from the PFRF fiduciary net position have been determined on the same basis as they are reported by the PFRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are stated at fair value.

Funding Status and Progress – The present value of benefits on the actuarial report dated January 1, 2025, is a measure of the present value of pension benefits estimated to be payable in the future as a result of employee service to date. An actuarial valuation is performed every three years. No discount rate is utilized due to the short-term nature of the remaining payments. Significant actuarial assumptions used in determining the estimated benefits with a future cost-of-living adjustments of 3% and a rate of return of 2% include:

Table 1—Valuation Calculations

Present value of benefits - active employees	\$	-
Present value of benefits - inactive employees		
Retiree’s benefits and contingent survivor benefits		809,852
Current beneficiaries		985,732
Vested terminations		-
		<hr/>
Total - inactive employees		1,795,584
Present value of benefits (1) + (2d)		1,795,584
Present value of future annual service costs		-
Accrued liabilities (3) - (4)		1,795,584
Assets		2,988,927
		<hr/>
Net pension asset (5) - (6)	\$	<u>1,193,343</u>

Actuarially Determined Contribution Requirements and Contributions Made – The method of valuation employed is the “entry age normal” cost method. Under this method, an annual service cost is established for each employee. This annual service cost is the level annual percent of pay which should have been contributed each year from the date of a member’s employment until his retirement date in order to fully fund his benefits at retirement. The accrued liability represents the sum of money which would have been accumulated had these annual service costs been contributed for each year in the past for each employee currently with the City, and for all retired employees and beneficiaries. The remainder of the liabilities is for future contribution of annual service cost, which is zero for this plan since only inactive members remain in the plan.

Contributions – The City did not have any required contributions for the year ended June 30, 2025 and for the previous three years.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Retirement plans (continued)

Net Pension Asset – The Government’s net pension asset was measured as of January 1, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Additional information is presented in the following table:

	Total Pension Liability	Plan Fiduciary Position	Net Pension Asset
Balances at June 30, 2024	\$ (1,771,648)	\$ 2,995,325	\$ 1,223,677
Net investment income/loss	-	203,763	203,763
Change in actuarial liabilities	(234,097)	-	(234,097)
Benefit payments	210,161	(210,161)	-
Balances at June 30, 2025	<u>\$ (1,795,584)</u>	<u>\$ 2,988,927</u>	<u>\$ 1,193,343</u>

County Employees Retirement System – Plan description. Employees of the City are provided a defined benefit pension plan through the CERS. CERS was established by KRS Section 78.520, and the separate governing Board was created in 2021. The CERS Nonhazardous plan was established to provide retirement benefits to all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The responsibility for the general administration and operation of the plans within CERS is vested in the CERS Board of Trustees. The CERS Board of Trustees consist

of nine members – the Kentucky Public Pensions Authority (“KPPA”). The KPPA is responsible for administering the single personnel system for the pension plans, a system of accounting, day-to-day administrative needs of CERS, and selecting consulting and service contractors to provide administrative services. The KPPA staff manages assets in accordance with investment policies developed by the CERS Investment Committee and approved by the CERS Board. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided – KRS Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly. The chief legislative body may adopt the benefit terms permitted by statute, there are currently three benefit Tiers. Tier 1 members are those participating in the plan before September 1, 2008, Tier 2 are those that began participation September 1, 2008 through December 31, 2013 and Tier 3 are those members that began participation on or after January 1, 2014.

Benefits Provided – Non-Hazardous – Tier 1 Non-Hazardous members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation, which must contain at least 48 months. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with five years of service credit. Service related disability benefits are provided after five years of service. Tier 2 Non-Hazardous members are eligible to retire based on the rule of 87 the member must be at least age 57 and age plus earned service must equal 87 years at retirement or at age 65 with five years of service credit. Benefits are determined by a formula using the member’s highest five consecutive year average compensation, which must be 60 months. Reduced benefits for early retirement are available at age 60 with 10 years of service. Tier 3 Non-Hazardous members are also eligible to retire based on the rule of 87. Benefits are determined by a life annuity calculated in accordance with actuarial assumptions and methods adopted by the board based on a member’s accumulated account balance. Tier 3 members are not eligible for reduced retirement benefits.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Retirement plans (continued)

Benefits Provided – Hazardous – Tier 1 Hazardous members are eligible to retire with an unreduced benefit at age 55 with five years of service credit or after 20 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest three consecutive year average compensation, which must have at least 24 months. Reduced benefits for early retirement are available at age 50 with 15 years of service credit. Tier 2 Hazardous members are eligible to retire at any age with 25 years of service or at age 60 with 5 years of service credit. Benefits are determined by a formula using the member’s highest three consecutive year average compensation, which must be 36 months. Reduced benefits for early retirement are available at age 50 with 15 years of service. Tier 3 Hazardous members are also eligible to retire at any age with 25 years of service or at age 60 with 5 years of service. Tier 3 members are not eligible for reduced retirement benefits.

Prior to July 1, 2009, cost of living adjustments (“COLAs”) were provided annually equal to the percentage increase in the annual average of the consumer price index (“CPI”) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLAs have been granted since July 1, 2011.

Contributions – Contributions for employees are established in the statutes governing the KPPA and may only be changed by the Kentucky General Assembly. Non-Hazardous employees contribute 5% and Hazardous employees contribute 8% of salary if they were plan members prior to September 1, 2008. Non-Hazardous and Hazardous employees that entered the plan after September 1, 2008, are required to contribute 6% and 9%, respectively, of their annual creditable compensation. The additional 1% is deposited to an account created for the payment of health insurance benefits under 26 U.S.C. Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, employer contributions for the non-hazardous plan were \$1,714,792 based on a rate of 19.71% (19.71% pension and 0% insurance) of covered payroll. Employer contributions to the hazardous plan were \$3,872,125 based on a rate of 38.61% (36.49% pension and 2.12% insurance). By law, employer contributions are required to be paid. The KRS may intercept the City’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of the unfunded liability.

Net Pension Liability – The City’s net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation performed as of June 30, 2023. The total pension liability was rolled forward from the valuation date to the measurement date using generally accepted actuarial principles.

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. The actuarial assumptions are:

Inflation	2.50%
Payroll growth rate	2.0% for CERS Non-Hazardous and Hazardous
Salary increases	3.30% to 10.30%, varies by service for CERS Non-Hazardous, 3.55% to 19.05%, varies by service for CERS Hazardous
Investment rate of return	6.50% for CERS Non-Hazardous and Hazardous

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Retirement plans (continued)

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term (10-year) expected rates of return were determined using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Equity:		
Public equity	4.15%	50.00%
Private equity	9.10%	10.00%
Fixed income:		
Core fixed income	2.85%	10.00%
Specialty credit	3.82%	10.00%
Cash	1.70%	0.00%
Inflation protected:		
Real estate	4.90%	7.00%
Real return	5.35%	13.00%
		<u>100.00%</u>

Discount Rate – The projection of cash flows used to determine the discount rate of 6.50% for CERS Non-hazardous and Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 27 year (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City of Frankfort's net pension liability:			
Non-hazardous	\$ 19,264,027	\$ 14,943,046	\$ 11,357,769
Hazardous	42,537,350	33,041,399	25,288,476
	<u>\$ 61,801,377</u>	<u>\$ 47,984,445</u>	<u>\$ 36,646,245</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 10—Retirement plans (continued)

Pension Expense – For the year ended June 30, 2025, the City recognized pension expense of \$934,680.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following table:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	\$ 2,870,214	\$ -
Investment experience	-	2,724,259
Change of assumptions	-	2,539,929
Changes in proportion and difference between employer contribution and proportionate share of contributions	-	4,448,907
Contributions subsequent to the measurement date of June 30, 2024	5,374,306	-
	<u>\$ 8,244,520</u>	<u>\$ 9,713,095</u>

The amount shown above for “Contributions subsequent to the measurement date” will be recognized as a reduction in the net pension liability in the following measurement period. Other amounts shown as deferred inflows of resources will be recognized according to the following schedule:

	<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30</u>
2026	\$ (3,887,538)
2027	(1,196,823)
2028	(1,161,518)
2029	(597,002)
	<u>\$ (6,842,881)</u>

Deferred Compensation Plan – The City has a deferred compensation trust plan created in accordance with the Internal Revenue Code Section 457 for its employees who elect to participate. The trust holds the assets for the exclusive benefit of plan participants and their beneficiaries. The City does not match any portion of the contributions.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 11—Leases

Lease Liability – During the fiscal year 2023, the City entered into a 60 month lease as lessee for the use of five vehicles. The City is required to make monthly fixed payments of \$4,940. The lease has an interest rate of 3.41%.

During fiscal year 2024, the City entered into a 60 month lease as Lessee for the use of seven vehicles. An initial lease liability was recorded in the amount of \$318,407. The City is required to make monthly fixed payments of \$5,869. The lease has an interest rate of 3.41%.

During fiscal year 2024, the City entered into a 48 month lease as Lessee for the use of equipment. An initial lease liability was recorded in the amount of \$42,626. The City is required to make monthly fixed payments of \$1,059. The lease has an interest rate of 8.00%.

During fiscal year 2025, the City entered into a 60 month lease as Lessee for the use of three vehicles. An initial lease liability was recorded in the amount of \$193,543. The City is required to make monthly fixed payments of \$3,641. The lease has an interest rate of 4.25%.

As the June 30, 2025, the value of the lease liability is \$547,693. The value of the right to use assets are \$838,100 with accumulated amortization of \$304,805. The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2025, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 167,608	\$ 18,501	\$ 186,109
2027	170,721	11,971	182,692
2028	128,297	5,759	134,056
2029	68,771	1,782	70,553
2030	12,296	127	12,423
	<u>\$ 547,693</u>	<u>\$ 38,140</u>	<u>\$ 585,833</u>

Note 12—Subscription-based information technology arrangements (“SBITAs”)

On September 1, 2022, the City entered into a 36 month subscription arrangement for the use a transit dispatch software. An initial subscription liability was recorded in the amount of \$96,600. The subscription has an interest rate of 3.41%.

On July 15, 2022, the City entered into a 51 month subscription arrangement for use of a road mapping tool and vehicle tracking tool. An initial subscription liability was recorded in the amount of \$58,091. The subscription has an interest rate of 3.41%.

As of June 30, 2025, the value of the subscription liability is \$20,621. The value of the right to use asset as of June 30, 2025 is \$151,493 with an accumulated amortization of \$129,218.

The future minimum SBITA obligation and the net present value of these minimum lease payments as of June 30, 2025, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 20,621	\$ 714	\$ 21,335

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 13—Post-employment benefits other than pensions (“OPEB”)

General Information about the OPEB Plan – Plan description. Employees of the City are provided hospital and medical insurance through the Kentucky Public Pensions Authority’s County Employees’ Retirement System insurance fund (“Insurance Fund”), a cost-sharing multiple-employer defined benefit OPEB plan. The CERS Board of Trustees is responsible for the proper operation and administration of the CERS. The KPPA issues a publicly available financial report that can be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

Benefits Provided – The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee’s spouse receives \$10 per month for insurance benefits for each year of the deceased employee’s earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions – Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The City’s contractually required contribution rate for the year ended June 30, 2025 was 0.00% of covered payroll for the nonhazardous plan and 2.12% for the hazardous plan. Contributions to the nonhazardous Insurance Fund from the City were \$212,611 to the hazardous Insurance Fund for the year ended June 30, 2025. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2025, the City reported a liability of \$1,126,074 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year end ending June 30, 2024, using generally accepted actuarial principles. The City’s proportion of the collective net OPEB liability and OPEB expense was determined using the employers’ actual contributions for fiscal year 2024. This method is expected to be reflective of the employers’ long-term contribution effort.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 13—Post-employment benefits other than pensions (“OPEB”) (continued)

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 662,117	\$ 9,109,319
Investment experience	-	1,374,291
Change of assumptions	1,449,292	1,677,048
Changes in proportion and difference between employer contributions and proportionate share of contributions	70,748	1,751,865
Contributions subsequent to the measurement date of June 30, 2024	308,450	-
	<u>\$ 2,490,607</u>	<u>\$ 13,912,523</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$308,450 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year and implicit subsidy will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City’s OPEB expense as follows:

	Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Years Ending June 30
2025	\$ (3,728,239)
2026	(3,028,384)
2027	(3,433,836)
2028	(1,608,506)
2029	68,599
	<u>\$ (11,730,366)</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 13—Post-employment benefits other than pensions (“OPEB”) (continued)

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service for CERS non-hazardous and 3.55% to 19.05%, varies by service for CERS hazardous
Investment rate of return	6.50%
Healthcare cost trend rates Pre-65	Initial trend starting at 7.10% at January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Healthcare cost trend rates Post-65	Initial trend starting at 8.00% in 2025 then gradually decreasing to an ultimate trend rate of 4.25% over a period of 13 years.
Mortality	
Pre-retirement	Pub-2010 General Mortality table, for the non-hazardous system and the Pub 2010 Public Safety Mortality table for the hazardous systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Postretirement (nondisabled)	System specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Postretirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Equity:		
Public equity	4.15%	50.00%
Private equity	9.10%	10.00%
Fixed income:		
Core fixed income	2.85%	10.00%
Specialty credit	3.82%	10.00%
Cash	1.70%	0.00%
Inflation protected:		
Real estate	4.90%	7.00%
Real return	5.35%	13.00%
		<u>100.00%</u>

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 13—Post-employment benefits other than pensions (“OPEB”) (continued)

Discount Rate – The discount rate used to measure the total OPEB liability changed since the prior year. The single discount rates of 5.99% for the non-hazardous plan and 6.02% for the hazardous plan were used to measure the total OPEB liability as of June 30, 2024. The discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

Sensitivity of the City’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the collective net OPEB liability, as well as what the City’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Hazardous (6.02%)	\$ 4,307,567	\$ 1,558,718	\$ (738,479)
Nonhazardous (5.99%)	584,984	(432,644)	(1,288,267)
	<u>\$ 4,892,551</u>	<u>\$ 1,126,074</u>	<u>\$ (2,026,746)</u>

Sensitivity of the City’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, valuation process and was updated to better reflect the plan’s anticipated long-term healthcare costs. The following presents the City’s proportionate share of the collective net OPEB liability, as well as what the City’s proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Hazardous	\$ (241,633)	\$ 1,558,718	\$ 3,662,935
Nonhazardous	(1,040,889)	(432,644)	275,918
	<u>\$ (1,282,522)</u>	<u>\$ 1,126,074</u>	<u>\$ 3,938,853</u>

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued KRS financial report.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 14—Commitments and contingent liabilities

The City is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the City.

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the City complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as of June 30, 2025 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Commitments – In 2008, the Commonwealth of Kentucky filed suit against the City of Frankfort, Kentucky for alleged violations of certain provisions of the Clean Water Act, including the provisions applicable to combined sewers and unpermitted sanitary sewer outfalls. The City entered into a consent judgment with the Commonwealth. The City agreed to pay a fine of \$50,000 and to undertake substantial repairs to its sewer system to achieve compliance with the Clean Water Act and the applicable federal and state statutes and regulations. The City is proceeding to comply with the consent judgment. The improvements will take in excess of 10 years to complete. The cost to implement the current projects necessary to remain in compliance with the consent judgment is anticipated to be \$30-\$50 million and the City is in substantial compliance to date.

Note 15—Tax abatements

As of June 30, 2025, the City provides tax abatements through real property tax abatement.

The City enters into real property tax abatement agreements per KRS statute which place a moratorium on the amounts of the property tax assessment for the property. The legislative body of an urban-county government and any city of the home rule class may by ordinance exempt manufacturing establishments, including qualified data centers, from city taxation for a period not exceeding five (5) years as an inducement to their location in the urban-county government, or city.

The City has four active property tax abatement agreement incentives and abated property taxes totaling \$2,301 during the year ended June 30, 2025.

CITY OF FRANKFORT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 16—Changes to or within the financial reporting entity

The City formerly classified the Capital Improvement Fund as a nonmajor fund, this fund has been reclassified as a major fund in the fiscal year ended June 30, 2025. The City formerly classified the Transit Center Fund as a major fund, this fund has been reclassified as a nonmajor fund in the fiscal year ended June 30, 2025. The effect of the change to government fund balance is shown in the table below.

<u>Governmental Funds</u>	<u>6/30/2024 Fund Balance as Previously Reported</u>	<u>Change to or within the Financial Reporting Entity</u>	<u>6/30/2024 Fund Balance as Adjusted</u>
Major funds:			
General Fund	\$ 25,299,271	\$ -	\$ 25,299,271
Transit Center	1,418,475	(1,418,475)	-
Capital Improvements	-	2,470,816	2,470,816
Nonmajor funds	<u>6,539,596</u>	<u>(1,052,341)</u>	<u>5,487,255</u>
Total governmental funds	<u>\$ 33,257,342</u>	<u>\$ -</u>	<u>\$ 33,257,342</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKFORT, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE NET PENSION LIABILITY AND
RELATED RATIOS BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES' RETIREMENT SYSTEM

PLAN FISCAL YEARS ENDED JUNE 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion (percentage) of net pension liability	0.56%	0.58%	0.62%	0.64%	1.80%	1.75%	1.75%	1.84%	1.81%	1.83%
Employer's proportion (amount) of net pension liability	\$ 47,984,445	\$ 53,161,393	\$ 63,791,880	\$ 58,263,107	\$ 67,106,061	\$ 59,749,383	\$ 53,587,302	\$ 52,137,253	\$ 40,599,011	\$ 67,106,061
Employer's covered-employer payroll	\$ 17,473,986	\$ 17,065,396	\$ 17,169,070	\$ 17,001,279	\$ 16,053,446	\$ 15,637,234	\$ 16,089,994	\$ 18,214,034	\$ 16,904,275	\$ 16,892,964
Employer's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of Employer's Covered-Employer Payroll	274.61%	311.52%	371.55%	342.70%	418.02%	382.10%	333.05%	286.25%	240.17%	397.24%
Total Pension Plan's Fiduciary Net Position as a percentage of Total Pension Liability	60.34%	56.23%	50.96%	55.95%	46.82%	49.43%	52.40%	53.05%	55.50%	59.97%

CITY OF FRANKFORT, KENTUCKY

**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE COUNTY EMPLOYEES' RETIREMENT SYSTEM**

FISCAL YEARS ENDED JUNE 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 5,374,306	\$ 5,789,252	\$ 5,821,799	\$ 4,786,975	\$ 5,697,733	\$ 5,337,668	\$ 4,497,482	\$ 4,042,106	\$ 4,046,346	\$ 3,849,061
Contributions in relation to the actuarially determined contribution	<u>5,374,306</u>	<u>5,789,252</u>	<u>5,821,799</u>	<u>4,786,975</u>	<u>5,697,733</u>	<u>5,337,668</u>	<u>4,497,482</u>	<u>4,042,106</u>	<u>4,046,346</u>	<u>3,849,061</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	18,728,925	17,473,986	17,065,396	17,169,070	17,001,279	16,053,446	15,637,234	16,089,994	18,214,034	16,904,275
Contributions as a percentage covered- employee payroll	28.70%	33.13%	34.11%	27.88%	33.51%	33.25%	28.76%	25.12%	22.22%	22.77%

CITY OF FRANKFORT, KENTUCKY

**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS
BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES' RETIREMENT SYSTEM INSURANCE**

PLAN FISCAL YEARS ENDED JUNE 30,

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion (percentage) of net OPEB liability	0.022%	1.132%	0.668%	0.648%	1.799%	1.750%	1.782%	1.837%
Employer's proportion (amount) of net OPEB liability	\$ 1,126,074	\$ 1,408,675	\$ 17,676,195	\$ 17,631,570	\$ 20,738,275	\$ 15,463,496	\$ 15,742,236	\$ 18,799,700
Employer's covered-employer payroll	\$ 17,473,986	\$ 17,065,396	\$ 17,169,070	\$ 17,001,279	\$ 16,053,446	\$ 15,637,234	\$ 18,214,034	\$ 18,214,034
Employer's proportionate share (amount) of the net OPEB liability as a percentage of employer's covered-employer payroll	6.44%	8.25%	102.95%	103.71%	129.18%	98.89%	86.43%	103.22%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	61.96%	64.16%	55.26%	61.75%	59.76%	53.50%

Note: The above schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF FRANKFORT, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATION IN THE COUNTY EMPLOYEES' RETIREMENT SYSTEM INSURANCE FUND

FISCAL YEARS ENDED JUNE 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Non-hazardous actuarially determined contribution	\$ 212,611	\$ 248,392	\$ 896,549	\$ 1,420,355	\$ 817,248	\$ 809,261	\$ 844,411	\$ 734,950
Contributions in relation to the actuarially determined contribution	<u>212,611</u>	<u>248,392</u>	<u>896,549</u>	<u>1,420,355</u>	<u>817,248</u>	<u>809,261</u>	<u>844,411</u>	<u>734,950</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 18,728,925	\$ 17,473,986	\$ 17,065,396	\$ 17,169,070	\$ 17,001,279	\$ 16,053,446	\$ 15,637,234	\$ 18,214,034
Contributions as a percentage covered-employee payroll	1.14%	1.42%	5.25%	4.76%	4.70%	5.26%	4.76%	4.76%

Note: The above schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF FRANKFORT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Taxes:				
Prior year taxes	\$ 100,000	\$ 100,000	\$ 87,326	\$ (12,674)
Current year taxes	3,744,000	3,744,000	3,536,561	(207,439)
Bank shares	300,000	300,000	299,556	(444)
Franchises, etc.	80,000	80,000	82,214	2,214
Penalty and interest	25,000	25,000	34,791	9,791
Collection fee	40,000	40,000	41,819	1,819
Motor vehicle tax	300,000	300,000	434,458	134,458
Discount for taxes	(65,000)	(65,000)	(64,853)	147
Total Taxes	4,524,000	4,524,000	4,451,872	(72,128)
Occupational Tax Receipts:				
Insurance company	6,500,000	7,500,000	8,437,107	937,107
1.95% Withholding	20,666,000	20,666,000	21,340,690	674,690
1.95% Business	3,500,000	3,500,000	4,385,245	885,245
Regulatory fees	40,000	40,000	85,166	45,166
Penalty, interest, and attorney fees	54,000	54,000	49,670	(4,330)
Total Occupational Tax Receipts	30,760,000	31,760,000	34,297,878	2,537,878
Licenses, Permits, and Fines:				
Parade permits	3,000	3,000	-	(3,000)
Electrical inspections	-	-	1,838	1,838
Dumpster permit fee	10,000	10,000	3,375	(6,625)
Building permits	20,000	20,000	17,043	(2,957)
Housing inspections	12,000	12,000	28,477	16,477
Total Licenses, Permits, and Fines	45,000	45,000	50,733	5,733
Charges for Services:				
Recreation fee	80,000	80,000	54,190	(25,810)
Golf course receipts	225,000	225,000	335,093	110,093
Swimming pool receipts	295,000	295,000	322,741	27,741
Swimming pool concessions	100,000	100,000	118,239	18,239
Ball field concessions	25,000	25,000	29,468	4,468
Golf cart rentals	215,000	215,000	248,045	33,045
Garbage collection fee	40,000	40,000	64,784	24,784
Total Charges for Services	980,000	980,000	1,172,560	192,560
Intergovernmental :				
Base court revenue	25,000	25,000	21,719	(3,281)
Plant board contributions	119,000	119,000	119,900	900
City and county projects	950,000	950,000	1,639,318	689,318
State participations	200,000	200,000	200,000	-
Grants and Aid	222,500	222,500	180,551	(41,949)
Police/fire incentive	825,000	825,000	755,243	(69,757)
Total Intergovernmental	2,341,500	2,341,500	2,916,731	575,231
Ambulance	2,400,000	2,400,000	1,536,571	(863,429)
Interest	750,000	750,000	1,202,389	452,389
Public transit	1,100,000	1,100,000	1,049,941	(50,059)
Revenue:				
Miscellaneous	100,000	100,000	207,088	107,088
Surplus property	50,000	50,000	27,975	(22,025)
Recycling	40,000	40,000	12,019	(27,981)
Tower rental	62,000	62,000	41,716	(20,284)
Building rentals	3,000	3,000	4,750	1,750
Sewer allocation	400,000	400,000	400,000	-
E-911 communications	-	330,000	330,000	-
Wash bay revenue	-	-	192	192
Total Revenues	\$ 43,555,500	\$ 44,885,500	\$ 47,702,415	\$ 2,816,915

CITY OF FRANKFORT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General Government:				
City commission	\$ 678,855	\$ 703,895	\$ 679,429	\$ 24,466
City manager	1,816,655	1,857,163	1,668,490	188,673
IT	531,790	549,078	533,820	15,258
Total General Government	<u>3,027,300</u>	<u>3,110,135</u>	<u>2,881,739</u>	<u>228,396</u>
Finance	741,300	758,702	663,662	95,040
Insurance	3,973,000	3,916,212	4,214,038	(297,826)
Public Safety:				
Disaster and emergency management	251,045	281,045	287,951	(6,906)
Emergency medical service	5,192,335	5,302,201	4,958,609	343,592
Fire department	6,177,270	6,453,141	6,466,437	(13,297)
Police department	8,088,455	8,271,789	7,983,645	288,144
Communications	1,664,700	1,674,189	1,519,612	154,577
Total Public Safety	<u>21,373,805</u>	<u>21,982,364</u>	<u>21,216,254</u>	<u>766,110</u>
Public Works:				
Public works director	565,820	583,225	580,786	2,439
Street department	1,617,750	1,637,450	1,599,481	37,969
Garage	509,290	531,114	535,517	(4,403)
Buildings	518,740	553,532	544,879	8,653
Sanitation	2,141,685	2,263,536	2,257,217	6,319
Floodwall	738,650	820,050	769,303	50,747
Public transit	2,027,120	2,075,077	1,726,000	349,077
Total Public Works	<u>8,119,055</u>	<u>8,463,985</u>	<u>8,013,183</u>	<u>450,802</u>
Parks and Recreation:				
Parks and recreation	871,035	869,920	853,238	16,682
Juniper Hills golf course	898,950	921,609	917,109	4,500
Aquatic center	651,275	696,775	763,683	(66,908)
Riverview park	434,015	434,015	424,087	9,928
Lakeview park	38,920	38,920	13,319	25,601
Fort Hill Museum St. Clair	257,160	283,160	281,000	2,160
Forestry	115,500	115,500	45,833	69,667
Sports	320,675	320,675	217,849	102,826
Cove Spring	156,940	184,940	180,528	4,412
Capital View park	306,965	306,965	250,766	56,199
East Frankfort park	227,340	227,340	202,455	24,885
Total Parks and Recreation	<u>4,278,775</u>	<u>4,399,819</u>	<u>4,149,867</u>	<u>249,952</u>
Planning and Building Codes	1,147,115	1,146,912	825,136	321,776
Pension and accrual payouts	500,000	500,000	418,347	81,653
Capital outlay, debt service, and transfers	4,654,960	4,981,629	4,260,008	721,621
Total Expenditures	<u>\$ 47,815,310</u>	<u>\$ 49,259,759</u>	<u>46,642,234</u>	<u>\$ 2,617,525</u>
Excess of revenues over expenditures			1,060,181	
Fund balances, beginning of year			25,299,271	
Fund balances, end of year			<u>\$ 26,359,452</u>	

SUPPLEMENTARY INFORMATION

CITY OF FRANKFORT
COMBINING BALANCE SHEET – NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2025

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,416,044	\$ 3,181,232	\$ 6,597,276
Due to/from other funds	(980,995)	1,873	(979,122)
Receivables	9,016	-	9,016
Grants receivable	656,818	-	656,818
Accrued interest	291	-	291
Total Assets	\$ 3,101,174	\$ 3,183,105	\$ 6,284,279
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 484,002	\$ 8,940	\$ 492,942
Deferred revenue	-	282,709	282,709
Total Liabilities	484,002	291,649	775,651
Fund Balances:			
Fund balance, restricted	2,617,172	2,891,456	5,508,628
Total Liabilities and Fund Balances	\$ 3,101,174	\$ 3,183,105	\$ 6,284,279

CITY OF FRANKFORT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NON MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2025

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Intergovernmental revenues	\$ 2,341,907	\$ -	\$ 2,341,907
Rental income	-	24,131	24,131
Interest income	77,839	93,240	171,079
Charges for services	435,603	-	435,603
Fines and forfeitures	154,180	-	154,180
Insurance premiums tax	-	1,453,784	1,453,784
Miscellaneous	18,879	-	18,879
Total Revenues	3,028,408	1,571,155	4,599,563
Other Financing Sources:			
Operating transfers in	200,000	-	200,000
Total Other Financing Sources	200,000	-	200,000
Total Revenues and Other Financing Sources	3,228,408	1,571,155	4,799,563
Expenditures:			
General government	59,127	-	59,127
Public safety	491,748	-	491,748
Public works	3,529,557	63,443	3,593,000
Parks and recreation	-	634,315	634,315
Total Expenditures	4,080,432	697,758	4,778,190
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(852,024)	873,397	21,373
Fund balances, July 1, as originally stated	4,521,537	2,018,059	6,539,596
Change within financial reporting entity (Note 16)	(1,052,341)	-	(1,052,341)
Fund balances July 1, restated	3,469,196	2,018,059	5,487,255
Fund balances, June 30	\$ 2,617,172	\$ 2,891,456	\$ 5,508,628

CITY OF FRANKFORT
COMBINING BALANCE SHEET – NON MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2025

	Municipal Aid	Transit Center	Transit Capital Sales	Tiger/ Raise Grant	E-911	Tele- communications Tax	Tourism Building	Asset Forfeiture - U.S. Justice	Lost and Found	Asset Forfeiture - State	Safe Place	Frankfort/ Franklin Co LEPC	HSI	Total
ASSETS														
Cash and cash equivalents	\$ 1,436,262	\$ 772,998	\$ 22,275	\$ 34,058	\$ 293,761	\$ 228,403	\$ -	\$ 193,718	\$ 268,063	\$ 145,591	\$ 3,118	\$ 1,065	\$ 16,732	\$ 3,416,044
Due to/from other funds	(149,101)	(677,922)	-	(153,972)	-	-	-	-	-	-	-	-	-	(980,995)
Receivables	-	-	-	-	-	-	-	9,016	-	-	-	-	-	9,016
Grants receivable	368,000	-	-	288,818	-	-	-	-	-	-	-	-	-	656,818
Accrued interest	270	-	-	-	21	-	-	-	-	-	-	-	-	291
Total Assets	\$ 1,655,431	\$ 95,076	\$ 22,275	\$ 168,904	\$ 293,782	\$ 228,403	\$ -	\$ 202,734	\$ 268,063	\$ 145,591	\$ 3,118	\$ 1,065	\$ 16,732	\$ 3,101,174
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable	\$ 353,032	\$ 33,861	\$ -	\$ 97,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 484,002
Fund Balances:														
Fund balance, restricted	1,302,399	61,215	22,275	71,795	293,782	228,403	-	202,734	268,063	145,591	3,118	1,065	16,732	2,617,172
Total Liabilities and Fund Balances	\$ 1,655,431	\$ 95,076	\$ 22,275	\$ 168,904	\$ 293,782	\$ 228,403	\$ -	\$ 202,734	\$ 268,063	\$ 145,591	\$ 3,118	\$ 1,065	\$ 16,732	\$ 3,101,174

CITY OF FRANKFORT
COMBINING BALANCE SHEET – NON MAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2025

	<u>Fort Hill Park</u>	<u>Stormwater</u>	<u>Fire Station Construction</u>	<u>Downtown/ Parks</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 41,042	\$ 864,853	\$ 1,420,371	\$ 854,966	\$ 3,181,232
Receivables:					
Due to/from other funds	-	1,873	-	-	1,873
Total Assets	<u>\$ 41,042</u>	<u>\$ 866,726</u>	<u>\$ 1,420,371</u>	<u>\$ 854,966</u>	<u>\$ 3,183,105</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 7,900	\$ 1,040	\$ 8,940
Deferred revenue	-	282,709	-	-	282,709
Total Liabilities	-	282,709	7,900	1,040	291,649
Fund Balances:					
Fund balance, restricted	41,042	584,017	1,412,471	853,926	2,891,456
Total Liabilities and Fund Balance	<u>\$ 41,042</u>	<u>\$ 866,726</u>	<u>\$ 1,420,371</u>	<u>\$ 854,966</u>	<u>\$ 3,183,105</u>

CITY OF FRANKFORT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2025

	Municipal Aid	Transit Center	Transit Capital Sales	Tiger/Raise Grant	E-911	Telecom-munications Tax	Tourism Building	Asset Forfeiture-U.S. Justice	Lost and Found	Asset Forfeiture-State	Safe Place	Frankfort/Franklin Co LEPC	HSI	Capital Improvements	Total
Revenues:															
Intergovernmental revenues	\$ 1,721,882	\$ -	\$ -	\$ 587,510	\$ -	\$ 32,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,341,907
Interest income	10,269	53,182	-	3,052	3,451	2,097	-	1,561	2,135	1,975	3	-	114	-	77,839
Charges for services	-	-	-	-	435,603	-	-	-	-	-	-	-	-	-	435,603
Fines and forfeitures	-	-	-	-	-	-	-	63,890	-	90,290	-	-	-	-	154,180
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	2,255	16,624	-	18,879
Total Revenues	\$ 1,732,151	\$ 53,182	\$ -	\$ 590,562	\$ 439,054	\$ 34,612	\$ -	\$ 65,451	\$ 2,135	\$ 92,265	\$ 3	\$ 2,255	\$ 16,738	\$ -	\$ 3,028,408
Other Financing Sources:															
Operating transfers in	-	-	-	200,000	-	-	-	-	-	-	-	-	-	-	200,000
Total Other Financing Sources	-	-	-	200,000	-	-	-	-	-	-	-	-	-	-	200,000
Total Revenues and Other Financing Sources	1,732,151	53,182	-	790,562	439,054	34,612	-	65,451	2,135	92,265	3	2,255	16,738	-	3,228,408
Expenditures:															
General government	-	-	-	-	-	-	-	-	56,339	-	-	2,782	6	-	59,127
Public safety	-	-	-	-	388,560	-	-	5,638	-	97,550	-	-	-	-	491,748
Public works	1,353,507	1,410,442	-	765,608	-	-	-	-	-	-	-	-	-	-	3,529,557
Total Expenditures	1,353,507	1,410,442	-	765,608	388,560	-	-	5,638	56,339	97,550	-	2,782	6	-	4,080,432
Excess (deficiency) of revenues over expenditures	378,644	(1,357,260)	-	24,954	50,494	34,612	-	59,813	(54,204)	(5,285)	3	(527)	16,732	-	(852,024)
Fund balances, July 1, as originally stated	923,755	-	22,275	46,841	243,288	193,791	-	142,921	322,267	150,876	3,115	1,592	-	2,470,816	4,521,537
Change within financial reporting entity (Note 16)	-	1,418,475	-	-	-	-	-	-	-	-	-	-	-	(2,470,816)	(1,052,341)
Fund balances, July 1, as restated	923,755	1,418,475	22,275	46,841	243,288	193,791	-	142,921	322,267	150,876	3,115	1,592	-	-	3,469,196
Fund balances, June 30	\$ 1,302,399	\$ 61,215	\$ 22,275	\$ 71,795	\$ 293,782	\$ 228,403	\$ -	\$ 202,734	\$ 268,063	\$ 145,591	\$ 3,118	\$ 1,065	\$ 16,732	\$ -	\$ 2,617,172

CITY OF FRANKFORT**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NON MAJOR CAPITAL PROJECTS FUNDS**

YEAR ENDED JUNE 30, 2025

	<u>Fort Hill Park</u>	<u>Stormwater</u>	<u>Fire Station Construction</u>	<u>Downtown/Parks</u>	<u>Total</u>
Revenues:					
Interest income	\$ 502	\$ 29,475	\$ 32,240	\$ 31,023	\$ 93,240
Rental income	24,131	-	-	-	24,131
Insurance premiums tax	-	-	727,142	726,642	1,453,784
Total Revenues	<u>24,633</u>	<u>29,475</u>	<u>759,382</u>	<u>757,665</u>	<u>1,571,155</u>
Expenditures:					
Public works	-	47,644	15,799	-	63,443
Parks and recreation	61,688	-	-	572,627	634,315
Total Expenditures	<u>61,688</u>	<u>47,644</u>	<u>15,799</u>	<u>572,627</u>	<u>697,758</u>
Excess (deficiency) of revenues over expenditures	(37,055)	(18,169)	743,583	185,038	873,397
Fund balances, beginning of year	78,097	602,186	668,888	668,888	2,018,059
Fund balances, end of year	<u>\$ 41,042</u>	<u>\$ 584,017</u>	<u>\$ 1,412,471</u>	<u>\$ 853,926</u>	<u>\$ 2,891,456</u>

CITY OF FRANKFORT
COMBINING STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS

JUNE 30, 2025

	<u>Letters of Credit</u>	<u>Transient Room Tax</u>	<u>Total</u>
ASSETS			
Cash	\$ 57,551	\$ 734,717	\$ 792,268
LIABILITIES AND NET POSITION			
Liabilities:			
Accounts payable	\$ -	\$ 299,634	\$ 299,634
Net Position:			
Net Position, Restricted:			
Total Net Position	57,551	435,083	492,634
Total Liabilities and Net Position	<u>\$ 57,551</u>	<u>\$ 734,717</u>	<u>\$ 792,268</u>

CITY OF FRANKFORT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION – CUSTODIAL FUNDS

YEAR ENDED JUNE 30, 2025

	<u>Letter of Credit</u>	<u>Transient Room Tax</u>	<u>Total</u>
Additions:			
Interest income	\$ 4,028	\$ 7,223	\$ 11,251
Tax revenue	-	522,145	522,145
Total Revenues	4,028	529,368	533,396
Deductions:			
Expenditures	90	361,965	362,055
Change in net position	3,938	167,403	171,341
Net position, beginning of year	53,613	267,680	321,293
Net position, end of year	<u>\$ 57,551</u>	<u>\$ 435,083</u>	<u>\$ 492,634</u>

Report on Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Commissioners
City of Frankfort
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Frankfort, (the “City”) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 31, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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 the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Report on Compliance and Other Matters

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

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.

Cherry Bekaert LLP

Lexington, Kentucky
March 31, 2026

Report of Independent Auditor on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

To the Honorable Mayor and City Commissioners
City of Frankfort
Frankfort, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Frankfort (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2025. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Cherry Bekaert LLP

Lexington, Kentucky
March 31, 2026

CITY OF FRANKFORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number (ALN)	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through to Sub-recipients
U.S. Department of the Interior				
Passed through the Kentucky Heritage Council				
Historic preservation fund grants-in-aid	15.904	CLG KY-24-10015	\$ 10,800	\$ -
Total U.S. Department of the Interior			<u>10,800</u>	<u>-</u>
U.S. Department of Transportation				
Passed through the Kentucky Transportation Cabinet				
Formula grants for rural areas - operating	20.509	A110723620	112,371	-
Formula grants for rural areas - operating	20.509	O110723300	755,963	-
Formula grants for rural areas - operating	20.509	R110723635	7,007	-
			<u>875,341</u>	<u>-</u>
Passed through the Kentucky Transportation Cabinet				
Highway planning and construction cluster				
Highway planning and construction	20.205	RCPPKY2201/NAEPKY2302	587,510	-
Highway planning and construction	20.205	SC 250000038	99,941	-
			<u>687,451</u>	<u>-</u>
Federal Highway Administration				
Passed through the Kentucky Office of Highway Safety				
Highway safety cluster				
State and community highway safety	20.600	SC625 2200000232 PT-2024-25	11,352	-
State and community highway safety	20.600	SC625 2200000232 PT-2025-28	40,679	-
			<u>52,031</u>	<u>-</u>
Passed through the Kentucky Transportation Cabinet				
Federal transit cluster				
Buses and bus facilities formula, competitive, and low or no emissions programs	20.526	C113321114	80,524	-
Buses and bus facilities formula, competitive, and low or no emissions programs	20.526	C39322111	159,733	-
Buses and bus facilities formula, competitive, and low or no emissions programs	20.526	C392118111	157,050	-
			<u>397,307</u>	<u>-</u>
Total U.S. Department of Transportation			<u>2,012,130</u>	<u>-</u>
U.S. Department of Justice				
Body worn camera policy and implementation	16.835	N/A	34,859	-
Body worn camera policy and implementation	16.835	N/A	39,000	-
			<u>73,859</u>	<u>-</u>
Public Safety Partnership and Community Policing Grants	16.710	N/A	23,885	-
Total U.S. Department of Justice			<u>97,744</u>	<u>-</u>
Department for Behavioral Health, Development, and Intellectual Disabilities				
Passed through the Kentucky Cabinet of Health and Family Services				
Opioid STR	93.788	1H79TI087770-01	1,572	-
Total Department for Behavioral Health, Development, Intellectual Disabilities			<u>1,572</u>	<u>-</u>
U.S. Department of Agriculture				
Farmers market and local food program	10.175	N/A	12,673	-
Total U.S. Department of Agriculture			<u>12,673</u>	<u>-</u>
National Endowment for the Arts				
Promotion of the arts grants to organizations and individuals	45.024	N/A	8,150	-
Total National Endowment for the Arts			<u>8,150</u>	<u>-</u>
U.S. Department of Treasury				
Passed through Kentucky infrastructure Authority				
Coronavirus State and Local Fiscal Recovery Funds	21.027	21CWS031	454,081	-
Total Department of Treasury			<u>454,081</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed through Kentucky Office of Homeland Security				
Homeland Security Preparedness Technical Assistance Program	97.067	SC-094-2500000995 DR-4860 Project 954222 PW 1139 Project	455,900	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	950823 PW 439	22,651	-
			<u>478,551</u>	<u>-</u>
Passed through Kentucky Division of Emergency Management				
Emergency management performance grants	97.042	EMA-2024-EP05007	20,219	-
Total U.S. Department of Homeland Security			<u>498,770</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,095,920</u>	<u>\$ -</u>
Total Amount Distributed to Subrecipients				<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF FRANKFORT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2025

Note 1—Basis of presentation

The accompanying schedule of expenditures of Federal awards (“SEFA”) includes the Federal award activity of the City of Frankfort, under programs of the federal government for the year ended June 30, 2025 accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the SEFA presents only a selected portion of the operations of the City of Frankfort, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2—Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3—Indirect cost rate

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

CITY OF FRANKFORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued in accordance with U.S GAAP: Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiencies identified yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiencies identified yes 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 516(a) of Uniform Guidance? yes no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas & Tribal Transit Program

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

Auditee qualified as low-risk auditee? yes no

Section II—Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards

None reported.

Section III—Findings and Questioned Costs for Federal Awards

None reported.

CITY OF FRANKFORT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

No matters were reported.

APPENDIX D
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

STATEMENT OF INDEBTEDNESS

5. The total amount of bonds, notes, and other obligations of the City subject to the debt limitation set forth in KRS Section 66.041 (Line 3 minus Line 4) is¹ \$26,271,283*
6. The total amount of bonds, notes, and other obligations of the City subject to the debt limitation set forth in KRS Section 66.041, as computed in Line 5 above, does not exceed 10% of the assessed valuation of all of the taxable property in the City (\$183,307,789).**
7. The current tax rates of the City, for other than school purposes, upon the value of all taxable property therein is \$0.195 per \$100.00 of assessed valuation for real property and \$0.195 per \$100.00 of assessed valuation for tangible property, which rates do not exceed the maximum permissible tax rates for the City set forth in Section 157 of the Kentucky Constitution.
8. The issuance of the bonds, notes, or other obligations set forth in Line 3 hereof will not cause the tax rates set forth in Paragraph 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this May 7, 2026.

By: _____
Finance Director

¹ Includes a portion of Kentucky Infrastructure Authority Loan A12-006 and Loan A17-021. The debt service of Loan A17-021 is estimated, as the loan will not begin amortizing until construction of the related project is complete. The loans are secured by the revenues of the City's sewer system, but the City internally separates the proportional amount of the loans utilized for stormwater improvements and pays that portion of the debt service of the loans from the General Fund.

* Preliminary, subject to change.

** Per KRS 66.041, a city, urban-county, consolidated local government, or charter county shall not incur net indebtedness to an amount exceeding the following maximum percentages on the value of taxable property within the city, urban-county, consolidated local government, or charter county, as estimated by the last certified assessment previous to the incurring of the indebtedness:

- (a) Cities, urban-counties, consolidated local governments, and charter counties having a population of 15,000 or more, 10%;
- (b) Cities, urban-counties, and charter counties having a population of less than 15,000 but not less than 3,000, 5%; and
- (c) Cities, urban-counties, and charter counties having a population of less than 3,000, 3%.

APPENDIX E
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

The form of the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances, both factual and legal, at the time of such delivery. Any recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript of proceedings for the issue of \$9,705,000* General Obligation Bonds, Series 2026A (the “Bonds”) of the City of Frankfort, Kentucky (the “City”), dated May 7, 2026, numbered R-1 upward, and of denominations of \$5,000 or any integral multiple thereof. The Bonds mature, bear interest, and are subject to [mandatory and] optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based on the laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute legal, valid, and binding obligations of the City in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the City, without limitation as to rate.

2. Under the laws, regulations, rulings, and judicial decisions in effect on the date hereof, interest on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, the interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In rendering the opinions contained in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion with respect to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

3. The interest on the Bonds is not subject to income taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In rendering this opinion, we have relied upon the covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript of proceedings for the Bonds, which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws in effect from time to time affecting creditors’ rights generally, and to the exercise of judicial discretion.

Very truly yours,

* Preliminary, subject to change.

APPENDIX F
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee), or in such other name as may be requested by any authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities 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 under the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 the Direct Participants’ accounts, which eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers, dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and the Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, including both U.S. and non-U.S. securities brokers, dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P. 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 such 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. The 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 of the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership of the Bonds. 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.

The conveyance of notices and any 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. The Beneficial Owners of the 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 any redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, the Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, the Beneficial Owners may wish to provide their names and addresses to the 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 within a single issue 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 dividend 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 detailed information from the City or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. All payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with any securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

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

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

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX G
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$9,705,000*

**CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2026A**

Notice is hereby given that electronic bids will be received by the City of Frankfort, Kentucky (the “City”), until 11:30 a.m. E.D.T. on April 23, 2026, for the purchase of its \$9,705,000* General Obligation Bonds, Series 2026A (the “Bonds”) (or at such other later time and date announced at least 48 hours in advance via the BiDCOMP/PARITY® system). Alternatively, written and sealed or facsimile bids for the Bonds transmitted before the designated time will also be received by the Finance Director of the City at 315 West Second Street, Frankfort, Kentucky 40601 (FAX: (502) 875-8502). Electronic bids for the Bonds must be submitted through the BiDCOMP/PARITY®, as described herein, and bids submitted via any other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

The Bonds are authorized by virtue of Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with the Bond Ordinance (the “Bond Ordinance”) adopted by the Board of Commissioners of the City on November 24, 2025.

The Bonds are being issued for the purposes of (i) financing the costs of the acquisition, construction, installation, and equipping of a new municipal fire station and related facilities, furnishings, and equipment, all within the jurisdictional boundaries of the City, and all for the well-being and benefit of the citizens of the City; (ii) paying the costs of credit enhancement for the Bonds, if any; and (iii) paying the costs of issuance of the Bonds.

The Bonds constitute a general obligation and direct indebtedness of the City, and are secured by the City’s ability to levy, and its pledge to levy, an ad valorem tax on all property in the City in an amount sufficient to pay the principal of and interest on the Bonds when due.

BOND MATURITIES, REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on each June 1 and December 1, commencing December 1, 2026, and are scheduled to mature as follows:

<u>Maturity</u>	<u>Amount*</u>	<u>Maturity</u>	<u>Amount*</u>
December 1, 2026	\$265,000	December 1, 2036	\$485,000
December 1, 2027	310,000	December 1, 2037	510,000
December 1, 2028	325,000	December 1, 2038	535,000
December 1, 2029	340,000	December 1, 2039	560,000
December 1, 2030	360,000	December 1, 2040	590,000
December 1, 2031	375,000	December 1, 2041	615,000
December 1, 2032	395,000	December 1, 2042	640,000
December 1, 2033	415,000	December 1, 2043	665,000
December 1, 2034	440,000	December 1, 2044	695,000
December 1, 2035	460,000	December 1, 2045	725,000

The Bonds maturing on and after December 1, 2036 shall be subject to optional redemption before maturity on December 1, 2035 or any date thereafter, in whole or in part, in such order of maturity as may be selected by the City, and by lot within a maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

*Preliminary, subject to change.

U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been appointed as Paying Agent and Bond Registrar for the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) Electronic bids for the Bonds must be submitted through the BiDCOMP/PARITY[®] system, and no other provider of electronic bidding services will be accepted. A subscription to the BiDCOMP/PARITY[®] Competitive Bidding System is required to submit an electronic bid for the Bonds. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process for the Bonds, the time 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 any of the terms of these Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. All electronic bids for the Bonds made through the BiDCOMP/PARITY[®] facilities shall be deemed an offer to purchase the Bonds in response to the Notice of Bond Sale, and shall be binding upon the bidders as if such bids were made by signed, sealed, and written bids delivered to the City. The City 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. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Forms. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds") or facsimile bids for the Bonds delivered by the designated time will be received by the Finance Director of the City at 315 West Second Street, Frankfort, Kentucky 40601 (FAX: (502) 875-8502). Official Bid Forms, together with a Preliminary Official Statement, may be obtained at the office of the Municipal Advisor to the City, Raymond James & Associates, Inc., at 489 East Main Street, Suite 200, Lexington, Kentucky 40507, Attention: Bob Pennington, Telephone: (859) 232-8211.

(B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$9,510,900.00 (98.0% of par), excluding original issue discount, if applicable, PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), which rates are not required to be on an ascending scale, in that the rate on the Bonds in any maturity may be more or less than the rate on the Bonds for any preceding maturity, and all Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best bid for the Bonds will be made on the basis of the lowest true interest rate, which will be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semiannually from the date of the issuance and delivery of the Bonds), produces an amount equal to the purchase price of the Bonds, as set forth in the Official Bid Form, for exactly \$9,705,000 principal amount of the Bonds offered for sale hereunder. Upon the determination of the lowest true interest rate, the principal amounts of the Bonds shall be immediately adjusted by the City to determine the maturities of the final bond issue. The successful bidder will be required to accept the final Bonds in the amounts so computed, whether the principal amount has been increased by up to \$970,000 or decreased by any amount and to pay the purchase price based on the aggregate amount of the final issue.

The City also has the right to adjust individual principal maturity amounts, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. If the principal amount of a maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds, as submitted by the successful bidder, shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated using the information provided by the bidder, divided by the par amount of the Bonds bid.

The successful bidder for the Bonds will be notified by no later than 5:00 p.m. (E.D.T.), on the sale date of the exact revisions and/or adjustment required, if any.

(E) Bidders have the option of specifying that Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

(F) The successful bidder shall be required to pay the cost for obtaining CUSIP identification numbers for the Bonds. CUSIP identification numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(G) The City will provide the successful purchaser with 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 under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidders will be required to pay for the printing of the Final Official Statement.

(H) Bids need not be accompanied by a certified check or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2.0% of the final principal amount of Bonds awarded by the close of business on the day following the award. The 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 will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within forty-five days from the date the bid is accepted.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as the 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 (each, a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or any 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 of the Bonds 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 the Direct and Indirect 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 the use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Municipal Advisor within twenty-four hours of the award that standard bond certificates be issued. In the event that certificated Bonds are to be issued at the election of the successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

(J) The City reserves the right to reject any and all bids, to waive any informalities in any bids, or, upon twenty-four hours advance notice before the sale date given through the BiDCOMP/PARITY® system,

to postpone the sale date of the Bonds. The Bonds are offered for sale subject to the principal of and interest on the Bonds not being subject to federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder therefor, all in accordance with the final approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel for the Bonds, which approving legal opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(K) Bidders are advised that Raymond James & Associates, Inc., Lexington, Kentucky, has been employed by the City as Municipal Advisor in connection with the issuance of the Bonds. Its fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(L) The purchasers of the Bonds will be required to certify to the City regarding certain of their activities regarding any reoffering of the Bonds to the public, including any reoffering prices for the Bonds. This information from the purchasers of the Bonds shall also be made available to the Municipal Advisor immediately after the sale of the Bonds.

(M) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest cost for each of the Bonds to be calculated as that rate (or yield) which, when used in computing the present worth of all payments of principal of and interest on the Bonds (compounded semiannually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds, exclusive of accrued interest. For the purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. If two or more bidders offer to purchase the Bonds at the same lowest true interest cost, the Mayor, with the advice of the Municipal Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded the Bonds.

(N) Additional information regarding the Bonds, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Form, may be obtained from the Municipal Advisor to the City, Raymond James & Associates, Inc., 489 East Main Street, Suite 200, Lexington, Kentucky 40507, Telephone (859) 232-8249, Attention: Bob Pennington, and any additional information with respect to BiDCOMP/PARITY® may be obtained from BiDCOMP/PARITY®, at 1359 Broadway – 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

(O) At the election and cost of the purchaser of the Bonds, one or more maturities of any of the Bonds may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with the purchaser to qualify such Bonds for bond insurance; however the City will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds from S&P Global Ratings.

(P) The winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, at closing, an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor identified herein, and any notice or report to be provided to the City shall also be provided to the Municipal Advisor.

The City intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each of the Bonds (the “competitive sale requirements”) because:

(i) the City shall disseminate these Official Terms and Conditions of Bond Sale to the potential underwriters in a manner that is reasonably designed to reach potential underwriters;

- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the City anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted in accordance with these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(Q) If the competitive sale requirements are not satisfied, the City shall so advise the applicable winning bidder. The City will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at the Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Bond Counsel.

(R) The City hereby acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. In addition, the City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(S) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) with respect to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds

to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the City will agree, in a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (the “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 acceptable to the SEC, for each fiscal year of the City, certain annual financial information and operating data regarding the City (the “Annual Financial Information”), including audited financial statements, generally consistent with (a) the financial information and the operating data of the City contained in Appendix B to the Official Statement under the subheadings “Tax Base Information,” “Tax Receipts,” “Five Year Summary of Revenues, Expenditures, and Changes in Fund Balance – General Fund,” and “Existing Bonded Debt Service Requirements – General Fund,” and (b) the audited financial statements of the City contained in Appendix C to the Official Statement. The Annual Financial Information shall be provided by the City on or prior to the December 31 following the fiscal year ending the preceding June 30, commencing with the fiscal year ending on June 30, 2026; provided, however, that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City;

(ii) to the MSRB, through EMMA, 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:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations regarding the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or other similar event of the City (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of any receiver, fiscal agent, or other similar officer for the City in any 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 City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of the assets or business of the City 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 City);

- (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 in accordance with its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.

(iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

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

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Further, Bond Counsel is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of the interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds

will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and in any other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

While Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of the other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such tax consequences may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers under Section 265 of the Code. Finally, residence of a holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Layne Wilkerson

Mayor,
City of Frankfort, Kentucky

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated May 7, 2026

Re: \$[Final Par] City of Frankfort, Kentucky General Obligation Bonds, Series 2026A,
dated May 7, 2026

The undersigned, on behalf of [Underwriter Name] (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule I attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. A true and correct copy of the bid provided by the Underwriter to purchase the Bonds is attached hereto as Schedule II.

(b) The Underwriter was not given the opportunity to review any other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

4. Defined Terms.

(a) *Issuer* means the City of Frankfort, Kentucky.

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

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

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 23, 2026.

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

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Underwriter's interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder. The Underwriter understands that the information set forth in this certificate will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds.

[UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated May 7, 2026

Re: \$[Final Par] City of Frankfort, Kentucky General Obligation Bonds, Series 2026A,
dated May 7, 2026

The undersigned, [Underwriter Name] (the “Transaction Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned bonds (the “Bonds”).

1. Issue Price.

(a) As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule I attached hereto (the “Sale Price,” as applicable to each Maturity of the General Rule Maturities).

(b) The Transaction Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I attached hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(c) As set forth in the Official Terms and Conditions of Bond Sale, the Transaction Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Under the Official Terms and Conditions of Bond Sale or any selling group agreement or any third-party distribution agreement, no Underwriter (as defined herein) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(d) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[Issue Price] (the “Issue Price”).

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Issue Price, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Sale Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Sale Price of the Bonds as of the date hereof.

4. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed as the “General Rule Maturities” in Schedule I attached hereto.

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed as the “Hold-the-Offering Price Maturities” in Schedule I attached hereto.

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day following the Sale Date (April 30, 2026), or (ii) the date on which the Transaction Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Frankfort, Kentucky.

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

(f) *Official Terms and Conditions of Bond Sale* means the Official Terms and Conditions of Bond Sale prepared for distribution to potential bidders prior to the Sale Date of the Bonds.

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

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is April 23, 2026.

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

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Transaction Underwriter’s interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder. The Transaction Underwriter understands that the foregoing information will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[TRANSACTION UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE BONDS

General Rule Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Actual Sale Price of First 10%</u>	<u>Issue Price</u>	<u>CUSIP</u>
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Hold-the-Offering-Price Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>	<u>Issue Price</u>	<u>CUSIP</u>
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SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

PRICING WIRE OR EQUIVALENT COMMUNICATION

(See attachment)

APPENDIX H
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2026A

OFFICIAL BID FORM

**OFFICIAL BID FORM
CITY OF FRANKFORT, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2026A**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$9,705,000* of General Obligation Bonds, Series 2026A, to be dated their date of initial issuance and delivery (the "Bonds"), being offered for sale by the City of Frankfort, Kentucky (the "City") in accordance with the Preliminary Official Statement dated April 15, 2026 and the related Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$9,705,000* principal amount of the Bonds, the total sum of \$_____ (not less than \$9,510,900) at the following annual rate(s), payable semiannually (rates are not required to be on an 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>
December 1, 2026	\$265,000	_____ %	December 1, 2036	\$485,000	_____ %
December 1, 2027	310,000	_____ %	December 1, 2037	510,000	_____ %
December 1, 2028	325,000	_____ %	December 1, 2038	535,000	_____ %
December 1, 2029	340,000	_____ %	December 1, 2039	560,000	_____ %
December 1, 2030	360,000	_____ %	December 1, 2040	590,000	_____ %
December 1, 2031	375,000	_____ %	December 1, 2041	615,000	_____ %
December 1, 2032	395,000	_____ %	December 1, 2042	640,000	_____ %
December 1, 2033	415,000	_____ %	December 1, 2043	665,000	_____ %
December 1, 2034	440,000	_____ %	December 1, 2044	695,000	_____ %
December 1, 2035	460,000	_____ %	December 1, 2045	725,000	_____ %

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via the BiDCOMP/PARITY® system in accordance with the Notice of Bond Sale until the appointed date and time, and no bids will be received after such time. Notwithstanding the foregoing, completed bid forms for the Bonds may be submitted until the appointed date and time (i) in a sealed envelope marked "Official Bid for Bonds," or (ii) by facsimile transmission, in each case delivered to the office of the Finance Director of the City of Frankfort, Kentucky, 315 West Second Street, Frankfort, Kentucky 40601 (FAX: (502) 875-8502). Neither the City nor the Municipal Advisor to the City assumes any responsibility whatsoever with respect to the receipt of any bids for the Bonds, or with respect to ensuring that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Bonds, with the variation in such amount occurring in any maturity or in all maturities, with such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that concurrently with the delivery of the Bonds, the City will also furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel for the Bonds.

*Preliminary, subject to change.

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 no later than the close of business on the day following the award. The good faith amount will be applied (without any interest) to the purchase price for the Bonds when the Bonds are tendered for delivery.

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

Respectfully submitted,

Bidder

Address

Telephone Number

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be May 7, 2026) to Final Maturity	\$ _____
(Less Premium) or Plus Discount, if any	\$ _____
True interest cost	\$ _____
True interest cost (%)	_____ %

The above computation of true interest cost is submitted for informational purposes only and is not a part of this Bid.

Accepted by the Mayor of the City of Frankfort, Kentucky for \$_____ principal amount of Bonds at the price of \$_____ as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
December 1, 2026	\$_____	_____%	December 1, 2036	\$_____	_____%
December 1, 2027	\$_____	_____%	December 1, 2037	\$_____	_____%
December 1, 2028	\$_____	_____%	December 1, 2038	\$_____	_____%
December 1, 2029	\$_____	_____%	December 1, 2039	\$_____	_____%
December 1, 2030	\$_____	_____%	December 1, 2040	\$_____	_____%
December 1, 2031	\$_____	_____%	December 1, 2041	\$_____	_____%
December 1, 2032	\$_____	_____%	December 1, 2042	\$_____	_____%
December 1, 2033	\$_____	_____%	December 1, 2043	\$_____	_____%
December 1, 2034	\$_____	_____%	December 1, 2044	\$_____	_____%
December 1, 2035	\$_____	_____%	December 1, 2045	\$_____	_____%

Mayor
City of Frankfort, Kentucky

Dated: April 23, 2026