KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS
Combined Financial Statements and Supplementary Information

Years Ended June 30, 2017 and 2016
with Report of Independent Auditors

CONTENTS

DEANDORTON
DEAN DORTON ALLEN FORD, PLLC

Report of Independent Auditors

Board of Trustees
Kentucky League of Cities Funding Trust
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Trust Estates of the City of Jeffersontown, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate Series 2000; City of Newport, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate Series 2002; City of Fort Mitchell, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2002 Series A; City of Morehead, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate Series 2004 A; City of Richmond, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2006 Series A; City of Williamstown, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2008 Series A; and City of Williamstown, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2008 Series B (collectively referred to as "the Kentucky League of Cities Funding Trust Lease Program Revenue Bonds" or "the Trust Estates") which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky League of Cities Funding Trust Lease Program Revenue Bonds as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information on pages 28 - 33 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Dean Dorton Allen Ford, PLLC

December 14, 2017
Lexington, Kentucky

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combined Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ **1,128,511**	$ 1,359,686
Program discretionary fund account	**459,625**	324,955
Accrued investment income receivable	**390**	40
Accrued interest and fees receivable - leases	**50**	252,532
Lease agreement receivables	**83,808,401**	97,021,974
Lease agreement receivables - unrealized appreciation in fair value	**7,452,240**	12,141,052
Prepaids and other current assets	**-**	583
Costs of debt issuance, net	**610,727**	646,623
Total assets	$ **93,459,944**	$ 111,747,445
Liabilities and Net Deficit		
Liabilities:		
Accounts payable and other accrued liabilities	$ **44,734**	$ 256,185
Accrued interest payable - bonds	**104,333**	48,266
Interest rate exchange - liability	**7,452,240**	12,141,052
Deferred issuance costs	**2,282,332**	2,409,633
Bonds payable	**84,411,353**	97,762,192
Total liabilities	**94,294,992**	112,617,328
Net deficit, unrestricted	**(835,048)**	(869,883)
Total liabilities and net deficit	$ **93,459,944**	$ 111,747,445

See accompanying notes.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combined Statements of Activities

Years ended June 30, 2017 and 2016

	2017	2016
Revenues:		
Income from lease agreement receivables	$ 3,121,559	$ 3,767,817
Amortization of deferred issuance costs	127,301	127,301
Investment and other income	3,629	287,644
Net realized losses	(247)	-
Loss on early extinguishment	-	(1,494,642)
Total revenues, net of loss	3,252,242	2,688,120
Expenses:		
Administrative and trustee fees	201,320	285,427
Letter of credit fees	-	566,776
Remarketing fees	-	74,113
Professional and other fees	9,394	28,612
Arbitrage rebate	-	21,513
Bond interest expense	1,248,116	338,594
Swap interest expense	1,722,681	2,377,746
Amortization expense	35,896	35,896
Total expenses	3,217,407	3,728,677
Change in net (deficit) assets	34,835	(1,040,557)
Net (deficit) assets, beginning of year	(869,883)	170,674
Net deficit, end of year	$ (835,048)	$ (869,883)

See accompanying notes.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combined Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 34,835	$ (1,040,557)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of cost of debt issuance	35,896	35,896
Amortization of deferred issuance costs	(127,301)	(127,301)
Loss on early extinguishment	-	1,494,642
Increase (decrease) in cash due to changes in:		
Accrued investment income receivable	(350)	21,355
Accrued interest and fees receivable - leases	252,482	(26,054)
Prepaids and other current assets	583	(583)
Accounts payable and other accrued liabilities	(211,451)	(213,965)
Accrued interest payable - bonds	56,067	(28,304)
Accrued arbitrage rebate	-	(189,478)
Net cash provided by (used in) operating activities	40,761	(74,349)
Cash flows from investing activities:		
Proceeds from lease agreements	13,213,573	11,642,624
Issued lease agreement	-	(22,307)
Increase in the program discretionary fund account	(134,670)	(324,955)
Net proceeds from repurchase and investment agreements and certificates of deposit	-	36,424,839
Net cash provided by investing activities	13,078,903	47,720,201
Cash flows from financing activities:		
Proceeds from issuance of bonds	-	100,677,449
Principal payments on bonds	(13,350,839)	(148,610,257)
Debt issuance costs paid	-	(682,519)
Net cash used in financing activities	(13,350,839)	(48,615,327)
Net decrease in cash and cash equivalents	(231,175)	(969,475)
Cash and cash equivalents, beginning of year	1,359,686	2,329,161
Cash and cash equivalents, end of year	$ 1,128,511	$ 1,359,686
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest on bonds	$ 1,192,049	$ 366,898
Interest on interest rate exchanges	1,722,681	2,377,746
Noncash investing transactions:		
Change in the fair value of lease agreement receivables	$ 4,688,812	$ 2,625,152
Change in the fair value of interest rate exchanges	(4,688,812)	(2,625,152)

See accompanying notes.

1. Nature of Organization and Operations

The Kentucky League of Cities (KLC, or the Program Administrator) is a voluntary association of cities created in 1927 to assist municipal officials in representing the interest of cities and to provide services to members fostering improved municipal government in Kentucky.

The financial services department of the Kentucky League of Cities provides tax-exempt financing to Kentucky cities. By taking advantage of economies of scale through tax exempt bond pools, the financial services department provides its members access to low interest rate loans to fund capital improvement projects and equipment purchases (the Lease Program).

In December 1992, certain governmental agencies of the state entered into an Interlocal Cooperation Agreement pursuant to KRS 65.210 through 65.300, KRS 58.010 through 58.140, and KRS 65.940 through 65.956 (the Act), which authorized the creation of the Kentucky League of Cities Funding Trust (the Funding Trust). The Funding Trust issues tax-exempt bonds in order to provide funding for leases to participating members at variable rates of interest.

The Funding Trust is governed by a Board of Trustees consisting of five members. At the time of appointment, members of the Board of Trustees are required to be an elected or an appointed official of a Kentucky city.

To facilitate the purposes of the lease program, several Kentucky municipalities (the Issuers) issued seven variable rate Kentucky League of Cities Funding Trust Lease Program Revenue Bonds (the Bonds). Each series had an original issue amount of $50,000,000 and each series was backed by letters of credit.

In fiscal year 2016, the bond pools were restructured. The letter of credit issuer (US Bank) elected to not renew these letters of credit; rather, they decided to buy the bonds. As each pool was restructured, all of the Bonds were mandatorily tendered at various times from November 2015 to April 2016. All investments in the Debt Service Reserve funds were sold and the proceeds, along with other excess cash, were used to reimburse the letters of credit for the tender draws. Any excess funds in the pools were transferred to the Program Discretionary Fund. The Issuers issued new bonds in the amount of the leases outstanding. The leases outstanding will always approximate bonds outstanding (plus/minus the timing of the payments), as principal payments received on the leases are immediately used to pay down the bonds. The bonds are no longer publicly held or traded. After the restructure, each pool was split into two different bonds: Series A1 and Series A2 - the Series A1 contain variable rate leases; the Series A2 contain those leases which have interest rate exchange agreements.

1. **Nature of Organization and Operations, continued**

Below is a summary of the fourteen trust estates (collectively, the Trust Estates) that comprise the Kentucky League of Cities Funding Trust Lease Program:

Trust Estate	Issuer	Bond Series	Issue Date	Maturity Date
2000 Trust Estate	City of Jeffersontown, KY	Series 2000 - A1	March 2016	February 2030
2000 Trust Estate	City of Jeffersontown, KY	Series 2000 - A2	March 2016	April 2030
2002 Trust Estate	City of Newport, KY	Series 2002 - A1	February 2016	April 2032
2002 Trust Estate	City of Newport, KY	Series 2002 - A2	February 2016	October 2032
2002A Trust Estate	City of Fort Mitchell, KY	2002 Series A - A1	November 2015	August 2032
2002A Trust Estate	City of Fort Mitchell, KY	2002 Series A - A2	November 2015	August 2030
2004A Trust Estate	City of Morehead, KY	Series 2004 A - A1	April 2016	July 2034
2004A Trust Estate	City of Morehead, KY	Series 2004 A - A2	April 2016	August 2034
2006A Trust Estate	City of Richmond, KY	2006 Series A - A1	February 2016	April 2028
2006A Trust Estate	City of Richmond, KY	2006 Series A - A2	February 2016	March 2036
2008A Trust Estate	City of Williamstown, KY	2008 Series A - A1	December 2015	August 2033
2008A Trust Estate	City of Williamstown, KY	2008 Series A - A2	December 2015	June 2038
2008B Trust Estate	City of Williamstown, KY	2008 Series B - A1	March 2016	May 2031
2008B Trust Estate	City of Williamstown, KY	2008 Series B - A2	March 2016	July 2034

The Trust Estates are defined as all the rights, title, and interest of the Issuers and the Funding Trust in and to (i) the leases, (ii) any interest rate exchange agreements, (iii) the lease rental payments due under the leases, (iv) the collateral documents related thereto, if any, (v) all monies and securities, including earnings thereon, held in the funds and accounts created in the Trust Indenture Agreements (the Trust Indentures) other than the Rebate Account and the Program Discretionary Account (see Note 6), and (vi) all property rights, and assets of any kind and nature that are now or hereafter from time to time pledged, assigned, or transferred as and for security under the Trust Indentures by the Issuers or the Funding Trust or by anyone on their behalf or with written consent.

Upon the ultimate termination of each Trust Estate any assets remaining after satisfaction of all Trust Estate liabilities will be returned to the Funding Trust.

2. **Summary of Significant Accounting Policies**

The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the combined financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Trust Estates in the preparation of its combined financial statements:

2. Summary of Significant Accounting Policies, continued

Basis of Presentation

The combined financial statements of the Trust Estates have been prepared on the accrual basis of accounting.

Investments Held by the Trustee

All invested funds are held by the Trustees (see Note 3). The Trustees are mandated by the Trust Indentures as to the types of investments in which each Trust Estate can be invested. GAAP requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the financial statements of not-for-profit organizations. Accordingly, all invested funds held by the Trustees are stated at fair value based on the Trustees' independent valuation services.

Cash and Cash Equivalents

The Funding Trust considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents primarily consist of money market funds invested in government and government agency securities.

Lease Agreement Receivables

Lease agreement receivables represent the principal obligation of the lease program participants. Accordingly, the lease agreement receivables balance as of June 30, 2017 and 2016 are stated at the amount the Funding Trust expects to collect on the outstanding balances. Lease agreement receivables are written off as uncollectible if no payment is received after all collection efforts have been exhausted. Receivables are reviewed for collectability when they become past due and an allowance for doubtful accounts is established, if deemed necessary.

Any lease rental payment that is not paid within ten days of the date due bears interest at the late payment rate as defined in the lease agreement. Failure by the lessee to pay any lease rental payments at the time specified in the lease agreement is considered to be past due. An allowance for doubtful accounts is not reflected in these combined financial statements as the Funding Trust considers all lease agreement receivables to be fully collectible. The income from the lease agreement receivables is representative of the interest income on the leases recognized and the participants' share of administrative, credit, issue, and fiduciary fees of the lease programs.

2. Summary of Significant Accounting Policies, continued

Costs of Debt Issuance

Costs of debt issuance related to the bond issuance are capitalized and amortized over the life of the related bond issues using the straight line method. As part of the 2016 bond pools restructuring (see Note 1), originally capitalized debt issuance costs were written off as loss on early extinguishment and $682,519 of new debt issuance costs were capitalized. Amortization expense of bond issuance costs for both of the years ended June 30, 2017 and 2016 and for each of the next five years are as follows:

2000 Trust Estate	$	6,114
2002 Trust Estate		5,614
2002A Trust Estate		5,423
2004A Trust Estate		4,657
2006A Trust Estate		4,388
2008A Trust Estate		4,289
2008B Trust Estate		5,411
	$	35,896

Derivative Financial Instruments

The Funding Trust accounts for interest rate exchange agreements in accordance with GAAP which establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the statements of financial position as either an asset or liability measured at its fair value.

Deferred Issuance Costs

As the participating members originate leases in the Lease Program, the issuance costs they pay related to those leases are deferred and amortized to income straight-line over the life of the related lease.

Net Assets

There are no donor-imposed restrictions on the net assets of the Trust Estates, and thus the net assets are considered "unrestricted" as defined by GAAP.

Subsequent Events

The Trust Estates' management evaluates events and transactions that occur after the statements of financial position date as potential subsequent events. This evaluation was performed through December 14, 2017, the date on which the combined financial statements were available to be issued. No material subsequent events were identified.

3. Contractual Agreements

Administrative Services

Pursuant to the program administration agreements, the Program Administrator provides administrative services to the Funding Trust. These administrative services include professional, administrative, and financial functions, including providing personnel necessary for the orderly and proper administration of the Funding Trust and its lease program.

The following is a summary of the date of execution for each of the Trust Estates' program administration agreements.

Trust Estate	Date of Execution
2000 Trust Estate	March 2000
2002 Trust Estate	April 2002
2002A Trust Estate	October 2002
2004A Trust Estate	June 2004
2006A Trust Estate	March 2006
2008A Trust Estate	July 2008
2008B Trust Estate	December 2008

The Program Administrator bills the Trust Estate an administration fee for providing these services. The administration fee is equal to .25% of the aggregate unpaid principal components of all lease rental payments. This fee is payable from and only to the extent funds are available in the Trust Estates' Revenue Accounts (see Note 6) or otherwise available from the Trust Estates. The costs of these services are included as a component of administrative and trustee fees in the accompanying combined statements of activities. The lessees reimburse the Trust Estates for the cost of these services by paying a monthly administrative fee in addition to lease interest. These fees are included as a component of income from lease agreement receivables in the accompanying combined statements of activities.

The program administration agreements expire upon the earlier of the date the Bonds are fully redeemed or the date specified in a 30 days prior written notice of termination delivered by the Funding Trust to the Program Administrator.

3. Contractual Agreements, continued

Trustee Services

The Trustees, dates of applicable trust agreements, and annual trustee fees are summarized below:

Trust Estate	Trustee	Date of Trust Agreement	Trustee Fee
2000 Trust Estate	U.S. Bank National Assn.	March 2016	$700 per lease payable in arrears
2002 Trust Estate	Huntington National Bank	February 2016	$250 per lease payable in advance
2002A Trust Estate	Huntington National Bank	November 2015	$250 per lease payable in advance
2004A Trust Estate	U.S. Bank National Assn.	April 2016	$700 per lease payable in arrears
2006A Trust Estate	Bank of New York Mellon	February 2016	$300-$1,000 per lease outstanding
2008A Trust Estate	Bank of New York Mellon	December 2015	$200-$1,500 per lease outstanding
2008B Trust Estate	U.S. Bank National Assn.	March 2016	$700 per lease payable in arrears

The Trustees for the Trust Estates hold investments, receive lease rental payments, maintain appropriate books and records to account for all funds established under the Trust Indentures, and conduct other transactions as directed by the Program Administrator. In return for the services provided by the Trustees, the Trust Estates pay annual trustee fees. The annual fees are a component of administrative and trustee fees in the accompanying combined statements of activities.

Credit Facility

In 2015, the Funding Trust and US Bank were party to Letter of Credit and Reimbursement Agreements (the Credit Facilities) for each of the Trust Estates. Concurrent with the Credit Facilities, US Bank issued irrevocable transferable direct pay letters of credit in favor of the Trustees which are used by the Funding Trust to facilitate the redemption of the Bonds immediately prior to their remarketing (see Bond Remarketing). The expiration dates of the initial terms of the letters of credit are listed below. The Credit Facilities expire unless ninety days prior to the expiration date, US Bank notifies the Trustee that US Bank intends to extend the date. In no case shall any such renewal or extension extend the termination date beyond the maturity date of the Bonds. The date through which the Credit Facilities had been extended and the available balance under the letters of credit as of June 30, 2016 are listed below. The Credit Facilities expired in 2016 and were not renewed. See also Note 1.

3. Contractual Agreements, continued

Credit Facility, continued

Trust Estate	Original Maturity Date	Extended Maturity Date	Amount Available as of June 30, 2016
2000 Trust Estate	March 2003	October 2016	$ 12,654,488
2002 Trust Estate	April 2005	October 2016	13,857,019
2002A Trust Estate	October 2005	April 2016	21,178,762
2004A Trust Estate	June 2007	October 2016	27,150,658
2006A Trust Estate	March 2009	October 2016	28,755,199
2008A Trust Estate	July 2011	October 2016	23,192,452
2008B Trust Estate	February 2010	October 2016	20,869,250
			$ 147,657,828

Bond Remarketing

As further discussed in Note 8, the Bonds, in the variable rate bond form, were considered Weekly Rate Bonds with the ability to be converted to Daily Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of May 2010 agreements, Sterne Agee & Leach, Inc. (Sterne Agee or the Remarketing Agent) had agreed to use its best efforts to remarket the Bonds. These Bonds were to be sold at the most favorable interest rates and terms that would result in a sale price equal to the principal amount of the Bonds sold, together with accrued interest, if any, thereon. Proceeds from the Bonds were used to repay draws on the Credit Facilities.

Under the original remarketing agreement, the Trust Estates paid one-time fees upon issuance of the Bonds for services related to the competitive sale of the Bonds. These one-time fees are summarized below:

Trust Estate	One-time Remarketing Fee
2000 Trust Estate	$ 31,646
2002 Trust Estate	200,000
2002A Trust Estate	185,000
2004A Trust Estate	205,000
2006A Trust Estate	205,000
2008A Trust Estate	205,000
2008B Trust Estate	205,000
	$ 1,236,646

3. Contractual Agreements, continued

Bond Remarketing, continued

These fees were being amortized over the remaining life of the Bonds using the effective interest method. Additionally, the Trust Estate paid remarketing fees to the Remarketing Agent equal to 0.08% (2000 Trust Estate) or 0.10% (all other Trust Estates) of the principal amount of the outstanding Bonds. Due to the restructuring of the bond pools (see Note 1), the remarketing agreement was discontinued.

4. Fair Value of Financial Instruments

GAAP requires fair value information for financial instruments. Certain financial instruments, such as lease contracts, are specifically excluded. The fair values of the Trust Estate's assets and liabilities that qualify as financial instruments approximate the carrying amounts presented in the accompanying combined statements of financial position.

The fair value provisions of GAAP establish a single authoritative definition of fair value, set out a framework for measuring fair value, and require additional disclosures about fair value measurements. GAAP also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority, are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Funding Trust's own assumptions.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, the liquidity of the markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

4. Fair Value of Financial Instruments, continued

The following is a description of the valuation methodologies used for assets and liabilities of the Trust Estates measured at fair value:

Interest Rate Exchange Agreements

At the direction of the respective lessee, the Trustees have entered into interest rate exchange agreements to hedge against changes in the fair value of underlying fixed-rate lease agreement receivables (see Note 9). These are over-the-counter agreements and identical agreements may not be available on the active market. The swap values are determined based on comparing the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index forward rate curve with the fixed rates on the lease agreement receivables. The fair values of the swap contracts approximate the carrying value of these financial instruments (Level 2). The Trust Estates' interest rate exchanges, measured at fair value, were an unfavorable $7,452,240 and $12,141,052, as of June 30, 2017 and 2016, respectively.

5. Concentrations of Credit Risk

Financial instruments that potentially subject the Trust Estates to concentrations of credit risk consist primarily of temporary cash investments, the repurchase and investment agreements, lease agreement receivables, and the interest rate exchange agreements (see Note 9).

As indicated in Notes 2 and 6, the Trust Estates' cash equivalents consist of money market funds maintained by the Trustees. Money market funds are not federally insured by the federal deposit insurance corporation but do hold government and government agency securities and the financial institutions managing the money market funds are major financial institutions with an investment grade credit rating. Consequently, the Funding Trust considers the risk associated with these money market funds to be minimal.

5. Concentrations of Credit Risk, continued

The stated interest rates, terms, and principal amounts pertaining to the repurchase and investment agreements (the Agreements) (see Note 6) are generally correlated in such a way that changes in market interest rates should not have a material net impact on the values of the Agreements. The repurchase and investment agreements held by the Trustees are uninsured and unregistered. However, the government securities underlying the Agreements are registered. The Agreements are collateralized in obligations of the United States and its agencies. Such collateral is held in the Trustee's name by a custodial agent for the term of the Agreement. The custodial agents are as follows:

Trust Estate	Custodial Agent
2000 Trust Estate	Norwest Bank Minnesota
2002 Trust Estate	The Bank of New York
2002A Trust Estate	U.S. Bank
2004A Trust Estate	The Bank of New York
2006A Trust Estate	The Bank of New York
2008A Trust Estate	Wells Fargo Bank, N.A
2008B Trust Estate	Wells Fargo Bank, N.A.

As indicated in Note 7, the lease agreement receivables represent the obligations of the lease program participants. Under Kentucky law, such program participants cannot commit to long-term debt, and therefore, lease rental payments are subject to annual appropriation. Historically, program participants have not defaulted or withdrawn from such long-term lease agreements. The Funding Trust believes that certain processes and precedents are in place to provide reasonable assurance that the leases will be honored by the program participants as long-term, non-cancelable agreements.

Lease agreement receivables from one lessee totaled approximately $15,159,327 and $15,884,338 as of June 30, 2017 and 2016, respectively, representing 18% and 16% of total lease agreement receivables at each year end. Lease agreement receivables from four additional lessees represent 6% (one leases), 7% (two leases), and 9% (one lease) of total lease agreement receivables as of June 30, 2017. Lease agreement receivables from four additional lessees represent 6% (two leases), 7% (one lease), and 8% (one lease) of total lease agreement receivables as of June 30, 2016.

6. Trust Estate Accounts

Pursuant to the issue of the Bonds, the Funding Trust entered into Trust Indentures with the Trustees. The Trust Indentures provide for the issuance of the Bonds and the establishment of the following accounts/funds to be held by the Trustees:

Bond Proceeds Account

This account was initially funded by the $50,000,000 in bond proceeds per each bond issuance. The account subsequently funded the Project Account, the Expense Account, the Revenue Account, and the Debt Service Reserve Account. The amounts of the initial funding of these accounts for each Trust Estate are listed below:

	Project Account	Expense Account	Revenue Account	Debt Service Reserve Account	Total
2000 Trust Estate	$ 44,355,000	$ 645,000	$ -	$ 5,000,000	$ 50,000,000
2002 Trust Estate	44,355,000	645,000	-	5,000,000	50,000,000
2002A Trust Estate	44,355,000	645,000	-	5,000,000	50,000,000
2004A Trust Estate	44,305,000	695,000	-	5,000,000	50,000,000
2006A Trust Estate	44,355,000	645,000	-	5,000,000	50,000,000
2008A Trust Estate	44,292,000	708,000	-	5,000,000	50,000,000
2008B Trust Estate	44,200,000	723,000	77,000	5,000,000	50,000,000

Project Account

This account was established from bond proceeds to fund the lease programs. In connection with each closing for the lessee, the Trustees create in the Project Account a Lessee Acquisition Account for the lessee and, upon the submission by the lessee of the documents required by and upon the terms and conditions of the lease agreement, the Trustees deposit in a Lessee Acquisition Account an amount equal to the aggregate principal component of lease rental payments under the lease.

The funds in the Lessee Acquisition Account are disbursed to acquire, install, or construct the projects to be leased to the lessee or refund, refinance, and reimburse the lessee for outstanding indebtedness incurred or advancements made for the costs of the project, subject to the limitations set forth in the Trust Indentures regarding refunding, refinancing, and reimbursement. Legal title to the project and all interests therein are held by the lessee subject to the Funding Trust's rights under the provisions of the lease agreement.

Redemption Account

This account is funded by the principal component of any lease rental payment that is not related to a draw on the Debt Service Reserve Account, to the extent deemed necessary by the Trustees, in accounts thereof, for particular Bonds to be redeemed.

6. Trust Estate Accounts, continued

Revenue Account

This account is funded by the portion of all lease rental payments representative of interest and the administrative, credit, and fiduciary fees which are required by the provisions of the leases to be deposited in the Revenue Account, and any other amounts received by it under the Trust Indentures which are not required to be otherwise deposited into other accounts. The account disburses monies to pay interest on the Bonds, the credit and fiduciary fees pertaining to the Bonds, and the administrative expenses and fiduciary fees in excess of the amounts disbursed from the Expense Account.

Expense Account

This account was established from bond proceeds for the purpose of paying the costs of issuance and subsequent administrative expenses and fiduciary fees, until exhausted.

Principal and Interest Account

The principal and interest account is an internal account of the Trustee that is used to capture both principal and lease payments.

Program Discretionary Fund Account

This account holds funds identified by the Program Administrator as being excess funds. Monies in the Program Discretionary Fund Account are disbursed on the direction of the Funding Trust for purposes specified by the Funding Trust and, ultimately, are not a part of the individual Trust Estates.

Prepayment Account

This account is used to hold lessees' optional lease prepayments. The principal component of each prepayment is transferred to the Redemption Account to redeem the portion of the Bonds associated with the lessees' prepayment.

Debt Service Reserve Account

This account was established from bond proceeds to be applied if there is a deficiency in the amount available in the Revenue Account to pay interest or the Redemption Account to pay principal on the Bonds (or in either case to reimburse the Credit Facility Provider for such payment).

Rebate Account

This account is used to pay arbitrage rebates (see Note 10), if any, pursuant to section 148 of the Internal Revenue Code. Funds necessary to satisfy the rebate requirement are transferred from other accounts at the written discretion of the Issuers.

6. Trust Estate Accounts, continued

Fixed Lessee Fund Account

This account is used to hold those leases that have swap agreements.

The accounts of each Trust Estate at June 30 are summarized as follows:

2000 Trust Estate

	2017 Cash and Cash Equivalents	2016 Cash and Cash Equivalents
Redemption Account	$ 108,382	$ 107,588
Revenue Account	15,745	26,840
	$ 124,127	$ 134,428

2002 Trust Estate

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 22,184	$ 76,576
Revenue Account	16,811	20,511
	$ 38,995	$ 97,087

2002A Trust Estate

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 76,403	$ 137,243
Revenue Account	20,765	65,606
	$ 97,168	$ 202,849

2004A Trust Estate

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 65,357	$ 80,531
Revenue Account	50,750	94,104
	$ 116,107	$ 174,635

6. Trust Estate Accounts, continued

2006A Trust Estate

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 195,461	$ 109,134
Revenue Account	83,767	85,265
Principal and Interest Account	-	128,469
	$ 279,228	$ 322,868

2008A Trust Estate

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 113,002	$ 53
Revenue Account	95,144	87,451
Principal and Interest Account	-	122,031
	$ 208,146	$ 209,535

2008B Trust Estate

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 111,804	$ 82,588
Revenue Account	152,936	94,082
Fixed Lessee Fund Account	-	41,614
	$ 264,740	$ 218,284

Total Combined Balances

	Cash and Cash Equivalents	Cash and Cash Equivalents
Redemption Account	$ 692,593	$ 593,713
Revenue Account	435,918	473,859
Principal and Interest Account	-	250,500
Fixed Lessee Fund Account	-	41,614
	$ 1,128,511	$ 1,359,686

6. Trust Estate Accounts, continued

	2017	2016
	Program Discretionary Fund Account	Program Discretionary Fund Account
2000 Trust Estate	$ 36,585	$ 6,577
2002 Trust Estate	23,405	23,317
2002A Trust Estate	172,749	127,269
2004A Trust Estate	60,000	-
2006A Trust Estate	91,262	93,504
2008B Trust Estate	75,624	74,288
	$ 459,625	$ 324,955

As of June 30, 2017 and 2016, the following Trust Estate funds are invested in 1) money market funds investing primarily in obligations issued or guaranteed by the United States government and its agencies; or 2) the Huntington Protected Deposit Account, a fully federally-insured, interest-bearing deposit sweep account:

Trust Estate	Investment	Amount Invested June 30, 2017	Amount Invested June 30, 2016
2000 Trust Estate	First American Gov't Obligation Fund	$ **160,712**	$ 141,005
2002 Trust Estate	Huntington Protected Deposit Account	**62,400**	120,404
2002A Trust Estate	Huntington Protected Deposit Account	**269,917**	330,118
2004A Trust Estate	First American Gov't Obligation Fund	**176,107**	174,635
2006A Trust Estate	Fidelity Institutional Government Fund	**370,490**	416,372
2008A Trust Estate	Fidelity Institutional Government Fund	**208,146**	209,535
2008B Trust Estate	First American Gov't Obligation Fund	**340,364**	292,572
		$ **1,588,136**	$ 1,684,641

7. Lease Agreement Receivables

Lease agreement receivables represent the obligation of the lease program participants and provide for payment by the participants to the Trust Estate of monies sufficient to pay, when due, the principal and interest on the bonds and the costs associated with the lease program. All leases are issued as variable rate leases, which may be converted to fixed rate leases through an interest rate exchange agreement (see Note 9). The lease rental payment is computed with respect to variable rate bonds and the interest rate in effect on the first day of each week during the fiscal year, unless the lessee elects to have the interest rate converted to a fixed rate upon the terms and conditions of an interest rate exchange agreement (see Note 9).

7. Lease Agreement Receivables, continued

At June 30, 2017 and 2016, the outstanding lease principal amounts are as follows:

	Lease Principal Outstanding as of June 30, 2017	Lease Principal Outstanding as of June 30, 2016
2000 Trust Estate	**$ 5,261,298**	$ 6,134,534
2002 Trust Estate	**4,504,301**	4,749,330
2002A Trust Estate	**6,751,443**	13,663,435
2004A Trust Estate	**19,501,544**	20,338,375
2006A Trust Estate	**20,437,615**	21,793,746
2008A Trust Estate	**15,135,225**	16,480,708
2008B Trust Estate	**12,216,975**	13,861,846
	$ 83,808,401	$ 97,021,974

As described in Note 1, each pool was split into two different bonds during the restructure: Series A1 and Series A2. The outstanding lease principal amounts for each bond at June 30, 2017 are as follows:

	A1	A2	Total
2000 Trust Estate	$ 3,837,476	$ 1,423,822	$ 5,261,298
2002 Trust Estate	1,160,000	3,344,301	4,504,301
2002A Trust Estate	4,174,840	2,576,603	6,751,443
2004A Trust Estate	8,451,493	11,050,051	19,501,544
2006A Trust Estate	422,230	20,015,385	20,437,615
2008A Trust Estate	2,063,558	13,071,667	15,135,225
2008B Trust Estate	8,588,438	3,628,537	12,216,975
	$ 28,698,035	$ 55,110,366	$ 83,808,401

7. Lease Agreement Receivables, continued

Future principal payments required under the lease agreement receivables for Series A1 at June 30, 2017 are as follows:

	Year Ending June 30						
	2018	2019	2020	2021	2022	Thereafter	Total
2000 Trust Estate	$ 718,927	$ 709,462	$ 730,407	$ 531,389	$ 147,408	$ 999,883	$ 3,837,476
2002 Trust Estate	60,000	60,000	60,000	65,000	75,000	840,000	1,160,000
2002A Trust Estate	402,063	411,305	420,831	429,564	404,901	2,106,176	4,174,840
2004A Trust Estate	666,930	689,787	713,010	738,179	763,146	4,880,441	8,451,493
2006A Trust Estate	97,525	55,537	45,848	46,672	48,615	128,033	422,230
2008A Trust Estate	185,229	191,078	197,022	203,404	209,767	1,077,058	2,063,558
2008B Trust Estate	829,451	858,127	779,905	800,145	828,168	4,492,642	8,588,438
	$ 2,960,125	$ 2,975,296	$ 2,947,023	$ 2,814,353	$ 2,477,005	$ 14,524,233	$ 28,698,035

Future principal payments required under the lease agreement receivables for Series A2 at June 30, 2017 are as follows:

	Year Ending June 30						
	2018	2019	2020	2021	2022	Thereafter	Total
2000 Trust Estate	$ 155,857	$ 158,540	$ 161,351	$ 184,298	$ 127,386	$ 636,390	$ 1,423,822
2002 Trust Estate	150,057	157,735	165,805	174,287	183,204	2,513,213	3,344,301
2002A Trust Estate	920,790	463,694	187,009	191,948	177,139	636,023	2,576,603
2004A Trust Estate	131,560	202,621	939,719	971,515	1,002,774	7,801,862	11,050,051
2006A Trust Estate	974,009	890,742	931,903	979,261	1,024,937	15,214,533	20,015,385
2008A Trust Estate	1,208,004	1,139,911	1,107,749	1,158,456	1,210,099	7,247,448	13,071,667
2008B Trust Estate	310,558	210,381	218,051	226,339	234,688	2,428,520	3,628,537
	$ 3,850,835	$ 3,223,624	$ 3,711,587	$ 3,886,104	$ 3,960,227	$ 36,477,989	$ 55,110,366

8. Bonds Payable

As described in Note 1, the Issuers issued fourteen variable rate bonds in the amounts of the related leases outstanding. The bonds are supplemental trust indentures and are between the various Issuers, US Bank and the Funding Trust securing the Bonds (the Trust Indentures). The Trust Indentures are adjustable interest rate bonds adjustable each Wednesday. The interest rate is equal to the sum of the Applicable Spread plus the Securities Industry & Financial Markets Association (SIFMA) Index (as defined in the Trust Indentures). Applicable Spread means, for (i) Series A1 Bonds, (A) from the Current Conversion Date to but not including the third anniversary of the Current Conversion Date, eighty-seven basis points (0.87%, 1.14% for Williamstown B), and (B) from and after the third anniversary of the Current Conversion Date, one hundred twenty-five basis points (1.25%, 1.75% for Williamstown B) until the Initial Mandatory Tender Date and thereafter as provided in the Trust Indenture and (ii) Series A2 Bonds, fifty-three basis points (0.53%, 0.90% for Williamstown B) until the Initial Mandatory Tender Date and thereafter as provided in the Indenture.

8. Bonds Payable, continued

The bond payment dates are as follows for each Trust Estate:

Trust Estate	Bond Payment Date
2000 Trust Estate	Monthly, 1st business day
2002 Trust Estate	Monthly, 1st business day
2002A Trust Estate	Monthly, 1st business day
2004A Trust Estate	Monthly, 1st business day
2006A Trust Estate	Monthly, 1st business day
2008A Trust Estate	Monthly, 1st business day
2008B Trust Estate	Monthly, 1st business day

During the year ended June 30, 2017, the variable interest rate on the bonds ranged from 1.28% to 2.649% for the Series A1 Bonds, and 0.93% to 1.79% for the Series A2 Bonds.

At June 30, 2017 and 2016, the balances outstanding on the bonds were as follows:

Trust Estate	**June 30, 2017**	June 30, 2016
2000 Trust Estate	$ **5,369,626**	$ 6,237,842
2002 Trust Estate	**4,526,472**	4,825,891
2002A Trust Estate	**6,827,785**	13,800,595
2004A Trust Estate	**19,566,901**	20,418,906
2006A Trust Estate	**20,544,966**	21,905,163
2008A Trust Estate	**15,248,132**	16,589,055
2008B Trust Estate	**12,327,471**	13,984,740
	$ **84,411,353**	$ 97,762,192

8. Bonds Payable, continued

The balances outstanding for each at June 30, 2017 are as follows:

Trust Estate	A1	A2	Total
2000 Trust Estate	$ 3,941,266	$ 1,428,360	$ 5,369,626
2002 Trust Estate	1,170,000	3,356,472	4,526,472
2002A Trust Estate	4,199,604	2,628,181	6,827,785
2004A Trust Estate	8,506,396	11,060,505	19,566,901
2006A Trust Estate	443,360	20,101,606	20,544,966
2008A Trust Estate	2,078,816	13,169,316	15,248,132
2008B Trust Estate	8,655,788	3,671,683	12,327,471
	$ 28,995,230	$ 55,416,123	$ 84,411,353

9. Interest Rate Exchange Agreements

The interest rate exchange agreements, entered into when lessees convert variable rate leases to fixed rate leases, are derivative instruments. The Funding Trust utilizes interest rate exchanges to provide fixed rate leases to lessees without bearing interest rate risk (see also Note 7). Under the terms of the agreements, the Funding Trust pays to the exchange counterparty the agreed fixed rate and receives interest based upon an agreed variable indexed rate. These interest rate exchange agreements have been designated by the Funding Trust as fair value hedges of the underlying changes in the fair value of the lease agreement receivables. The net interest payments made (received) under the swap exchanges (settlements) are included as a component of interest expense (income). Cash flows from interest rate exchanges are classified as an operating activity on the combined statements of cash flows.

Under the lease agreement, the lessee is ultimately responsible for any payments associated with the early termination of an interest rate exchange agreement. Changes in the fair value of the exchange instruments result in offsetting changes to the carrying value of the underlying lease instruments with no impact on the combined statements of activities as long as the hedges remain effective.

9. Interest Rate Exchange Agreements, continued

Under the interest rate exchange agreements, the Funding Trust pays a fixed rate of interest and receives a variable rate tied to the SIFMA Municipal Swap Index. During 2017 and 2016, the Trust Estates made net settlement payments under these exchanges as follows:

Trust Estate	Net Settlement Payments as of June 30, 2017	2016
2000 Trust Estate	$ **53,139**	$ 75,284
2002 Trust Estate	**119,048**	128,782
2002A Trust Estate	**86,077**	349,109
2004A Trust Estate	**351,689**	423,735
2006A Trust Estate	**639,244**	789,160
2008A Trust Estate	**367,608**	478,521
2008B Trust Estate	**105,876**	133,155
	$ **1,722,681**	$ 2,377,746

The number of interest rate exchange agreements and the respective counterparties for each Trust Estate as of June 30, 2017 and 2016 are listed below:

Trust Estate	Counterparty	Number of Agreements as of **June 30, 2017**	June 30, 2016
2000 Trust Estate	Bank of America Merrill Lynch	**1**	1
2000 Trust Estate	U.S. Bank	**1**	1
2002 Trust Estate	U.S. Bank	**1**	1
2002A Trust Estate	Fifth Third Bank	**2**	3
2002A Trust Estate	U.S. Bank	**6**	6
2004A Trust Estate	U.S. Bank	**3**	5
2006A Trust Estate	U.S. Bank	**10**	10
2008A Trust Estate	U.S. Bank	**5**	5
2008B Trust Estate	U.S. Bank	**5**	5
		34	37

The Funding Trust is exposed to credit losses in the event of non-performance by the exchange counterparty. However, the Funding Trust anticipates that the exchange counterparty will be able to satisfy any obligations under the agreement. The Funding Trust does not obtain collateral or other security to support such derivative financial instruments, however, the Trustee does monitor the credit standing of the exchange counterparty.

9. Interest Rate Exchange Agreements, continued

The following tables present the combined unrealized gain (loss) and fair value of derivative instruments by major risk type on a gross basis and the corresponding impact on the assets being hedged as of and for the years ended June 30, 2017 and 2016.

Liability Derivatives for Fair Value Hedging Activities

	Year ended June 30, 2017			Year ended June 30, 2016		
Income Statement Classification	**Swap Interest Expense**	**Lease Interest Income**	**Ineffective Swap Realized Gain (Loss)**	Swap Interest Expense	Lease Interest Income	Ineffective Swap Realized Gain (Loss)
Income from lease agreement receivables	$ -	$ 1,722,681	$ -	$ -	$ 2,377,746	$ -
Interest expense	(1,722,681)	-	-	(2,377,746)	-	-

	As of June 30, 2017		As of June 30, 2016	
Balance Sheet Classification	**Class of Derivative**	**Fair Value**	Class of Derivative	Fair Value
Interest rate exchange	**Interest rate contracts**	**$ (7,452,240)**	Interest rate contracts	$(12,141,052)
Lease agreement receivables unrealized appreciation (Hedged Asset)	N/A	7,452,240	N/A	12,141,052
Cumulative realized gain from ineffectiveness	N/A	$ -	N/A	$ -

10. Tax Status

All funds are considered to be property of the agencies participating in the lease program. The Funding Trust intends to be an instrument of the participating agencies and will only execute essential government functions. As such, the income of the Trust Estates is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

11. Related Party Transactions

The Trust Estates pay administrative fees to the Program Administrator. During the years ended June 30, 2017 and 2016, administrative fees paid to the Program Administrator included in administrative and trustee fees in the accompanying combined statements of activities were $201,320 and $285,427, respectively. No administrative fees were included in accounts payable at June 30, 2017 and 2016.

During the year ended June 30, 2010, the 2008A and 2008B Trust Estates entered into lease agreements with the Program Administrator to finance costs to renovate the Program Administrator's office building. The total balance of these lease agreement receivables is $2,545,365 and $2,840,884 as of June 30, 2017 and 2016, respectively.

SUPPLEMENTARY INFORMATION

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combining Statement of Financial Position

June 30, 2017

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Assets								
Current assets:								
Cash and cash equivalents	$ 124,127	$ 38,995	$ 97,168	$ 116,107	$ 279,228	$ 208,146	$ 264,740	$ 1,128,511
Program discretionary fund account	36,585	23,405	172,749	60,000	91,262	-	75,624	459,625
Accrued investment income receivable	32	14	56	56	88	57	87	390
Due (to) from related parties	-	-	-	(101,883)	-	-	101,883	-
Accrued interest and fees receivable - leases	-	-	-	-	50	-	-	50
Lease agreement receivables	5,261,298	4,504,301	6,751,443	19,501,544	20,437,615	15,135,225	12,216,975	83,808,401
Lease agreement receivables-unrealized appreciation in fair value	169,294	546,454	167,681	1,576,220	3,245,644	1,366,983	379,964	7,452,240
Costs of debt issuance, net	79,487	89,819	86,767	83,829	83,367	90,065	97,393	610,727
Total assets	$ 5,670,823	$ 5,202,988	$ 7,275,864	$ 21,235,873	$ 24,137,254	$ 16,800,476	$ 13,136,666	$ 93,459,944
Liabilities and Net Assets (Deficit)								
Liabilities:								
Accounts payable and other accrued liabilities	$ 2,333	$ 313	$ 4,978	$ 11,578	$ 9,500	$ 10,723	$ 5,309	$ 44,734
Accrued interest payable - bonds	7,186	5,276	8,850	24,097	22,264	17,143	19,517	104,333
Interest rate exchange - liability	169,294	546,454	167,681	1,576,220	3,245,644	1,366,983	379,964	7,452,240
Deferred issuance costs	163,918	149,953	174,436	358,718	439,362	499,606	496,339	2,282,332
Bonds payable	5,369,626	4,526,472	6,827,785	19,566,901	20,544,966	15,248,132	12,327,471	84,411,353
Total liabilities	5,712,357	5,228,468	7,183,730	21,537,514	24,261,736	17,142,587	13,228,600	94,294,992
Net assets (deficit), unrestricted	(41,534)	(25,480)	92,134	(301,641)	(124,482)	(342,111)	(91,934)	(835,048)
Total liabilities and net assets (deficit)	$ 5,670,823	$ 5,202,988	$ 7,275,864	$ 21,235,873	$ 24,137,254	$ 16,800,476	$ 13,136,666	$ 93,459,944

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combining Statement of Financial Position

June 30, 2016

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Assets								
Current assets:								
Cash and cash equivalents	$ 134,428	$ 97,087	$ 202,849	$ 174,635	$ 322,868	$ 209,535	$ 218,284	$ 1,359,686
Program discretionary fund account	6,577	23,317	127,269	-	93,504	-	74,288	324,955
Accrued investment income receivable	-	11	25	1	2	1	-	40
Due (to) from related parties	-	-	-	(101,883)	-	-	101,883	-
Accrued interest and fees receivable - leases	15,887	13,260	33,938	48,290	67,394	43,959	29,804	252,532
Lease agreement receivables	6,134,534	4,749,330	13,663,435	20,338,375	21,793,746	16,480,708	13,861,846	97,021,974
Lease agreement receivables-unrealized appreciation in fair value	272,967	842,078	534,035	2,457,411	5,061,710	2,326,134	646,717	12,141,052
Prepaids and other current assets	-	583	-	-	-	-	-	583
Costs of debt issuance, net	85,601	95,433	92,190	88,486	87,755	94,354	102,804	646,623
Total assets	$ 6,649,994	$ 5,821,099	$ 14,653,741	$ 23,005,315	$ 27,426,979	$ 19,154,691	$ 15,035,626	$111,747,445
Liabilities and Net Assets (Deficit)								
Liabilities:								
Accounts payable and other accrued liabilities	$ 10,805	$ 6,158	$ 32,388	$ 59,290	$ 70,870	$ 53,381	$ 23,293	$ 256,185
Accrued interest payable - bonds	-	4,156	11,918	18,507	-	13,685	-	48,266
Interest rate exchange - liability	272,967	842,078	534,035	2,457,411	5,061,710	2,326,134	646,717	12,141,052
Deferred issuance costs	176,527	159,325	185,338	378,647	462,486	523,397	523,913	2,409,633
Bonds payable	6,237,842	4,825,891	13,800,595	20,418,906	21,905,163	16,589,055	13,984,740	97,762,192
Total liabilities	6,698,141	5,837,608	14,564,274	23,332,761	27,500,229	19,505,652	15,178,663	112,617,328
Net assets (deficit), unrestricted	(48,147)	(16,509)	89,467	(327,446)	(73,250)	(350,961)	(143,037)	(869,883)
Total liabilities and net assets (deficit)	$ 6,649,994	$ 5,821,099	$ 14,653,741	$ 23,005,315	$ 27,426,979	$ 19,154,691	$ 15,035,626	$111,747,445

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combining Statement of Activities

Year ended June 30, 2017

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Revenue:								
Income from lease agreement receivables	$ 162,339	$ 178,626	$ 220,700	$ 677,405	$ 872,744	$ 593,091	$ 416,654	$ 3,121,559
Amortization of deferred issuance costs	12,609	9,372	10,902	19,929	23,124	23,791	27,574	127,301
Investment and other income	150	200	2,014	232	379	235	419	3,629
Net realized losses	(11)	-	-	(236)	-	-	-	(247)
Total revenues, net of loss	175,087	188,198	233,616	697,330	896,247	617,117	444,647	3,252,242
Expenses:								
Administrative and trustee fees	20,189	13,208	26,956	48,335	24,653	26,898	41,081	201,320
Professional and other fees	-	-	-	-	5,822	3,572	-	9,394
Bond interest expense	89,032	59,299	112,493	266,844	273,372	205,900	241,176	1,248,116
Swap interest expense	53,139	119,048	86,077	351,689	639,244	367,608	105,876	1,722,681
Amortization expense	6,114	5,614	5,423	4,657	4,388	4,289	5,411	35,896
Total expenses	168,474	197,169	230,949	671,525	947,479	608,267	393,544	3,217,407
Changes in net assets (deficit)	6,613	(8,971)	2,667	25,805	(51,232)	8,850	51,103	34,835
Net assets (deficit), beginning of year	(48,147)	(16,509)	89,467	(327,446)	(73,250)	(350,961)	(143,037)	(869,883)
Net assets (deficit), end of year	$ (41,534)	$ (25,480)	$ 92,134	$ (301,641)	$ (124,482)	$ (342,111)	$ (91,934)	$ (835,048)

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combining Statement of Activities

Year ended June 30, 2016

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Revenue:								
Income from lease agreement receivables	$ 176,448	$ 222,309	$ 516,874	$ 712,315	$ 1,009,819	$ 675,142	$ 454,910	$ 3,767,817
Amortization of deferred issuance costs	12,609	9,372	10,902	19,930	23,124	23,790	27,574	127,301
Investment income and other income	51,492	34,610	31,944	24,983	103,854	19,483	21,278	287,644
Loss on early extinguishment	(121,120)	(138,121)	(158,199)	(213,876)	(251,875)	(262,195)	(349,256)	(1,494,642)
Total revenues, net of loss	119,429	128,170	401,521	543,352	884,922	456,220	154,506	2,688,120
Expenses:								
Administrative and trustee fees	31,676	18,950	44,414	81,201	24,731	40,579	43,876	285,427
Letter of credit fees	68,938	52,163	43,660	199,406	450	58,394	143,765	566,776
Remarketing fees	6,706	7,414	8,271	14,511	13,322	10,012	13,877	74,113
Professional and other fees	-	1,000	2,800	10,912	5,000	-	8,900	28,612
Arbitrage rebate	2,360	11,632	-	-	-	7,521	-	21,513
Bond interest expense	3,729	8,415	60,785	31,404	171,526	54,258	8,477	338,594
Swap interest expense	75,284	128,782	349,109	423,735	789,160	478,521	133,155	2,377,746
Amortization expense	6,114	5,614	5,423	4,657	4,388	4,289	5,411	35,896
Total expenses	194,807	233,970	514,462	765,826	1,008,577	653,574	357,461	3,728,677
Changes in net assets (deficit)	(75,378)	(105,800)	(112,941)	(222,474)	(123,655)	(197,354)	(202,955)	(1,040,557)
Net assets (deficit), beginning of year	27,231	89,291	202,408	(104,972)	50,405	(153,607)	59,918	170,674
Net assets (deficit), end of year	$ (48,147)	$ (16,509)	$ 89,467	$ (327,446)	$ (73,250)	$ (350,961)	$ (143,037)	$ (869,883)

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KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combining Statement of Cash Flows

Year ended June 30, 2017

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Cash flows from operating activities:								
Change in net assets	$ 6,613	$ (8,971)	$ 2,667	$ 25,805	$ (51,232)	$ 8,850	$ 51,103	$ 34,835
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Amortization of costs of debt issuance	6,114	5,614	5,423	4,657	4,388	4,289	5,411	35,896
Amortization of deferred issuance costs	(12,609)	(9,372)	(10,902)	(19,929)	(23,124)	(23,791)	(27,574)	(127,301)
Increase (decrease) in cash due to changes in:								
Accrued investment income receivable	(32)	(3)	(31)	(55)	(86)	(56)	(87)	(350)
Accrued interest and fees receivable - leases	15,887	13,260	33,938	48,290	67,344	43,959	29,804	252,482
Prepaids and other current assets	-	583	-	-	-	-	-	583
Accounts payable and other accrued expenses	(8,472)	(5,845)	(27,410)	(47,712)	(61,370)	(42,658)	(17,984)	(211,451)
Accrued interest payable - bonds	7,186	1,120	(3,068)	5,590	22,264	3,458	19,517	56,067
Net cash provided by (used in) operating activities	14,687	(3,614)	617	16,646	(41,816)	(5,949)	60,190	40,761
Cash flows from investing activities:								
Proceeds from lease agreements	873,236	245,029	6,911,992	836,831	1,356,131	1,345,483	1,644,871	13,213,573
Increase (decrease) in the program discretionary fund account	(30,008)	(88)	(45,480)	(60,000)	2,242	-	(1,336)	(134,670)
Net cash provided by investing activities	843,228	244,941	6,866,512	776,831	1,358,373	1,345,483	1,643,535	13,078,903
Cash flows from financing activities:								
Principal payments on bonds	(868,216)	(299,419)	(6,972,810)	(852,005)	(1,360,197)	(1,340,923)	(1,657,269)	(13,350,839)
Net cash used in financing activities	(868,216)	(299,419)	(6,972,810)	(852,005)	(1,360,197)	(1,340,923)	(1,657,269)	(13,350,839)
Net increase (decrease) in cash and cash equivalents	(10,301)	(58,092)	(105,681)	(58,528)	(43,640)	(1,389)	46,456	(231,175)
Cash and cash equivalents, beginning of year	134,428	97,087	202,849	174,635	322,868	209,535	218,284	1,359,686
Cash and cash equivalents, end of year	$ 124,127	$ 38,995	$ 97,168	$ 116,107	$ 279,228	$ 208,146	$ 264,740	$ 1,128,511

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KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combining Statement of Cash Flows

Year ended June 30, 2016

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Cash flows from operating activities:								
Change in net assets	$ (75,378)	$ (105,800)	$ (112,941)	$ (222,474)	$ (123,655)	$ (197,354)	$ (202,955)	$ (1,040,557)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Amortization of costs of debt issuance	6,114	5,614	5,423	4,657	4,388	4,289	5,411	35,896
Amortization of deferred issuance costs	(12,609)	(9,371)	(10,902)	(19,929)	(23,124)	(23,791)	(27,575)	(127,301)
Loss on early extinguishment	121,120	138,121	158,199	213,876	251,875	262,195	349,256	1,494,642
Increase (decrease) in cash due to changes in:								
Accrued investment income receivable	4,486	4,436	4,476	2,309	-	3,845	1,803	21,355
Due (to) from related parties	-	-	-	101,883	-	-	(101,883)	-
Accrued interest and fees receivable - leases	(590)	(884)	(1,089)	(10,499)	2,299	245	(15,536)	(26,054)
Prepaids and other current assets	-	(583)	-	-	-	-	-	(583)
Accounts payable and other accrued expenses	(14,000)	(34,936)	(31,100)	(7,878)	(28,569)	(35,894)	(61,588)	(213,965)
Accrued interest payable - bonds	(108)	(3,973)	(5,814)	2,377	(3,018)	11,506	(29,274)	(28,304)
Accrued arbitrage rebate	(15,072)	(44,617)	-	-	(101,695)	(28,094)	-	(189,478)
Net cash provided by (used in) operating activities	13,963	(51,993)	6,252	64,322	(21,499)	(3,053)	(82,341)	(74,349)
Cash flows from investing activities:								
Proceeds from lease agreements	773,050	3,859,998	1,942,115	1,085,518	1,295,708	1,275,328	1,410,907	11,642,624
Issued lease agreement	-	-	-	-	-	-	(22,307)	(22,307)
Increase in the program discretionary fund account	(6,577)	(23,317)	(127,269)	-	(93,504)	-	(74,288)	(324,955)
Net proceeds from repurchase and investment agreements and certificates of deposit	5,618,536	5,000,000	5,000,000	5,349,698	5,456,605	5,000,000	5,000,000	36,424,839
Net cash provided by investing activities	6,385,009	8,836,681	6,814,846	6,435,216	6,658,809	6,275,328	6,314,312	47,720,201
Cash flows from financing activities:								
Proceeds from issuance of bonds	6,350,531	5,046,057	14,925,701	20,525,920	22,325,868	17,225,301	14,278,071	100,677,449
Principal payments on bonds	(12,582,689)	(13,875,166)	(21,995,106)	(26,927,014)	(28,825,705)	(23,546,246)	(20,858,331)	(148,610,257)
Debt issuance costs paid	(91,715)	(101,047)	(97,613)	(93,143)	(92,143)	(98,643)	(108,215)	(682,519)
Net cash used in financing activities	(6,323,873)	(8,930,156)	(7,167,018)	(6,494,237)	(6,591,980)	(6,419,588)	(6,688,475)	(48,615,327)
Net increase (decrease) in cash and cash equivalents	75,099	(145,468)	(345,920)	5,301	45,330	(147,313)	(456,504)	(969,475)
Cash and cash equivalents, beginning of year	59,329	242,555	548,769	169,334	277,538	356,848	674,788	2,329,161
Cash and cash equivalents, end of year	$ 134,428	$ 97,087	$ 202,849	$ 174,635	$ 322,868	$ 209,535	$ 218,284	$ 1,359,686

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