



Combined Financial Statements  
and Supplementary Information

for

**KENTUCKY LEAGUE OF CITIES  
FUNDING TRUST LEASE PROGRAM  
REVENUE BONDS**

Years Ended June 30, 2020 and 2019  
with Report of Independent Auditors

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## 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 net position as of June 30, 2020 and 2019, the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### **Auditor's Responsibility, continued**

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Kentucky League of Cities Funding Trust Lease Program Revenue Bonds as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 30 - 37 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Board of Trustees  
Kentucky League of Cities Funding Trust  
Report of Independent Auditors, continued

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 on our consideration of the Trust Estates' 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 Trust Estates' 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 Trust Estates' internal control over financial reporting and compliance.

*Dean Dotson Allen Ford, PLLC*

Lexington, Kentucky  
November 19, 2020

# KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

## Management's Discussion and Analysis (*Unaudited*)

Our discussion and analysis of the Kentucky League of Cities Funding Trust Lease Program Revenue Bonds (the Trust Estates or the Organization) provides an overview of the Organization's financial activity for the fiscal year ended June 30, 2020. It should be read in conjunction with the consolidated financial statements, which begin on page 6.

### Using this Annual Report

This report consists of a series of financial statements. The consolidated statements of net position on page 6 provide information about the Organization as a whole.

### Statements of Net Position

Table 1 shows all of the assets and liabilities of the Organization and is presented on the accrual basis.

**Table 1  
Net Position**

	<u>2020</u>	<u>2019</u>
Total assets	\$ <b>69,080,156</b>	\$ 76,000,021
Deferred outflows of resources	<u>503,039</u>	<u>538,935</u>
Combined assets and deferred outflows of resources	<b>69,583,195</b>	76,538,956
Total liabilities	<b>68,824,445</b>	75,863,133
Deferred inflows of resources	<u>1,900,427</u>	<u>2,027,728</u>
Combined liabilities and deferred inflows of resources	<u><b>70,724,872</b></u>	<u>77,890,861</u>
Net position	<u><b>\$ (1,141,677)</b></u>	<u>\$ (1,351,905)</u>

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Management's Discussion and Analysis (*Unaudited*), continued

### Statements of Revenues, Expenses and Changes in Net Position

Table 2 shows the revenues and expenses of the Organization and is also presented on the accrual basis. Operating revenues increased from the prior year due to a revision to the billed interest rate for the Huntington and Bank of New York Trustee's. Total interest expense decreased from the prior year which mainly led to the reduction in operating expenses.

**Table 2**  
**Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Income from lease agreement receivables	\$ 2,642,387	\$ 2,603,598
Amortization of deferred issuance costs	127,301	127,301
Investment and other income	<u>6,716</u>	<u>13,578</u>
Total operating revenue	<b>2,776,404</b>	2,744,477
Operating expenses:		
Administrative and trustee fees	133,646	144,426
Bond interest expense	1,235,886	1,638,277
Swap interest expense	1,160,748	1,055,857
Amortization expense	<u>35,896</u>	<u>35,896</u>
Total operating expenses	<u><b>2,566,176</b></u>	<u>2,874,456</u>
Change in net position	<u><b>\$ 210,228</b></u>	<u><b>\$ (129,979)</b></u>

### Description of Current and Expected Conditions

The management of the Trust Estates are not aware of any other significant changes in conditions that would have a significant effect on the financial position or results of operations of the Organization in the near future.

### Contacting the Kentucky League of Cities' (KLC) Financial Management

This financial report is designed to provide a general overview of the Trust Estates and its subsidiaries' finances and to show the Trust Estates' accountability to its members. If you have questions about this report or need additional information, contact KLC's office at 100 E. Vine St., Lexington, KY 40507.

# KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

## Combined Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,052,150	\$ 1,000,224
Program discretionary fund account	201	369,853
Accrued investment income receivable	8	1,003
Lease agreement receivables	58,717,561	67,414,930
Lease agreement receivables - unrealized appreciation in fair value	<u>9,310,236</u>	<u>7,214,011</u>
Total assets	<u>\$ 69,080,156</u>	<u>\$ 76,000,021</u>
<b>Deferred Outflows of Resources</b>		
Costs of debt issuance, net	<u>\$ 503,039</u>	<u>\$ 538,935</u>
<b>Liabilities</b>		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 198,387	\$ 511,134
Accrued interest payable - bonds	44,127	168,442
Interest rate exchange - liability	9,310,236	7,214,011
Bonds payable	<u>59,271,695</u>	<u>67,969,546</u>
Total liabilities	<u>\$ 68,824,445</u>	<u>\$ 75,863,133</u>
<b>Deferred Inflows of Resources</b>		
Deferred issuance costs	<u>\$ 1,900,427</u>	<u>\$ 2,027,728</u>
<b>Net Position</b>		
Net position	<u>\$ (1,141,677)</u>	<u>\$ (1,351,905)</u>

See accompanying notes.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combined Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Income from lease agreement receivables	\$ 2,642,387	\$ 2,603,598
Amortization of deferred issuance costs	127,301	127,301
Investment and other income	<u>6,716</u>	<u>13,578</u>
Total operating revenue	2,776,404	2,744,477
Operating expenses:		
Administrative and trustee fees	133,646	144,426
Bond interest expense	1,235,886	1,638,277
Swap interest expense	1,160,748	1,055,857
Amortization expense	<u>35,896</u>	<u>35,896</u>
Total operating expenses	<u>2,566,176</u>	<u>2,874,456</u>
Changes in net position	210,228	(129,979)
Net position, beginning of year	<u>(1,351,905)</u>	<u>(1,221,926)</u>
Net position, end of year	\$ <u>(1,141,677)</u>	\$ <u>(1,351,905)</u>

See accompanying notes.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combined Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash received from lease agreements	\$ 2,642,387	\$ 2,966,598
Investment and other income received	7,711	13,490
Administrative and trustee fees paid	(121,434)	(145,044)
Interest paid on bonds	(1,360,201)	(1,595,040)
Interest paid on interest rate exchanges	<u>(1,111,519)</u>	<u>(976,906)</u>
Net cash provided by operating activities	<b>56,944</b>	263,098
<b>Cash flows from investing activities:</b>		
Proceeds from lease agreements	<u>8,697,369</u>	<u>9,284,511</u>
Net cash provided by investing activities	<b>8,697,369</b>	9,284,511
<b>Cash flows from financing activities:</b>		
Principal payments on bonds	(8,697,851)	(9,293,416)
Transfers	<u>(374,188)</u>	<u>-</u>
Net cash used in financing activities	<u>(9,072,039)</u>	<u>(9,293,416)</u>
Net (decrease) increase in cash and cash equivalents	<b>(317,726)</b>	254,193
Cash and cash equivalents, beginning of year	<u>1,370,077</u>	<u>1,115,884</u>
Cash and cash equivalents, end of year	<u><b>\$ 1,052,351</b></u>	<u><b>\$ 1,370,077</b></u>
<b>Reconciliation of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 1,052,150	\$ 1,000,224
Program discretionary fund	<u>201</u>	<u>369,853</u>
	<u><b>\$ 1,052,351</b></u>	<u><b>\$ 1,370,077</b></u>

See accompanying notes.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Combined Statements of Cash Flows, continued

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Change in net position	\$ 210,228	\$ (129,979)
Adjustments:		
Amortization of cost of debt issuance	35,896	35,896
Amortization of deferred issuance costs	(127,301)	(127,301)
Increase (decrease) in cash due to changes in:		
Accrued investment income receivable	995	(88)
Accounts payable and other accrued liabilities	61,441	441,333
Accrued interest payable - bonds	<u>(124,315)</u>	<u>43,237</u>
Net cash provided by operating activities	<u>\$ 56,944</u>	<u>\$ 263,098</u>
<b>Supplemental disclosures of cash flow information:</b>		
Noncash investing transactions:		
Change in the fair value of lease agreement receivables	\$ (2,096,225)	\$ (2,216,166)
Change in the fair value of interest rate exchanges	\$ (2,096,225)	\$ (2,216,166)

See accompanying notes.

# KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

## Notes to the Combined Financial Statements

### 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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 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:

<u>Trust Estate</u>	<u>Issuer</u>	<u>Bond Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>
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:

# KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

## 2. Summary of Significant Accounting Policies, continued

### Basis of Presentation

The combined financial statements of the Trust Estates are presented in conformity with GAAP as applied to government units. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a proprietary activity, the Trust Estates has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Therefore, the Trust Estates follows GASB pronouncements and all Financial Accounting Standards Board and predecessor boards' pronouncements except those that conflict with or contradict GASB pronouncements.

### 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. 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, 2020 and 2019 are stated at the amount the Funding Trust expects to collect on the outstanding balances. Lease agreement receivables are written off as uncollectable 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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 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, 2020 and 2019 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		<u>5,411</u>
	\$	<u>35,896</u>

#### 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 net 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.

#### Subsequent Events

The Trust Estates' management evaluates events and transactions that occur after the statements of net position date as potential subsequent events. This evaluation was performed through November 19, 2020, the date on which the combined financial statements were available to be issued.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 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.

<u>Trust Estate</u>	<u>Date of Execution</u>
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 revenues, expenses and changes in net position. 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 revenues, expenses and changes in net position.

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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 3. Contractual Agreements, continued

#### Trustee Services

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

<u>Trust Estate</u>	<u>Trustee</u>	<u>Date of Trust Agreement</u>	<u>Trustee Fee</u>
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 revenues, expenses and changes in net position.

### 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 net 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.

# KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

## 4. Fair Value of Financial Instruments, continued

- 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.

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 \$9,310,236 and \$7,214,011, as of June 30, 2020 and 2019, 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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 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:

<u>Trust Estate</u>	<u>Custodial Agent</u>
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 \$13,245,091 and \$13,801,512 as of June 30, 2020 and 2019, respectively, representing 23% and 20% of total lease agreement receivables at each year end. Lease agreement receivables from four additional lessees represent 12% (one lease), 8% (two leases), and 6% (one lease) of total lease agreement receivables as of June 30, 2020. Lease agreement receivables from four additional lessees represent 11% (one lease), 8% (one lease), 7% (one lease), and 6% (one lease) of total lease agreement receivables as of June 30, 2019.

### 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:

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 6. Trust Estate Accounts, continued

#### 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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 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, 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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 6. Trust Estate Accounts, continued

#### Fixed Lessee Fund Account

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

The cash and cash equivalents of each Trust Estate at June 30, 2020 are summarized as follows:

	Redemption Account	Revenue Account	Principal and Interest Account	Lessee Account	Total
2000 Trust Estate	\$ 122,377	\$ 21,675	\$ -	\$ -	\$ 144,052
2002 Trust Estate	14,135	41,850	-	-	55,985
2002A Trust Estate	17,770	19,758	-	-	37,528
2004A Trust Estate	132,574	103,730	-	9,417	245,721
2006A Trust Estate	-	115,899	90,004	-	205,903
2008A Trust Estate	-	116,588	114,615	36	231,239
2008B Trust Estate	<u>52,285</u>	<u>55,689</u>	<u>-</u>	<u>23,748</u>	<u>131,722</u>
	<u>\$ 339,141</u>	<u>\$ 475,189</u>	<u>\$ 204,619</u>	<u>\$ 33,201</u>	<u>\$ 1,052,150</u>

The cash and cash equivalents of each Trust Estate at June 30, 2019 are summarized as follows:

	Redemption Account	Revenue Account	Principal and Interest Account	Lessee Account	Total
2000 Trust Estate	\$ 117,058	\$ 24,091	\$ -	\$ -	\$ 141,149
2002 Trust Estate	23,447	41,595	-	-	65,042
2002A Trust Estate	17,083	22,404	-	-	39,487
2004A Trust Estate	135,067	96,586	-	-	231,653
2006A Trust Estate	78,259	105,742	-	-	184,001
2008A Trust Estate	105,879	98,284	-	-	204,163
2008B Trust Estate	<u>77,881</u>	<u>56,848</u>	<u>-</u>	<u>-</u>	<u>134,729</u>
	<u>\$ 554,674</u>	<u>\$ 445,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,224</u>

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 6. Trust Estate Accounts, continued

The program discretionary fund account of each Trust Estate are as follows at June 30:

	2020	2019
2000 Trust Estate	\$ 12	\$ 22,470
2002 Trust Estate	1	592
2002A Trust Estate	27	26,795
2004A Trust Estate	44	86,017
2006A Trust Estate	24	51,714
2008A Trust Estate	28	55,513
2008B Trust Estate	65	126,752
	<b>\$ 201</b>	<b>\$ 369,853</b>

As of June 30, 2020 and 2019, 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	2020	2019
2000 Trust Estate	First American Gov't Obligation Fund	\$ 144,064	\$ 163,619
2002 Trust Estate	Huntington Protected Deposit Account	55,986	65,634
2002A Trust Estate	Huntington Protected Deposit Account	37,555	66,282
2004A Trust Estate	First American Gov't Obligation Fund	245,765	317,670
2006A Trust Estate	Fidelity Institutional Government Fund	205,927	235,715
2008A Trust Estate	Fidelity Institutional Government Fund	231,267	259,676
2008B Trust Estate	First American Gov't Obligation Fund	131,787	261,481
		<b>\$ 1,052,351</b>	<b>\$ 1,370,077</b>

### 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).

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 7. Lease Agreement Receivables, continued

At June 30, 2020 and 2019, the outstanding lease principal amounts are as follows:

	2020	2019
2000 Trust Estate	\$ 1,405,429	\$ 3,192,188
2002 Trust Estate	3,115,705	4,076,509
2002A Trust Estate	2,568,102	3,457,535
2004A Trust Estate	16,157,916	17,810,645
2006A Trust Estate	17,161,981	18,127,803
2008A Trust Estate	10,810,827	12,401,004
2008B Trust Estate	7,497,601	8,349,246
	<b>\$ 58,717,561</b>	<b>\$ 67,414,930</b>

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, 2020 are as follows:

	A1	A2	Total
2000 Trust Estate	\$ 457,356	\$ 948,073	\$ 1,405,429
2002 Trust Estate	245,000	2,870,705	3,115,705
2002A Trust Estate	1,562,991	1,005,111	2,568,102
2004A Trust Estate	6,381,766	9,776,150	16,157,916
2006A Trust Estate	200,764	16,961,217	17,161,981
2008A Trust Estate	1,194,824	9,616,003	10,810,827
2008B Trust Estate	4,608,054	2,889,547	7,497,601
	<b>\$ 14,650,755</b>	<b>\$ 44,066,806</b>	<b>\$ 58,717,561</b>

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 7. Lease Agreement Receivables, continued

Future principal payments required under the lease agreement receivables for Series A1 at June 30, 2020 are as follows:

	Year Ending June 30						
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
2000 Trust Estate	\$ 396,389	\$ 27,408	\$ 28,467	\$ 5,092	\$ -	\$ -	\$ 457,356
2002 Trust Estate	20,000	20,000	20,000	20,000	20,000	145,000	245,000
2002A Trust Estate	149,826	118,639	126,327	129,108	129,694	909,397	1,562,991
2004A Trust Estate	738,179	763,146	789,346	816,221	671,568	2,603,306	6,381,766
2006A Trust Estate	46,673	48,615	23,241	15,576	16,302	50,357	200,764
2008A Trust Estate	174,336	179,605	185,099	182,321	122,263	351,200	1,194,824
2008B Trust Estate	<u>649,061</u>	<u>672,355</u>	<u>696,555</u>	<u>721,608</u>	<u>476,152</u>	<u>1,392,323</u>	<u>4,608,054</u>
	<u>\$2,174,464</u>	<u>\$1,829,768</u>	<u>\$1,869,035</u>	<u>\$1,889,926</u>	<u>\$1,435,979</u>	<u>\$ 5,451,583</u>	<u>\$ 14,650,755</u>

Future principal payments required under the lease agreement receivables for Series A2 at June 30, 2020 are as follows:

	Year Ending June 30						
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
2000 Trust Estate	\$ 184,298	\$ 127,386	\$ 70,622	\$ 74,014	\$ 77,568	\$ 414,185	\$ 948,073
2002 Trust Estate	174,288	183,204	192,578	202,430	212,787	1,905,418	2,870,705
2002A Trust Estate	191,948	177,139	182,594	128,430	80,000	245,000	1,005,111
2004A Trust Estate	971,515	1,002,774	1,035,650	1,069,184	1,104,991	4,592,036	9,776,150
2006A Trust Estate	966,847	1,012,063	1,036,245	1,067,326	1,120,720	11,758,016	16,961,217
2008A Trust Estate	1,158,456	1,210,099	1,264,531	522,921	381,956	5,078,040	9,616,003
2008B Trust Estate	<u>226,339</u>	<u>234,688</u>	<u>243,467</u>	<u>252,498</u>	<u>262,087</u>	<u>1,670,468</u>	<u>2,889,547</u>
	<u>\$3,873,691</u>	<u>\$3,947,353</u>	<u>\$4,025,687</u>	<u>\$3,316,803</u>	<u>\$3,240,109</u>	<u>\$ 25,663,163</u>	<u>\$ 44,066,806</u>

### 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.

The bond payment dates are the first business day of each month for all the Trust Estates.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 8. Bonds Payable, continued

During the year ended June 30, 2020, the variable interest rate on the bonds ranged from 1.47% to 1.97% for the Series A1 Bonds, and 0.66% to 1.70% for the Series A2 Bonds.

At June 30, 2020 and 2019, the balances outstanding on the bonds were as follows:

Trust Estate	2020	2019
2000 Trust Estate	\$ 1,527,807	\$ 3,309,246
2002 Trust Estate	3,129,840	4,099,957
2002A Trust Estate	2,585,832	3,474,578
2004A Trust Estate	16,297,590	17,945,713
2006A Trust Estate	17,243,121	18,206,062
2008A Trust Estate	10,918,964	12,506,864
2008B Trust Estate	7,568,541	8,427,126
	<u>\$ 59,271,695</u>	<u>\$ 67,969,546</u>

The balances outstanding for each at June 30, 2020 are as follows:

Trust Estate	A1	A2	Total
2000 Trust Estate	\$ 574,510	\$ 953,297	\$ 1,527,807
2002 Trust Estate	245,000	2,884,840	3,129,840
2002A Trust Estate	1,572,452	1,013,380	2,585,832
2004A Trust Estate	6,442,431	9,855,159	16,297,590
2006A Trust Estate	204,575	17,038,546	17,243,121
2008A Trust Estate	1,209,164	9,709,800	10,918,964
2008B Trust Estate	4,660,618	2,907,923	7,568,541
	<u>\$ 14,908,750</u>	<u>\$ 44,362,945</u>	<u>\$ 59,271,695</u>

### 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

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 9. Interest Rate Exchange Agreements, continued

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 revenues, expenses and changes in net position as long as the hedges remain effective.

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 2020 and 2019, the Trust Estates made net settlement payments under these exchanges as follows:

Trust Estate	2020	2019
2000 Trust Estate	\$ 29,472	\$ 30,835
2002 Trust Estate	82,087	74,634
2002A Trust Estate	28,520	29,761
2004A Trust Estate	271,748	247,117
2006A Trust Estate	460,618	410,441
2008A Trust Estate	224,538	207,111
2008B Trust Estate	<u>63,765</u>	<u>55,958</u>
	<u>\$ 1,160,748</u>	<u>\$ 1,055,857</u>

The number of interest rate exchange agreements and the respective counterparties for each Trust Estate as of June 30, 2020 and 2019 are listed below:

Trust Estate	Counterparty	Number of Agreements:	
		2020	2019
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	U.S. Bank	5	5
2004A Trust Estate	U.S. Bank	3	3
2006A Trust Estate	U.S. Bank	5	5
2008A Trust Estate	U.S. Bank	3	3
2008B Trust Estate	U.S. Bank	<u>4</u>	<u>4</u>
		<u>23</u>	<u>23</u>

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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 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, 2020 and 2019.

Statement of Revenues, Expenses and Changes in Net Position Classification	Liability Derivatives for Fair Value Hedging Activities					
	Year ended June 30, 2020			Year ended June 30, 2019		
	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	\$ -	\$ 1,160,748	\$ -	\$ -	\$ 1,055,857	\$ -
Interest expense	(1,160,748)	-	-	(1,055,857)	-	-
	<b>As of June 30, 2020</b>			<b>As of June 30, 2019</b>		
Statement of Net Position Classification	Class of Derivative		Fair Value	Class of Derivative		Fair Value
Interest rate exchange	Interest rate contracts		\$(9,310,236)	Interest rate contracts		\$(7,214,011)
Lease agreement receivables unrealized appreciation (Hedged Asset)	N/A		9,310,236	N/A		7,214,011
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.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Notes to the Combined Financial Statements, continued

### 11. Related Party Transactions

The Trust Estates pay administrative fees to the Program Administrator. During the years ended June 30, 2020 and 2019, administrative fees paid to the Program Administrator included in administrative and trustee fees in the accompanying combined statements of revenues, expenses and changes in net position were \$133,646 and \$144,426, respectively. No administrative fees were included in accounts payable at June 30, 2020 and 2019.

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 \$1,605,292 and \$1,927,829 as of June 30, 2020 and 2019, respectively.

In January 2019, \$363,000 of excess funds were transferred into the program discretionary fund account. In June 2020, \$374,188 of program discretionary funds were transferred to the program administrator. As referenced in Note 6, the program discretionary fund account is not part of the individual Trust Estates.

### 12. Risks and Uncertainties

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future.

The extent to which COVID-19 continues to impact the Trust Estates will depend on future developments, which are highly uncertain and cannot be predicted. As a result, the Trust Estates have not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2021.

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

**Report of Independent Auditors**

Board of Trustees  
Kentucky League of Cities Funding Trust  
Lexington, 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 combined financial statements of Kentucky League of Cities Funding Trust Lease Program Revenue Bonds (the Trust Estates), as of and for the year ended June 30, 2020, and the related notes to the combined financial statements, which comprise the Trust Estates' basic financial statements, and have issued our report thereon dated November 19, 2020.

**Internal Control Over Financial Reporting**

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

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

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

Board of Trustees  
Kentucky League of Cities Funding Trust  
Report of Independent Auditors, continued

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust Estates' 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 Trust Estates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Estates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dean Dotson Allen Ford, PLLC*

Lexington, Kentucky  
November 19, 2020

**SUPPLEMENTARY INFORMATION**

**KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS**

Combining Statement of Net Position

June 30, 2020

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 144,052	\$ 55,985	\$ 37,528	\$ 245,721	\$ 205,903	\$ 231,239	\$ 131,722	\$ 1,052,150
Program discretionary fund account	12	1	27	44	24	28	65	201
Accrued investment income receivable	-	3	2	1	1	1	-	8
Lease agreement receivables	1,405,429	3,115,705	2,568,102	16,157,916	17,161,981	10,810,827	7,497,601	58,717,561
Lease agreement receivables - unrealized appreciation in fair value	<u>148,054</u>	<u>673,699</u>	<u>115,085</u>	<u>1,714,638</u>	<u>4,344,254</u>	<u>1,811,288</u>	<u>503,218</u>	<u>9,310,236</u>
Total assets	<u>\$ 1,697,547</u>	<u>\$ 3,845,393</u>	<u>\$ 2,720,744</u>	<u>\$ 18,118,320</u>	<u>\$ 21,712,163</u>	<u>\$ 12,853,383</u>	<u>\$ 8,132,606</u>	<u>\$ 69,080,156</u>
<b>Deferred Outflows of Resources</b>								
Costs of debt issuance, net	<u>\$ 61,145</u>	<u>\$ 72,977</u>	<u>\$ 70,498</u>	<u>\$ 69,858</u>	<u>\$ 70,203</u>	<u>\$ 77,199</u>	<u>\$ 81,159</u>	<u>\$ 503,039</u>
<b>Liabilities</b>								
Liabilities:								
Accounts payable and other accrued liabilities	\$ 2,904	\$ 9,399	\$ 3,889	\$ 39,429	\$ 76,499	\$ 55,027	\$ 11,240	\$ 198,387
Accrued interest payable - bonds	1,195	1,695	2,777	13,008	8,864	6,481	10,107	44,127
Interest rate exchange - liability	148,054	673,699	115,085	1,714,638	4,344,254	1,811,288	503,218	9,310,236
Bonds payable	<u>1,527,807</u>	<u>3,129,840</u>	<u>2,585,832</u>	<u>16,297,590</u>	<u>17,243,121</u>	<u>10,918,964</u>	<u>7,568,541</u>	<u>59,271,695</u>
Total liabilities	<u>\$ 1,679,960</u>	<u>\$ 3,814,633</u>	<u>\$ 2,707,583</u>	<u>\$ 18,064,665</u>	<u>\$ 21,672,738</u>	<u>\$ 12,791,760</u>	<u>\$ 8,093,106</u>	<u>\$ 68,824,445</u>
<b>Deferred Inflows of Resources</b>								
Deferred issuance costs	<u>\$ 126,091</u>	<u>\$ 121,836</u>	<u>\$ 141,729</u>	<u>\$ 298,932</u>	<u>\$ 369,989</u>	<u>\$ 428,234</u>	<u>\$ 413,616</u>	<u>\$ 1,900,427</u>
<b>Net Position</b>								
Net position	<u>\$ (47,359)</u>	<u>\$ (18,099)</u>	<u>\$ (58,070)</u>	<u>\$ (175,419)</u>	<u>\$ (260,361)</u>	<u>\$ (289,412)</u>	<u>\$ (292,957)</u>	<u>\$ (1,141,677)</u>

See report of independent auditors.

**KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS**

Combining Statement of Net Position

June 30, 2019

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 141,149	\$ 65,042	\$ 39,487	\$ 231,653	\$ 184,001	\$ 204,163	\$ 134,729	\$ 1,000,224
Program discretionary fund account	22,470	592	26,795	86,017	51,714	55,513	126,752	369,853
Accrued investment income receivable	115	85	50	213	183	215	142	1,003
Lease agreement receivables	3,192,188	4,076,509	3,457,535	17,810,645	18,127,803	12,401,004	8,349,246	67,414,930
Lease agreement receivables - unrealized appreciation in fair value	<u>131,337</u>	<u>535,921</u>	<u>108,631</u>	<u>1,437,996</u>	<u>3,283,091</u>	<u>1,336,170</u>	<u>380,865</u>	<u>7,214,011</u>
Total assets	<u>\$ 3,487,259</u>	<u>\$ 4,678,149</u>	<u>\$ 3,632,498</u>	<u>\$ 19,566,524</u>	<u>\$ 21,646,792</u>	<u>\$ 13,997,065</u>	<u>\$ 8,991,734</u>	<u>\$ 76,000,021</u>
<b>Deferred Outflows of Resources</b>								
Costs of debt issuance, net	<u>\$ 67,259</u>	<u>\$ 78,591</u>	<u>\$ 75,921</u>	<u>\$ 74,515</u>	<u>\$ 74,591</u>	<u>\$ 81,487</u>	<u>\$ 86,571</u>	<u>\$ 538,935</u>
<b>Liabilities</b>								
Liabilities:								
Accounts payable and other accrued liabilities	\$ 25,604	\$ 6,758	\$ 30,369	\$ 114,701	\$ 104,116	\$ 94,444	\$ 135,142	\$ 511,134
Accrued interest payable - bonds	7,269	31,301	17,083	36,273	31,862	22,962	21,692	168,442
Interest rate exchange - liability	131,337	535,921	108,631	1,437,996	3,283,091	1,336,170	380,865	7,214,011
Bonds payable	<u>3,309,246</u>	<u>4,099,957</u>	<u>3,474,578</u>	<u>17,945,713</u>	<u>18,206,062</u>	<u>12,506,864</u>	<u>8,427,126</u>	<u>67,969,546</u>
Total liabilities	<u>\$ 3,473,456</u>	<u>\$ 4,673,937</u>	<u>\$ 3,630,661</u>	<u>\$ 19,534,683</u>	<u>\$ 21,625,131</u>	<u>\$ 13,960,440</u>	<u>\$ 8,964,825</u>	<u>\$ 75,863,133</u>
<b>Deferred Inflows of Resources</b>								
Deferred issuance costs	<u>\$ 138,700</u>	<u>\$ 131,208</u>	<u>\$ 152,631</u>	<u>\$ 318,861</u>	<u>\$ 393,113</u>	<u>\$ 452,024</u>	<u>\$ 441,191</u>	<u>\$ 2,027,728</u>
<b>Net Position</b>								
Net position	<u>\$ (57,638)</u>	<u>\$ (48,405)</u>	<u>\$ (74,873)</u>	<u>\$ (212,505)</u>	<u>\$ (296,861)</u>	<u>\$ (333,912)</u>	<u>\$ (327,711)</u>	<u>\$ (1,351,905)</u>

See report of independent auditors.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2020

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
Operating revenue:								
Income from lease agreement receivables	\$ 101,074	\$ 159,188	\$ 105,940	\$ 686,790	\$ 794,776	\$ 478,633	\$ 315,986	\$ 2,642,387
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	<u>538</u>	<u>617</u>	<u>527</u>	<u>1,472</u>	<u>1,204</u>	<u>1,460</u>	<u>898</u>	<u>6,716</u>
Total operating revenue	114,221	169,177	117,369	708,191	819,104	503,884	344,458	2,776,404
Operating expenses:								
Administrative and trustee fees	8,944	9,231	9,336	45,316	14,665	20,662	25,492	133,646
Bond interest expense	59,412	41,939	57,287	349,384	302,933	209,895	215,036	1,235,886
Swap interest expense	29,472	82,087	28,520	271,748	460,618	224,538	63,765	1,160,748
Amortization expense	<u>6,114</u>	<u>5,614</u>	<u>5,423</u>	<u>4,657</u>	<u>4,388</u>	<u>4,289</u>	<u>5,411</u>	<u>35,896</u>
Total operating expense	<u>103,942</u>	<u>138,871</u>	<u>100,566</u>	<u>671,105</u>	<u>782,604</u>	<u>459,384</u>	<u>309,704</u>	<u>2,566,176</u>
Changes in net position	10,279	30,306	16,803	37,086	36,500	44,500	34,754	210,228
Net position, beginning of year	<u>(57,638)</u>	<u>(48,405)</u>	<u>(74,873)</u>	<u>(212,505)</u>	<u>(296,861)</u>	<u>(333,912)</u>	<u>(327,711)</u>	<u>(1,351,905)</u>
Net position, end of year	<u>\$ (47,359)</u>	<u>\$ (18,099)</u>	<u>\$ (58,070)</u>	<u>\$ (175,419)</u>	<u>\$ (260,361)</u>	<u>\$ (289,412)</u>	<u>\$ (292,957)</u>	<u>\$ (1,141,677)</u>

See report of independent auditors.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2019

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
Operating revenue:								
Income from lease agreement receivables	\$ 126,337	\$ 183,982	\$ 120,201	\$ 663,548	\$ 778,765	\$ 487,749	\$ 243,016	\$ 2,603,598
Amortization of deferred issuance costs	12,609	9,372	10,903	19,928	23,124	23,791	27,574	127,301
Investment income and other income	<u>1,481</u>	<u>903</u>	<u>1,313</u>	<u>2,344</u>	<u>2,436</u>	<u>2,581</u>	<u>2,520</u>	<u>13,578</u>
Total operating revenue	140,427	194,257	132,417	685,820	804,325	514,121	273,110	2,744,477
Operating expenses:								
Administrative and trustee fees	13,548	11,203	11,079	39,439	16,213	23,517	29,427	144,426
Bond interest expense	92,532	115,280	106,249	408,760	389,005	281,237	245,214	1,638,277
Swap interest expense	30,835	74,634	29,761	247,117	410,441	207,111	55,958	1,055,857
Amortization expense	<u>6,114</u>	<u>5,614</u>	<u>5,423</u>	<u>4,657</u>	<u>4,388</u>	<u>4,289</u>	<u>5,411</u>	<u>35,896</u>
Total operating expenses	<u>143,029</u>	<u>206,731</u>	<u>152,512</u>	<u>699,973</u>	<u>820,047</u>	<u>516,154</u>	<u>336,010</u>	<u>2,874,456</u>
Changes in net position	(2,602)	(12,474)	(20,095)	(14,153)	(15,722)	(2,033)	(62,900)	(129,979)
Net position, beginning of year	<u>(55,036)</u>	<u>(35,931)</u>	<u>(54,778)</u>	<u>(198,352)</u>	<u>(281,139)</u>	<u>(331,879)</u>	<u>(264,811)</u>	<u>(1,221,926)</u>
Net position, end of year	<u><u>\$ (57,638)</u></u>	<u><u>\$ (48,405)</u></u>	<u><u>\$ (74,873)</u></u>	<u><u>\$ (212,505)</u></u>	<u><u>\$ (296,861)</u></u>	<u><u>\$ (333,912)</u></u>	<u><u>\$ (327,711)</u></u>	<u><u>\$ (1,351,905)</u></u>

See report of independent auditors.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combining Statement of Cash Flows

Year ended June 30, 2020

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
<b>Cash flows from operating activities:</b>								
Cash received from lease agreements	\$ 101,074	\$ 159,188	\$ 105,940	\$ 686,790	\$ 794,776	\$ 478,633	\$ 315,986	\$ 2,642,387
Investment and other income received	653	699	575	1,684	1,386	1,674	1,040	7,711
Administrative and trustee fees paid	(9,780)	(9,325)	(9,297)	(44,274)	(9,795)	(14,414)	(24,549)	(121,434)
Interest paid on bonds	(65,486)	(71,545)	(71,593)	(372,649)	(325,931)	(226,376)	(226,621)	(1,360,201)
Interest paid on interest rate exchanges	(28,607)	(78,752)	(27,879)	(261,051)	(440,801)	(214,035)	(60,394)	(1,111,519)
Net cash (used in) provided by operating activities	(2,146)	265	(2,254)	10,500	19,635	25,482	5,462	56,944
<b>Cash flows from investing activities:</b>								
Proceeds from lease agreements	<u>1,786,759</u>	<u>960,804</u>	<u>889,433</u>	<u>1,652,729</u>	<u>965,822</u>	<u>1,590,177</u>	<u>851,645</u>	<u>8,697,369</u>
Net cash provided by investing activities	1,786,759	960,804	889,433	1,652,729	965,822	1,590,177	851,645	8,697,369
<b>Cash flows from financing activities:</b>								
Principal payments on bonds	(1,781,439)	(970,117)	(888,746)	(1,648,123)	(962,941)	(1,587,900)	(858,585)	(8,697,851)
Transfers	<u>(22,729)</u>	<u>(600)</u>	<u>(27,160)</u>	<u>(87,011)</u>	<u>(52,304)</u>	<u>(56,168)</u>	<u>(128,216)</u>	<u>(374,188)</u>
Net cash used in financing activities	<u>(1,804,168)</u>	<u>(970,717)</u>	<u>(915,906)</u>	<u>(1,735,134)</u>	<u>(1,015,245)</u>	<u>(1,644,068)</u>	<u>(986,801)</u>	<u>(9,072,039)</u>
Net decrease in cash and cash equivalents	(19,555)	(9,648)	(28,727)	(71,905)	(29,788)	(28,409)	(129,694)	(317,726)
Cash and cash equivalents, beginning of year	<u>163,619</u>	<u>65,634</u>	<u>66,282</u>	<u>317,670</u>	<u>235,715</u>	<u>259,676</u>	<u>261,481</u>	<u>1,370,077</u>
Cash and cash equivalents, end of year	<u>\$ 144,064</u>	<u>\$ 55,986</u>	<u>\$ 37,555</u>	<u>\$ 245,765</u>	<u>\$ 205,927</u>	<u>\$ 231,267</u>	<u>\$ 131,787</u>	<u>\$ 1,052,351</u>

See report of independent auditors.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combining Statement of Cash Flows, continued

Year ended June 30, 2020

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash (used in) provided by operating activities:</b>								
Change in net position	\$ 10,279	\$ 30,306	\$ 16,803	\$ 37,086	\$ 36,500	\$ 44,500	\$ 34,754	\$ 210,228
Adjustments								
Amortization of costs of debt issuance	6,114	5,614	5,423	4,657	4,388	4,288	5,412	35,896
Amortization of deferred issuance costs	(12,609)	(9,372)	(10,902)	(19,929)	(23,124)	(23,790)	(27,575)	(127,301)
Increase (decrease) in cash due to changes in:								
Accrued investment income receivable	115	82	48	212	182	214	142	995
Accounts payable and other accrued expenses	29	3,241	680	11,739	24,687	16,751	4,314	61,441
Accrued interest payable - bonds	(6,074)	(29,606)	(14,306)	(23,265)	(22,998)	(16,481)	(11,585)	(124,315)
Net cash (used in) provided by operating activities	<u>\$ (2,146)</u>	<u>\$ 265</u>	<u>\$ (2,254)</u>	<u>\$ 10,500</u>	<u>\$ 19,635</u>	<u>\$ 25,482</u>	<u>\$ 5,462</u>	<u>\$ 56,944</u>

See report of independent auditors.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combining Statement of Cash Flows

Year ended June 30, 2019

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>								
Cash received from lease agreements	\$ 148,337	\$ 183,982	\$ 146,201	\$ 748,548	\$ 828,765	\$ 542,749	\$ 368,016	\$ 2,966,598
Investment and other income received	1,459	873	1,380	2,286	2,395	2,525	2,572	13,490
Administrative and trustee fees paid	(13,684)	(10,787)	(13,513)	(50,305)	(10,698)	(17,043)	(29,014)	(145,044)
Interest paid on bonds	(93,372)	(90,600)	(99,017)	(403,105)	(383,913)	(278,589)	(246,444)	(1,595,040)
Interest paid on interest rate exchanges	<u>(29,275)</u>	<u>(68,779)</u>	<u>(29,963)</u>	<u>(227,529)</u>	<u>(378,285)</u>	<u>(191,421)</u>	<u>(51,654)</u>	<u>(976,906)</u>
Net cash provided by operating activities	13,465	14,689	5,088	69,895	58,264	58,221	43,476	263,098
<b>Cash flows from investing activities:</b>								
Proceeds from lease agreements	<u>1,193,002</u>	<u>217,735</u>	<u>1,971,056</u>	<u>892,408</u>	<u>951,775</u>	<u>1,330,990</u>	<u>2,727,545</u>	<u>9,284,511</u>
Net cash provided by investing activities	1,193,002	217,735	1,971,056	892,408	951,775	1,330,990	2,727,545	9,284,511
<b>Cash flows from financing activities:</b>								
Principal payments on bonds	<u>(1,187,696)</u>	<u>(217,080)</u>	<u>(2,032,316)</u>	<u>(825,050)</u>	<u>(951,840)</u>	<u>(1,342,891)</u>	<u>(2,736,543)</u>	<u>(9,293,416)</u>
Net cash used in financing activities	<u>(1,187,696)</u>	<u>(217,080)</u>	<u>(2,032,316)</u>	<u>(825,050)</u>	<u>(951,840)</u>	<u>(1,342,891)</u>	<u>(2,736,543)</u>	<u>(9,293,416)</u>
Net increase (decrease) in cash and cash equivalents	18,771	15,344	(56,172)	137,253	58,199	46,320	34,478	254,193
Cash and cash equivalents, beginning of year	<u>144,848</u>	<u>50,290</u>	<u>122,454</u>	<u>180,417</u>	<u>177,516</u>	<u>213,356</u>	<u>227,003</u>	<u>1,115,884</u>
Cash and cash equivalents, end of year	<u>\$ 163,619</u>	<u>\$ 65,634</u>	<u>\$ 66,282</u>	<u>\$ 317,670</u>	<u>\$ 235,715</u>	<u>\$ 259,676</u>	<u>\$ 261,481</u>	<u>\$ 1,370,077</u>

See report of independent auditors.

## KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

### Combining Statement of Cash Flows, continued

Year ended June 30, 2019

	<u>2000</u>	<u>2002</u>	<u>2002A</u>	<u>2004A</u>	<u>2006A</u>	<u>2008A</u>	<u>2008B</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>								
Change in net position	\$ (2,602)	\$ (12,474)	\$ (20,095)	\$ (14,153)	\$ (15,722)	\$ (2,033)	\$ (62,900)	\$ (129,979)
Adjustments								
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)	(10,903)	(19,928)	(23,124)	(23,791)	(27,574)	(127,301)
Increase (decrease) in cash due to changes in:								
Accrued investment income receivable	(22)	(30)	67	(58)	(41)	(56)	52	(88)
Accounts payable and other accrued expenses	23,424	6,271	23,364	93,722	87,671	77,164	129,717	441,333
Accrued interest payable - bonds	<u>(840)</u>	<u>24,680</u>	<u>7,232</u>	<u>5,655</u>	<u>5,092</u>	<u>2,648</u>	<u>(1,230)</u>	<u>43,237</u>
Net cash provided by operating activities	<u>\$ 13,465</u>	<u>\$ 14,689</u>	<u>\$ 5,088</u>	<u>\$ 69,895</u>	<u>\$ 58,264</u>	<u>\$ 58,221</u>	<u>\$ 43,476</u>	<u>\$ 263,098</u>

See report of independent auditors.