Combined Financial Statements
and Supplementary Information

for

KENTUCKY LEAGUE OF CITIES FUNDING TRUST LEASE PROGRAM REVENUE BONDS

Years Ended June 30, 2023 and 2022
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 Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, the related combined statements of revenues, expenses and change in net position and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying 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, 2023 and 2022, and the change 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Trust Estates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Report on the Audit of the Financial Statements, continued

Responsibilities of Management for the Financial Statements, continued

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Estates' internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust Estates' ability to continue as a going concern for a reasonable period of time.

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

Report on the Audit of the Financial Statements, continued

Required Supplementary Information

GAAP requires that the Management's Discussion and Analysis on pages 4 - 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise Trust Estates' basic financial statements. The combining schedules on pages 33 - 40 are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 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 Dorton Allen Ford, PLLC

Lexington, Kentucky
December 15, 2023

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, 2023. It should be read in conjunction with the combined financial statements, which begin on page 6.

Using this Annual Report

This report consists of the combined financial statements, notes to the combined financial statements, and supplemental information.

Combined 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

	2023	2022
Total assets	**$ 35,875,267**	$ 41,518,907
Deferred outflows of resources	**395,349**	431,245
Combined assets and deferred outflows of resources	**36,270,616**	41,950,152
Total liabilities	**35,342,797**	41,070,240
Deferred inflows of resources	**1,518,522**	1,645,823
Combined liabilities and deferred inflows of resources	**36,861,319**	42,716,063
Net position	**$ (590,703)**	$ (765,911)

Combined Statements of Revenues, Expenses and Change in Net Position

Table 2 shows the revenues and expenses of the Organization and is also presented on the accrual basis. Operating revenues increased slightly from the prior year. Total interest expense increased from the prior year which mainly led to the increase in operating expenses.

Table 2
Revenues, Expenses and Change in Net Position

	2023	2022
Operating revenue:		
Income from Lease Program receivables	**$ 1,650,843**	$ 1,639,404
Amortization of deferred issuance costs	**127,301**	127,301
Investment and other income	**28,856**	826
Total operating revenue	**1,807,000**	1,767,531
Operating expenses:		
Administrative and trustee fees	**71,975**	80,502
Professional and other fees	**-**	5,000
Bond interest expense	**1,178,104**	429,762
Swap interest expense	**345,817**	1,047,476
Amortization expense	**35,896**	35,896
Total operating expenses	**1,631,792**	1,598,636
Change in net position	**$ 175,208**	$ 168,895

Description of Current and Expected Conditions

The management of the Trust Estates is 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, 2023 and 2022

		2023		2022
Assets				
Cash and cash equivalents	**$**	**1,174,778**	$	1,029,900
Program discretionary fund account		**208**		205
Accrued investment income receivable		**3,491**		517
Lease Program receivables		**33,769,183**		38,452,232
Lease Program receivables - unrealized appreciation in fair value		**927,607**		2,036,053
Total assets	**$**	**35,875,267**	$	41,518,907
Deferred Outflows of Resources				
Costs of debt issuance, net	**$**	**395,349**	$	431,245
Liabilities				
Accounts payable and other accrued liabilities	**$**	**120,550**	$	160,676
Accrued interest payable - bonds		**116,694**		52,884
Interest rate exchange - liability		**927,607**		2,036,053
Bonds payable		**34,177,946**		38,820,627
Total liabilities	**$**	**35,342,797**	$	41,070,240
Deferred Inflows of Resources				
Deferred issuance costs	**$**	**1,518,522**	$	1,645,823
Net Position				
Net position	**$**	**(590,703)**	$	(765,911)

See accompanying notes.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combined Statements of Revenues, Expenses and Change in Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Operating revenue:		
Income from Lease Program receivables	**$ 1,650,843**	$ 1,639,404
Amortization of deferred issuance costs	**127,301**	127,301
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Total operating revenue	**1,807,000**	1,767,531
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Administrative and trustee fees	**71,975**	80,502
Professional and other fees	**-**	5,000
Bond interest expense	**1,178,104**	429,762
Swap interest expense	**345,817**	1,047,476
Amortization expense	**35,896**	35,896
Total operating expenses	**1,631,792**	1,598,636
Change in net position	**175,208**	168,895
Net position, beginning of year	**(765,911)**	(934,806)
Net position, end of year	**$ (590,703)**	$ (765,911)

See accompanying notes.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combined Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from Lease Program	**$ 1,650,843**	$ 1,639,404
Investment and other income received	**25,882**	315
Administrative and trustee fees paid	**(49,943)**	(67,019)
Professional and other fees paid	**-**	(5,000)
Interest paid on bonds	**(1,114,294)**	(411,108)
Interest paid on interest rate exchanges	**(407,975)**	(1,081,450)
Net cash provided by operating activities	**104,513**	75,142
Cash flows from investing activities:		
Proceeds from Lease Program	**4,683,049**	8,115,248
Cash flows from financing activities:		
Principal payments on bonds	**(4,642,681)**	(8,129,027)
Net change in cash and cash equivalents	**144,881**	61,363
Cash and cash equivalents, beginning of year	**1,030,105**	968,742
Cash and cash equivalents, end of year	**$ 1,174,986**	$ 1,030,105
Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	**$ 1,174,778**	$ 1,029,900
Program discretionary fund	**208**	205
	$ 1,174,986	$ 1,030,105

See accompanying notes.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combined Statements of Cash Flows, continued

Years ended June 30, 2023 and 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Change in net position	**$ 175,208**	$ 168,895
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	**(2,974)**	(511)
Accounts payable and other accrued liabilities	**(40,126)**	(20,491)
Accrued interest payable - bonds	**63,810**	18,654
Net cash provided by operating activities	**$ 104,513**	$ 75,142
Supplemental disclosures of cash flow information:		
Noncash investing transactions:		
Change in the fair value of Lease Program receivables	**$ 1,108,446**	$ 4,033,297
Change in the fair value of interest rate exchanges	**1,108,446**	4,033,297

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 KLC 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 the Lease Program to participating members at variable rates of interest.

The Funding Trust is governed by a Board of Trustees consisting of six 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. The underlying lease agreements constitute security agreements and all right, title and interest of the Funding Trust, the lessor, has been assigned to the Trustees (see Note 3).

In fiscal year 2016, the Bonds were restructured. The letter of credit issuer (U.S. 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	August 2023
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	October 2031
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	September 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	May 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	September 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 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.

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 Program Receivables

Lease Program receivables represent the principal obligation of the lease program participants. Accordingly, the Lease Program receivables balance as of June 30, 2023 and 2022 are stated at the amount the Funding Trust expects to collect on the outstanding balances. Lease Program 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 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 make 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 Program receivables to be fully collectible. The income from the Lease Program 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 Program.

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), $682,519 of debt issuance costs were capitalized. Amortization expense of bond issuance costs for both of the years ended June 30, 2023 and 2022 was:

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

This also approximates the expected amortization expense for each of the next five years.

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.

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 combined statements of net position as either an asset or liability measured at its fair value.

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 December 15, 2023, the date on which the combined financial statements were available to be issued.

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 the 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 Estates an administration fee for providing these services. The administration fee is equal to 0.25% 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 change 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 Program receivables in the accompanying combined statements of revenues, expenses and change 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.

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 revenues, expenses and change 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 Estates' 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.

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:

<u>Interest Rate Exchange Agreements</u>

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 Program 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 Program 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 $927,607 and $2,036,053, as of June 30, 2023 and 2022, 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 Program 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 Program receivables represent the obligations of the Lease Program participants. Under Kentucky law, such Lease Program participants cannot commit to long-term debt, and therefore, lease rental payments are subject to annual appropriation. Historically, Lease 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 Lease Program participants as long-term, non-cancelable agreements.

Lease Program receivables exceeding 10% of the total population as of June 30, 2023 and 2022 were $19,267,207 and $20,725,488 from three leases and represented 57% and 54%, respectively, of total Lease Program receivables at each year end.

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:

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.

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.

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, 2023 are summarized as follows:

	Redemption Account	Revenue Account	Principal and Interest Account	Lessee Account	Total
2000 Trust Estate	**$ 8,448**	**$ 25,093**	**$ -**	**$ -**	**$ 33,541**
2002 Trust Estate	**31,153**	**39,566**	**-**	**-**	**70,719**
2002A Trust Estate	**16,480**	**27,485**	**-**	**-**	**43,965**
2004A Trust Estate	**80,876**	**173,945**	**-**	**-**	**254,821**
2006A Trust Estate	**87,066**	**190,423**	**-**	**-**	**277,489**
2008A Trust Estate	**105,699**	**186,245**	**1**	**67**	**292,012**
2008B Trust Estate	**94,254**	**107,977**	**-**	**-**	**202,231**
	$ 423,976	**$ 750,734**	**$ 1**	**$ 67**	**$ 1,174,778**

The cash and cash equivalents of each Trust Estate at June 30, 2022 are summarized as follows:

	Redemption Account	Revenue Account	Principal and Interest Account	Lessee Account	Total
2000 Trust Estate	$ 8,083	$ 23,322	$ -	$ -	$ 31,405
2002 Trust Estate	30,354	35,470	-	-	65,824
2002A Trust Estate	15,788	23,617	-	-	39,405
2004A Trust Estate	78,035	146,943	-	-	224,978
2006A Trust Estate	87,051	167,387	-	-	254,438
2008A Trust Estate	101,156	167,381	1	36	268,574
2008B Trust Estate	63,141	82,135	-	-	145,276
	$ 383,608	$ 646,255	$ 1	$ 36	$ 1,029,900

6. Trust Estate Accounts, continued

The program discretionary fund account of each Trust Estate are as follows at both June 30, 2023 and 2022:

	2023	2022
2000 Trust Estate	**$ 12**	$ 12
2002 Trust Estate	**-**	1
2002A Trust Estate	**29**	28
2004A Trust Estate	**46**	45
2006A Trust Estate	**25**	25
2008A Trust Estate	**28**	28
2008B Trust Estate	**68**	66
	$ 208	$ 205

As of June 30, 2023 and 2022, 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	**2023**	2022
2000 Trust Estate	First American Gov't Obligation Fund	**$ 33,553**	$ 31,417
2002 Trust Estate	Huntington Protected Deposit Account	**70,719**	65,825
2002A Trust Estate	Huntington Protected Deposit Account	**43,994**	39,433
2004A Trust Estate	First American Gov't Obligation Fund	**254,867**	225,023
2006A Trust Estate	Fidelity Institutional Government Fund	**277,514**	254,463
2008A Trust Estate	Fidelity Institutional Government Fund	**292,040**	268,602
2008B Trust Estate	First American Gov't Obligation Fund	**202,299**	145,342
		$ 1,174,986	$ 1,030,105

7. Lease Program Receivables

Lease Program 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 Program Receivables, continued

At June 30, 2023 and 2022, the outstanding lease principal amounts are as follows:

	2023	2022
2000 Trust Estate	**$ 570,860**	$ 669,949
2002 Trust Estate	**2,505,635**	2,718,213
2002A Trust Estate	**1,621,630**	1,930,550
2004A Trust Estate	**6,503,563**	7,458,271
2006A Trust Estate	**14,028,297**	15,080,200
2008A Trust Estate	**3,970,601**	5,216,573
2008B Trust Estate	**4,568,597**	5,378,476
	$ 33,769,183	$ 38,452,232

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, 2023 are as follows:

	A1	A2	Total
2000 Trust Estate	**$ 5,092**	**$ 565,768**	**$ 570,860**
2002 Trust Estate	**185,000**	**2,320,635**	**2,505,635**
2002A Trust Estate	**1,168,200**	**453,430**	**1,621,630**
2004A Trust Estate	**4,091,095**	**2,412,468**	**6,503,563**
2006A Trust Estate	**82,234**	**13,946,063**	**14,028,297**
2008A Trust Estate	**645,784**	**3,324,817**	**3,970,601**
2008B Trust Estate	**2,383,543**	**2,185,054**	**4,568,597**
	$ 8,560,948	**$ 25,208,235**	**$ 33,769,183**

7. Lease Program Receivables, continued

Future principal payments required under the Lease Program receivables for Series A1 at June 30, 2023 are as follows:

	Year Ending June 30						
	2024	2025	2026	2027	2028	Thereafter	Total
2000 Trust Estate	$ 5,092	$ -	$ -	$ -	$ -	$ -	$ 5,092
2002 Trust Estate	20,000	20,000	20,000	20,000	20,000	85,000	185,000
2002A Trust Estate	129,108	129,695	129,381	132,214	135,196	512,606	1,168,200
2004A Trust Estate	816,221	671,568	431,121	284,633	259,877	1,627,675	4,091,095
2006A Trust Estate	15,576	16,302	17,046	17,829	15,481	-	82,234
2008A Trust Estate	182,321	122,263	49,962	51,871	37,080	202,287	645,784
2008B Trust Estate	541,480	449,739	290,087	302,632	315,710	483,895	2,383,543
	$1,709,798	$1,409,567	$ 937,597	$ 809,179	$ 783,344	$ 2,911,463	$ 8,560,948

Future principal payments required under the Lease Program receivables for Series A2 at June 30, 2023 are as follows:

	Year Ending June 30						
	2024	2025	2026	2027	2028	Thereafter	Total
2000 Trust Estate	$ 74,014	$ 77,568	$ 81,293	$ 85,198	$ 89,289	$ 158,406	$ 565,768
2002 Trust Estate	202,430	212,787	223,673	235,117	247,146	1,199,482	2,320,635
2002A Trust Estate	128,430	80,000	80,000	30,000	30,000	105,000	453,430
2004A Trust Estate	172,925	181,377	189,736	198,664	207,883	1,461,883	2,412,468
2006A Trust Estate	1,067,326	1,120,720	1,173,629	1,230,106	1,052,027	8,302,255	13,946,063
2008A Trust Estate	311,659	162,768	169,569	176,879	184,314	2,319,628	3,324,817
2008B Trust Estate	252,498	262,087	271,896	282,155	292,789	823,629	2,185,054
	$2,209,282	$2,097,307	$2,189,796	$2,238,119	$2,103,448	$ 14,370,283	$ 25,208,235

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, U.S. 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, from the Current Conversion Date to but not including the Mandatory Tender Date, at 1.50%, (ii) Series A2 Bonds, from the Current Conversion Date to but not including the Mandatory Tender Date, ranging from 0.46% to 0.53%, (iii) Series B1 Bonds, from the Current Conversion Date to but not including the Mandatory Tender Date, at 2.00%, and (iv) Series B2 Bonds, from the Current Conversion Date to but not including the Mandatory Tender Date, at 0.80%.

8. Bonds Payable, continued

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

During the year ended June 30, 2023, the variable interest rate on the bonds ranged from 2.15% to 6.35% for the Series A1 Bonds, and 1.11% to 5.15% for the Series A2 Bonds.

At June 30, 2023 and 2022, the balances outstanding on the bonds were as follows:

Trust Estate	**2023**	2022
2000 Trust Estate	**$ 579,308**	$ 678,032
2002 Trust Estate	**2,522,053**	2,733,832
2002A Trust Estate	**1,638,069**	1,946,298
2004A Trust Estate	**6,584,154**	7,536,019
2006A Trust Estate	**14,115,330**	15,167,216
2008A Trust Estate	**4,076,303**	5,317,732
2008B Trust Estate	**4,662,729**	5,441,498
	$ 34,177,946	$ 38,820,627

The balances outstanding for each at June 30, 2023 are as follows:

Trust Estate	A1	A2	Total
2000 Trust Estate	**$ 7,506**	**$ 571,802**	**$ 579,308**
2002 Trust Estate	**185,000**	**2,337,053**	**2,522,053**
2002A Trust Estate	**1,175,042**	**463,027**	**1,638,069**
2004A Trust Estate	**4,158,073**	**2,426,081**	**6,584,154**
2006A Trust Estate	**83,507**	**14,031,823**	**14,115,330**
2008A Trust Estate	**661,452**	**3,414,851**	**4,076,303**
2008B Trust Estate	**2,457,247**	**2,205,482**	**4,662,729**
	$ 8,727,827	**$ 25,450,119**	**$ 34,177,946**

8. Bonds Payable, continued

Future payments required on the bonds at June 30, 2023 are as follows:

	Series A1			Series A2		
	Principal	Interest	Total	Principal	Interest	Total
2024						
2000 Trust Estate	$ 7,506	$ 14	$ 7,520	$ 74,014	$ 21,273	$ 95,287
2002 Trust Estate	20,000	5,471	25,471	202,430	90,209	292,639
2002A Trust Estate	129,108	35,503	164,611	128,430	13,971	142,401
2004A Trust Estate	816,221	120,884	937,105	172,925	98,499	271,424
2006A Trust Estate	15,576	2,443	18,019	1,067,326	520,555	1,587,881
2008A Trust Estate	182,321	18,859	201,180	311,659	118,341	430,000
2008B Trust Estate	557,695	81,049	638,744	252,498	73,473	325,971
2024 Total	1,728,427	264,223	1,992,650	2,209,282	936,321	3,145,603
2025						
2000 Trust Estate	-	-	-	77,568	18,183	95,751
2002 Trust Estate	20,000	4,821	24,821	212,787	81,525	294,312
2002A Trust Estate	129,694	31,276	160,970	80,000	10,173	90,173
2004A Trust Estate	671,568	95,180	766,748	181,377	90,709	272,086
2006A Trust Estate	16,302	1,926	18,228	1,120,720	476,872	1,597,592
2008A Trust Estate	122,263	13,397	135,660	162,768	111,194	273,962
2008B Trust Estate	462,260	60,337	522,597	262,087	64,454	326,541
2025 Total	1,422,087	206,937	1,629,024	2,097,307	853,110	2,950,417
2026						
2000 Trust Estate	-	-	-	81,293	15,055	96,348
2002 Trust Estate	20,000	4,171	24,171	223,673	72,882	296,555
2002A Trust Estate	129,381	27,087	156,468	80,000	7,101	87,101
2004A Trust Estate	431,121	77,610	508,731	189,736	83,082	272,818
2006A Trust Estate	17,046	1,385	18,431	1,173,629	433,874	1,607,503
2008A Trust Estate	49,962	11,001	60,963	169,569	105,115	274,684
2008B Trust Estate	290,087	47,266	337,353	271,896	55,324	327,220
2026 Total	937,597	168,520	1,106,117	2,189,796	772,433	2,962,229
2027						
2000 Trust Estate	-	-	-	85,198	11,740	96,938
2002 Trust Estate	20,000	3,521	23,521	235,117	63,636	298,753
2002A Trust Estate	132,214	22,841	155,055	30,000	5,705	35,705
2004A Trust Estate	284,633	66,389	351,022	198,664	74,920	273,584
2006A Trust Estate	17,829	819	18,648	1,230,106	387,891	1,617,997
2008A Trust Estate	51,871	9,349	61,220	176,879	98,563	275,442
2008B Trust Estate	302,632	36,173	338,805	282,155	45,775	327,930
2027 Total	809,179	139,092	948,271	2,238,119	688,230	2,926,349

8. Bonds Payable, continued

	Series A1			Series A2		
	Principal	Interest	Total	Principal	Interest	Total
2028						
2000 Trust Estate	-	-	-	89,289	8,281	97,570
2002 Trust Estate	20,000	2,871	22,871	247,146	54,013	301,159
2002A Trust Estate	135,196	18,499	153,695	30,000	4,468	34,468
2004A Trust Estate	259,877	57,502	317,379	207,883	66,494	274,377
2006A Trust Estate	16,754	232	16,986	1,052,027	342,517	1,394,544
2008A Trust Estate	37,080	7,308	44,388	184,314	91,896	276,210
2008B Trust Estate	315,710	24,601	340,311	292,789	35,891	328,680
2028 Total	784,617	111,013	895,630	2,103,448	603,560	2,707,008
Thereafter						
2000 Trust Estate	-	-	-	164,440	5,656	170,096
2002 Trust Estate	85,000	4,848	89,848	1,215,900	108,597	1,324,497
2002A Trust Estate	519,449	30,505	549,954	114,597	4,710	119,307
2004A Trust Estate	1,694,653	157,241	1,851,894	1,475,496	194,685	1,670,181
2006A Trust Estate	-	-	-	8,388,015	1,312,715	9,700,730
2008A Trust Estate	217,955	17,807	235,762	2,409,662	469,779	2,879,441
2008B Trust Estate	528,863	14,420	543,283	844,057	75,816	919,873
Thereafter Total	3,045,920	224,821	3,270,741	14,612,167	2,171,958	16,784,125
	$ 8,727,827	$ 1,114,606	$ 9,842,433	$25,450,119	$ 6,025,612	$31,475,731

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 Program 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 revenues, expenses and change in net position 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 2023 and 2022, the Trust Estates made net settlement payments under these exchanges as follows:

Trust Estate	**2023**	2022
2000 Trust Estate	**$ 8,617**	$ 25,667
2002 Trust Estate	**35,991**	97,092
2002A Trust Estate	**7,603**	25,510
2004A Trust Estate	**41,419**	102,950
2006A Trust Estate	**187,048**	551,564
2008A Trust Estate	**46,096**	166,188
2008B Trust Estate	**19,043**	78,505
	$ 345,817	$ 1,047,476

The number of interest rate exchange agreements and the respective counterparties for each Trust Estate as of June 30, 2023 and 2022 are listed below:

Trust Estate	Counterparty	Number of Agreements: **2023**	2022
2000 Trust Estate	U.S. Bank	**1**	1
2002 Trust Estate	U.S. Bank	**1**	1
2002A Trust Estate	U.S. Bank	**4**	4
2004A Trust Estate	U.S. Bank	**2**	2
2006A Trust Estate	U.S. Bank	**4**	5
2008A Trust Estate	U.S. Bank	**2**	2
2008B Trust Estate	U.S. Bank	**4**	4
		18	19

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, 2023 and 2022.

Liability Derivatives for Fair Value Hedging Activities

	Year ended June 30, 2023			Year ended June 30, 2022		
Statement of Revenues, Expenses and Change in Net Position 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 Program receivables	**$ -**	**$ 345,817**	**$ -**	$ -	$ 1,047,476	$ -
Interest expense	**(345,817)**	**-**	**-**	(1,047,476)	-	-

	As of June 30, 2023		As of June 30, 2022	
Statement of Net Position Classification	**Class of Derivative**	**Fair Value**	Class of Derivative	Fair Value
Interest rate exchange	**Interest rate contracts**	**$ (927,607)**	Interest rate contracts	$ (2,036,053)
Lease Program receivables unrealized appreciation (Hedged Asset)	**N/A**	**927,607**	N/A	2,036,053
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, 2023 and 2022, administrative fees of $50,000 and $59,368, respectively, were paid to the Program Administrator. These fees are included in administrative and trustee fees in the accompanying combined statements of revenues, expenses and change in net position. Administrative fees included in accounts payable and other accrued liabilities on the statement of net position at June 30, 2023 and 2022 were $11,824 and $5,720, respectively.

11. Related Party Transactions, continued

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 Program receivables is $579,032 and $931,164 as of June 30, 2023 and 2022, respectively.

SUPPLEMENTARY INFORMATION

DEANDORTON

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 the Kentucky League of Cities Funding Trust Lease Program Revenue Bonds (the Trust Estates), which comprise the Trust Estates' combined statement of net position as of June 30, 2023, the related combined statements of revenues, expenses and change in net position and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, the financial statements), and have issued our report thereon dated December 15, 2023.

Report on 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) as a basis for designing 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 our 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dean Dotton Allen Ford, PLLC

Lexington, Kentucky
December 15, 2023

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Schedule of Findings and Responses

Year ended June 30, 2023

Section I - Summary of Auditors' Results

a. The type of report issued on the combined financial statements: **Unmodified opinion**

b. Material weaknesses identified in the internal control over financial reporting: **No**

c. Significant deficiencies identified in the internal control over financial reporting: **None reported**

d. Non-compliance which is material to the combined financial statements: **No**

Section II - Financial Statement Findings and Responses

None

Section III - Summary Schedule of Prior Audit Findings

Finding 2022-001:

Summary of Finding:

During fiscal year 2022, management identified that it had overstated certain assets and liabilities related to financial derivative instruments as of June 30, 2021. Management determined that the adjustment recorded for the fair value of financial derivative instruments as of June 30, 2021 was made in error, resulting in a material misstatement. Management proposed adjustments to restate the balances as of June 30, 2021 as a correction. Net position was not impacted as a result of the misstatement.

Corrective Action Taken:

In fiscal year 2022, as part of continuous improvement activities, management put into place processes to ensure errors like this do not happen.

COMBINING SCHEDULES

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combining Statement of Net Position

June 30, 2023

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Assets								
Cash and cash equivalents	$ 33,541	$ 70,719	$ 43,965	$ 254,821	$ 277,489	$ 292,012	$ 202,231	$ 1,174,778
Program discretionary fund account	12	-	29	46	25	28	68	208
Accrued investment income receivable	109	238	133	774	807	900	530	3,491
Lease Program receivables	570,860	2,505,635	1,621,630	6,503,563	14,028,297	3,970,601	4,568,597	33,769,183
Lease Program receivables - unrealized appreciation in fair value	13,019	85,158	8,078	124,895	535,689	134,384	26,384	927,607
Total assets	$ 617,541	$ 2,661,750	$ 1,673,835	$ 6,884,099	$ 14,842,307	$ 4,397,925	$ 4,797,810	$ 35,875,267
Deferred Outflows of Resources								
Costs of debt issuance, net	$ 42,803	$ 56,135	$ 54,229	$ 55,887	$ 57,038	$ 64,332	$ 64,925	$ 395,349
Liabilities								
Accounts payable and other accrued liabilities	$ 824	$ 2,732	$ 2,370	$ 13,987	$ 42,844	$ 44,501	$ 13,292	$ 120,550
Accrued interest payable - bonds	1,797	7,976	6,238	24,719	44,019	13,320	18,625	116,694
Interest rate exchange - liability	13,019	85,158	8,078	124,895	535,689	134,384	26,384	927,607
Bonds payable	579,308	2,522,053	1,638,069	6,584,154	14,115,330	4,076,303	4,662,729	34,177,946
Total liabilities	$ 594,948	$ 2,617,919	$ 1,654,755	$ 6,747,755	$ 14,737,882	$ 4,268,508	$ 4,721,030	$ 35,342,797
Deferred Inflows of Resources								
Deferred issuance costs	$ 88,264	$ 93,720	$ 109,023	$ 239,145	$ 300,616	$ 356,861	$ 330,893	$ 1,518,522
Net Position								
Net position	$ (22,868)	$ 6,246	$ (35,714)	$ (46,914)	$ (139,153)	$ (163,112)	$ (189,188)	$ (590,703)

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combining Statement of Net Position

June 30, 2022

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Assets								
Cash and cash equivalents	$ 31,405	$ 65,824	$ 39,405	$ 224,978	$ 254,438	$ 268,574	$ 145,276	$ 1,029,900
Program discretionary fund account	12	1	28	45	25	28	66	205
Accrued investment income receivable	16	48	28	110	117	129	69	517
Lease Program receivables	669,949	2,718,213	1,930,550	7,458,271	15,080,200	5,216,573	5,378,476	38,452,232
Lease Program receivables - unrealized appreciation in fair value	35,531	188,086	23,930	240,594	1,156,498	288,384	103,030	2,036,053
Total assets	$ 736,913	$ 2,972,172	$ 1,993,941	$ 7,923,998	$ 16,491,278	$ 5,773,688	$ 5,626,917	$ 41,518,907
Deferred Outflows of Resources								
Costs of debt issuance, net	$ 48,917	$ 61,749	$ 59,652	$ 60,544	$ 61,426	$ 68,621	$ 70,336	$ 431,245
Liabilities								
Accounts payable and other accrued liabilities	$ 1,891	$ 8,509	$ 3,620	$ 15,545	$ 72,625	$ 50,115	$ 8,371	$ 160,676
Accrued interest payable - bonds	755	3,127	3,170	12,232	16,844	6,481	10,275	52,884
Interest rate exchange - liability	35,531	188,086	23,930	240,594	1,156,498	288,384	103,030	2,036,053
Bonds payable	678,032	2,733,832	1,946,298	7,536,019	15,167,216	5,317,732	5,441,498	38,820,627
Total liabilities	$ 716,209	$ 2,933,554	$ 1,977,018	$ 7,804,390	$ 16,413,183	$ 5,662,712	$ 5,563,174	$ 41,070,240
Deferred Inflows of Resources								
Deferred issuance costs	$ 100,873	$ 103,092	$ 119,925	$ 259,074	$ 323,740	$ 380,652	$ 358,467	$ 1,645,823
Net Position								
Net position	$ (31,252)	$ (2,725)	$ (43,350)	$ (78,922)	$ (184,219)	$ (201,055)	$ (224,388)	$ (765,911)

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combining Statement of Revenues, Expenses and Change in Net Position

Year ended June 30, 2023

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Operating revenue:								
Income from Lease Program receivables	$ 31,035	$ 125,076	$ 76,385	$ 318,541	$ 654,188	$ 206,545	$ 239,073	$ 1,650,843
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	930	2,092	1,237	6,385	6,601	7,507	4,104	28,856
Total operating revenue	44,574	136,540	88,524	344,855	683,913	237,843	270,751	1,807,000
Operating expenses:								
Administrative and trustee fees	2,963	7,032	6,101	19,961	10,826	6,737	18,355	71,975
Bond interest expense	18,496	78,932	61,761	246,810	436,585	142,778	192,742	1,178,104
Swap interest expense	8,617	35,991	7,603	41,419	187,048	46,096	19,043	345,817
Amortization expense	6,114	5,614	5,423	4,657	4,388	4,289	5,411	35,896
Total operating expense	36,190	127,569	80,888	312,847	638,847	199,900	235,551	1,631,792
Change in net position	8,384	8,971	7,636	32,008	45,066	37,943	35,200	175,208
Net position, beginning of year	(31,252)	(2,725)	(43,350)	(78,922)	(184,219)	(201,055)	(224,388)	(765,911)
Net position, end of year	$ (22,868)	$ 6,246	$ (35,714)	$ (46,914)	$ (139,153)	$ (163,112)	$ (189,188)	$ (590,703)

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combining Statement of Revenues, Expenses and Change in Net Position

Year ended June 30, 2022

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Operating revenue:								
Income from Lease Program receivables	$ 35,919	$ 130,524	$ 61,686	$ 247,544	$ 699,303	$ 256,198	$ 208,230	$ 1,639,404
Amortization of deferred issuance costs	12,609	9,372	10,902	19,929	23,124	23,791	27,574	127,301
Investment income and other income	27	93	54	165	174	213	100	826
Total operating revenue	48,555	139,989	72,642	267,638	722,601	280,202	235,904	1,767,531
Operating expenses:								
Administrative and trustee fees	3,262	7,554	6,716	21,718	12,357	8,941	19,954	80,502
Professional and other fees	-	-	-	-	-	5,000	-	5,000
Bond interest expense	5,511	22,034	27,724	108,173	116,036	51,837	98,447	429,762
Swap interest expense	25,667	97,092	25,510	102,950	551,564	166,188	78,505	1,047,476
Amortization expense	6,114	5,614	5,423	4,657	4,388	4,289	5,411	35,896
Total operating expenses	40,554	132,294	65,373	237,498	684,345	236,255	202,317	1,598,636
Change in net position	8,001	7,695	7,269	30,140	38,256	43,947	33,587	168,895
Net position, beginning of year	(39,253)	(10,420)	(50,619)	(109,062)	(222,475)	(245,002)	(257,975)	(934,806)
Net position, end of year	$ (31,252)	$ (2,725)	$ (43,350)	$ (78,922)	$ (184,219)	$ (201,055)	$ (224,388)	$ (765,911)

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combining Statement of Cash Flows

Year ended June 30, 2023

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Cash flows from operating activities:								
Cash received from Lease Program	$ 31,035	$ 125,076	$ 76,385	$ 318,541	$ 654,188	$ 206,545	$ 239,073	$ 1,650,843
Investment and other income received	837	1,902	1,132	5,721	5,911	6,736	3,643	25,882
Administrative and trustee fees paid	(2,593)	(7,170)	(6,294)	(15,760)	(7,366)	(2,619)	(8,141)	(49,943)
Interest paid on bonds	(17,454)	(74,083)	(58,693)	(234,323)	(409,410)	(135,939)	(184,392)	(1,114,294)
Interest paid on interest rate exchanges	(10,054)	(41,630)	(8,660)	(47,178)	(220,289)	(55,828)	(24,336)	(407,975)
Net cash provided by operating activities	1,771	4,095	3,870	27,001	23,034	18,895	25,847	104,513
Cash flows from investing activities:								
Proceeds from Lease Program	99,089	212,578	308,920	954,708	1,051,903	1,245,972	809,879	4,683,049
Cash flows from financing activities:								
Principal payments on bonds	(98,724)	(211,779)	(308,229)	(951,865)	(1,051,886)	(1,241,429)	(778,769)	(4,642,681)
Net change in cash and cash equivalents	2,136	4,894	4,561	29,844	23,051	23,438	56,957	144,881
Cash and cash equivalents, beginning of year	31,417	65,825	39,433	225,023	254,463	268,602	145,342	1,030,105
Cash and cash equivalents, end of year	$ 33,553	$ 70,719	$ 43,994	$ 254,867	$ 277,514	$ 292,040	$ 202,299	$ 1,174,986
Reconciliation of cash and cash equivalents:								
Cash and cash equivalents	$ 33,541	$ 70,719	$ 43,965	$ 254,821	$ 277,489	$ 292,012	$ 202,231	$ 1,174,778
Program discretionary fund	12	-	29	46	25	28	68	208
	$ 33,553	$ 70,719	$ 43,994	$ 254,867	$ 277,514	$ 292,040	$ 202,299	$ 1,174,986

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, 2023

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Reconciliation of operating income to net cash provided by operating activities:								
Change in net position	$ 8,384	$ 8,971	$ 7,636	$ 32,008	$ 45,066	$ 37,943	$ 35,200	$ 175,208
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)	(10,902)	(19,929)	(23,124)	(23,791)	(27,574)	(127,301)
Increase (decrease) in cash due to changes in:								
Accrued investment income receivable	(93)	(190)	(105)	(664)	(690)	(771)	(461)	(2,974)
Accounts payable and other accrued expenses	(1,067)	(5,777)	(1,250)	(1,558)	(29,781)	(5,614)	4,921	(40,126)
Accrued interest payable - bonds	1,042	4,849	3,068	12,487	27,175	6,839	8,350	63,810
Net cash provided by operating activities	$ 1,771	$ 4,095	$ 3,870	$ 27,001	$ 23,034	$ 18,895	$ 25,847	$ 104,513

See report of independent auditors.

KENTUCKY LEAGUE OF CITIES FUNDING TRUST
LEASE PROGRAM REVENUE BONDS

Combining Statement of Cash Flows

Year ended June 30, 2022

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Cash flows from operating activities:								
Cash received from Lease Program	$ 35,919	$ 130,524	$ 61,686	$ 247,544	$ 699,303	$ 256,198	$ 208,230	$ 1,639,404
Investment and other income received	11	46	27	56	58	86	31	315
Administrative and trustee fees paid	(3,262)	(5,822)	(5,631)	(22,301)	(6,200)	(3,557)	(20,246)	(67,019)
Professional and other fees paid	-	-	-	-	-	(5,000)	-	(5,000)
Interest paid on bonds	(5,151)	(20,348)	(26,822)	(104,802)	(106,466)	(50,390)	(97,129)	(411,108)
Interest paid on interest rate exchanges	(26,296)	(99,315)	(26,233)	(105,147)	(564,386)	(179,382)	(80,691)	(1,081,450)
Net cash provided by operating activities	1,221	5,085	3,027	15,350	22,309	17,955	10,195	75,142
Cash flows from investing activities:								
Proceeds from Lease Program	154,794	203,204	295,778	921,089	1,035,195	4,261,463	1,243,725	8,115,248
Cash flows from financing activities:								
Principal payments on bonds	(154,423)	(202,444)	(295,115)	(918,651)	(1,031,074)	(4,273,117)	(1,254,203)	(8,129,027)
Net change in cash and cash equivalents	1,592	5,845	3,690	17,788	26,430	6,301	(283)	61,363
Cash and cash equivalents, beginning of year	29,825	59,980	35,743	207,235	228,033	262,301	145,625	968,742
Cash and cash equivalents, end of year	$ 31,417	$ 65,825	$ 39,433	$ 225,023	$ 254,463	$ 268,602	$ 145,342	$ 1,030,105
Reconciliation of cash and cash equivalents:								
Cash and cash equivalents	$ 31,405	$ 65,824	$ 39,405	$ 224,978	$ 254,438	$ 268,574	$ 145,276	$ 1,029,900
Program discretionary fund	12	1	28	45	25	28	66	205
	$ 31,417	$ 65,825	$ 39,433	$ 225,023	$ 254,463	$ 268,602	$ 145,342	$ 1,030,105

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, 2022

	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Reconciliation of operating income to net cash provided by operating activities:								
Change in net position	$ 8,001	$ 7,695	$ 7,269	$ 30,140	$ 38,256	$ 43,947	$ 33,587	$ 168,895
Adjustments								
Amortization of costs of debt issuance	6,112	5,614	5,423	4,657	4,389	4,289	5,412	35,896
Amortization of deferred issuance costs	(12,607)	(9,372)	(10,902)	(19,929)	(23,125)	(23,791)	(27,575)	(127,301)
Increase (decrease) in cash due to changes in:								
Accrued investment income receivable	(16)	(47)	(27)	(109)	(116)	(127)	(69)	(511)
Accounts payable and other accrued expenses	(629)	(491)	362	(2,780)	(6,665)	(7,810)	(2,478)	(20,491)
Accrued interest payable - bonds	360	1,686	902	3,371	9,570	1,447	1,318	18,654
Net cash provided by operating activities	$ 1,221	$ 5,085	$ 3,027	$ 15,350	$ 22,309	$ 17,955	$ 10,195	$ 75,142

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