Kentucky Association of Counties Leasing Trust and Subsidiary

Consolidated Financial Statements

Years Ended June 30, 2018 and 2017

Kentucky Association of Counties Leasing Trust and Subsidiary

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Years Ended June 30, 2018 and 2017

Independent Auditor's Report

To the Board of Trustees
Kentucky Association of Counties Leasing Trust
and Subsidiary

We have audited the accompanying consolidated financial statements of Kentucky Association of Counties Leasing Trust (a County Interlocal Cooperation Agreement Trust) ("the Trust") and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of Commonwealth Insurance Company, Inc., a wholly owned subsidiary, which statements reflect total assets of $8,057,425 and $7,613,623 as of June 30, 2018 and 2017, respectively, and total revenues of $1,211,978 and $1,208,019 for the years ended June 30, 2018 and 2017, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Commonwealth Insurance Company, Inc., is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust and Subsidiary as of June 30, 2018 and 2017, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position for June 30, 2018 and 2017, the consolidating statements of activities and changes in net assets for the years ended June 30, 2018 and 2017, and the consolidating statements of cash flows for the years ended June 30, 2018 and 2017, are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Commonwealth Insurance Company, Inc., is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

MCM CPAs & Advisors LLP

Louisville, Kentucky
October 25, 2018

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 1,731,128	$ 1,717,992
Trust Estate Investments		
Cash and cash equivalents	216,837	148,082
Investment contracts	10,145,757	10,194,797
U.S. government money market funds	550,232	801,967
Program escrow fund	925,355	771,492
Leases receivable	107,909,339	118,574,260
Leases receivable - unrealized appreciation in fair value	8,906,263	13,343,837
Other receivables	96,886	101,926
Due from affiliate	144,799	105,734
Notes receivable, net	2,180,870	2,227,178
Other investments	9,945,570	9,994,977
Accrued interest receivable	85,685	73,671
Other assets	168,369	211,946
Total Assets	$ 143,007,090	$ 158,267,859
Liabilities and Net Assets		
Liabilities		
Accrued interest payable	$ 396,655	$ 368,909
Interest rate exchanges	8,906,263	13,343,837
Other accrued expenses	1,169,934	1,188,752
Deferred income taxes	23,000	74,000
Bonds payable, net	117,727,658	128,601,622
Total Liabilities	128,223,510	143,577,120
Commitments and Contingencies		
Net Assets, Unrestricted/Retained Earnings	14,783,580	14,690,739
Total Liabilities and Net Assets	$ 143,007,090	$ 158,267,859

See accompanying notes.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues		
Investment income	$ 927,062	$ 887,938
Income from leases receivable	5,586,683	5,725,462
Premium income	950,000	950,000
Credit, administrative and fiduciary fees	576,162	474,359
Down payment assistance	76,119	41,712
Miscellaneous income	7,793	13,702
Net realized and unrealized gains on other investments	260,948	358,268
Total Revenues	8,384,767	8,451,441
Expenses		
Interest	5,471,283	5,783,901
Administrative and other fees	2,112,886	2,039,849
Legal fees	121,446	182,139
Trustee fees	219,416	209,092
Sponsoring agency fees	1,000	1,000
Lease rebates	181,265	93,689
Miscellaneous expense	929	-
Claims expense	106,804	(5,000)
Provision for income taxes	76,897	59,630
Total Expenses	8,291,926	8,364,300
Changes in Net Assets	92,841	87,141
Net Assets at Beginning of Year	14,690,739	14,603,598
Net Assets at End of Year	$ 14,783,580	$ 14,690,739

See accompanying notes.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	$ 92,841	$ 87,141
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Amortization of debt issuance costs	51,109	60,870
Net realized and unrealized gains on other investments	(260,948)	(358,268)
Changes in		
Other receivables	5,040	(11,489)
Receivable from affiliate, net	(39,066)	328,529
Accrued interest receivable	39,882	(56,667)
Other assets	(2,203)	(133,908)
Accrued interest payable	27,746	26,034
Other accrued expenses	(24,933)	(624,999)
Deferred income taxes	(51,000)	2,000
Net Cash Used in Operating Activities	(161,532)	(680,757)
Cash Flows from Investing Activities		
Net proceeds from trust estate investments	78,157	479,008
Lease repayments	10,664,921	13,818,625
Net proceeds from other investments	310,355	(908,781)
Principal repayments on notes receivable	3,657,025	3,120,818
Issuance of notes receivable	(3,610,717)	(3,190,841)
Net Cash Provided by Investing Activities	11,099,741	13,318,829
Cash Flows from Financing Activities		
Payments on bonds	(10,925,073)	(13,741,048)
Net Cash Used in Financing Activities	(10,925,073)	(13,741,048)
Increase (Decrease)in Cash and Cash Equivalents	13,136	(1,102,976)
Cash and Cash Equivalents at Beginning of Year	1,717,992	2,820,968
Cash and Cash Equivalents at End of Year	$ 1,731,128	$ 1,717,992
Supplemental Disclosure		
Cash paid for interest	$ 5,443,537	$ 5,693,190
Non-cash investing and financing activities		
Change in fair value of lease receivables and related interest rate exchanges	(4,437,574)	(7,932,822)

See accompanying notes.

Kentucky Association of Counties Leasing Trust and Subsidiary
Notes to Consolidated Financial Statements
Years Ended June 30, 2018 and 2017

Note A - Nature of Organization and Operations

1. General: The Kentucky Association of Counties Leasing Trust ("the Leasing Trust") is a County Interlocal Cooperation Agreement Trust sponsored by the Kentucky Association of Counties ("KACo"), an association comprised of 120 Kentucky counties. KACo's purpose is to assist Kentucky county governments and special districts in fulfilling certain obligations to their constituencies. Each Kentucky county is eligible for membership in KACo. KACo's Board of Directors is made up of elected officials. The Leasing Trust was organized on November 9, 1988 to make funds available for capital improvement projects and equipment purchases by Kentucky county governments and special districts. Any public agency is eligible to participate in the Leasing Trust.

   During the fiscal year ended June 30, 2006, the Leasing Trust formed a wholly-owned subsidiary Commonwealth Insurance Company, Inc. ("the Subsidiary" or "CIC"), a Kentucky domiciled captive insurance company. The Subsidiary provides county bond insurance to members of KACo.

   The accompanying consolidated financial statements include the accounts of the Kentucky Association of Counties Leasing Trust and Subsidiary. All significant intercompany accounts and transactions have been eliminated. They are collectively referred to as "CoLT".

   CoLT is controlled by a Board of Trustees whose members are appointed by the Board of Directors of KACo. Management is of the opinion that both KACo and CoLT are limited to transactions that would be legal for one or more Kentucky counties.

2. The Trust Estates: CoLT maintains ten separate trust estates ("the Trusts" or "the Trust Estates") to provide funds for CoLT's business purposes as specified in the trust indenture agreements. The trust agreements also provide for financing by contributions from participating members, if necessary. The bonds are formally issued as Money Market Municipal Multi-County Lease Revenue Bonds.

   The funds can be summarized as follows:

Series	Date of Issuance	Sponsor	Issuance Amount
1989 Series	March 1989	Pendleton County	$ 200,000,000
1993 Series	March 1993	Pendleton County	100,000,000
1999 Series	December 1999	Breckinridge County	50,000,000
2001 Series	February 2001	Breckinridge County	50,000,000
2002 Series	January 2002	Breckinridge County	100,000,000
2004 Series	September 2004	Shelby County	100,000,000
2007 Series	April 2007	Christian County	50,000,000
2007B Series	August 2007	Christian County	70,000,000
2008 Series	June 2008	Christian County	30,000,000
2008 A2 Series	December 2008	Trimble County	75,000,000

Note A - Nature of Organization and Operations (Continued)

3. Basis of Presentation: The accompanying consolidated financial statements present the combined financial position, activities and changes in net assets and cash flows for the 1989, 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Trust Estates, the Subsidiary, and Program Administration. Common costs are paid from discretionary funds provided by the Trust Estates as follows:

	2018	2017
1989 Series	$ 2,964	$ -
1993 Series	-	-
1999 Series	6,728	7,498
2001 Series	13,663	15,675
2002 Series	37,860	47,899
2004 Series	78,537	86,106
2007 Series	45,432	48,890
2007B Series	94,349	104,113
2008 Series	21,872	25,022
2008 A2 Series	81,525	92,084
	$ 382,930	$ 427,287

The consolidated financial statements of CoLT have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader.

Under the ASC, CoLT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no donor-imposed restrictions on the net assets of CoLT, and thus the net assets of CoLT are considered "unrestricted" as defined by the ASC.

4. Distributions on Termination: Upon ultimate termination of the Trusts (no later than March 1, 2019 for the 1989 and 1993 Trusts, no later than December 1, 2029 for the 1999 Trust Estate, no later than March 1, 2031 for the 2001 Trust Estate, no later than February 1, 2032 for the 2002 Trust Estate, no later than September 1, 2034 for the 2004 Trust Estate, no later than April 1, 2037 for the 2007 Trust Estate, no later than August 1, 2037 for the 2007B Trust Estate, no later than June 1, 2038 for the 2008 Trust Estate, and no later than December 1, 2038 for the 2008 A2 Trust Estate), any assets remaining after satisfaction of all liabilities will be returned to participating county governments and special districts on a pro rata basis.

5. Reclassification: Certain reclassifications were made to the 2017 financial statements and notes to conform to the 2018 presentation.

Note B - Contractual Agreements

1. Administrative Services: During fiscal year 2018, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2017 and expired June 30, 2018. The agreements can be renewed or extended upon mutual agreement of the parties. These services include management, marketing, and administrative services necessary for the orderly and proper administration of CoLT. KACo bills CoLT quarterly for the cost of providing these services. These contracts were renewed for one year effective July 1, 2018.

   During fiscal year 2017, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2016 and expired June 30, 2017.

   The costs for administrative and management services are a component of administrative and other fees in the accompanying consolidated statements of activities and changes in net assets.

2. Trustee Arrangements:

   1989 Trust Indenture - Under the terms of a trust indenture dated March 1989, Bank of New York Mellon acts as trustee for the 1989 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, conducts other transactions as directed by CoLT, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for the trustee's services, CoLT pays an annual trust administration fee based on the number of leases outstanding, up to $50,000 per year, a paying agent fee of $2 per check, and an annual investment fee equal to .25% of the market value of investments payable on each anniversary date.

   1993 Trust Indenture - Under terms of a separate trust indenture dated February 1993, Bank of New York Mellon acts as trustee, paying agent and registrar for the 1993 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 1993 Trust Estate to pay interest and principal as it becomes due on the 1993 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $15,000, plus other fees based on services provided.

   1999 Trust Indenture - Under terms of a separate trust indenture dated December 1999, US Bank, acts as trustee, paying agent and registrar for the 1999 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 1999 Trust Estate to pay interest and principal as it becomes due on the 1999 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000, plus other fees based on services provided.

   2001 Trust Indenture - Under terms of a separate trust indenture dated February 2001, US Bank, acts as trustee, paying agent and registrar for the 2001 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2001 Trust Estate to pay interest and principal as it becomes due on the 2001 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000, plus .25% on funds invested in government money market funds and other fees based on services provided.

Note B - Contractual Agreements (Continued)

2. Trustee Arrangements (Continued):

   2002 Trust Indenture - Under terms of a separate trust indenture dated January 2002, US Bank, acts as trustee, paying agent and registrar for the 2002 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2002 Trust Estate to pay interest and principal as it becomes due on the 2002 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000, plus $200 per lease outstanding.

   2004 Trust Indenture - Under terms of a separate trust indenture dated September 2004, US Bank, acts as trustee, paying agent and registrar for the 2004 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2004 Trust Estate to pay interest and principal as it becomes due on the 2004 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

   2007 Trust Indenture - Under terms of a separate trust indenture dated April 2007, US Bank, acts as trustee, paying agent and registrar for the 2007 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2007 Trust Estate to pay interest and principal as it becomes due on the 2007 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

   2007B Trust Indenture - Under terms of a separate trust indenture dated August 2007, US Bank, acts as trustee, paying agent and registrar for the 2007B Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2007B Trust Estate to pay interest and principal as it becomes due on the 2007B Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

   2008 Trust Indenture - Under terms of a separate trust indenture dated June 2008, US Bank, acts as trustee, paying agent and registrar for the 2008 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2008 Trust Estate to pay interest and principal as it becomes due on the 2008 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

   2008 A2 Trust Indenture - Under terms of a separate trust indenture dated December 2008, US Bank, acts as trustee, paying agent and registrar for the 2008 A2 Trust Estate and, as such, holds investments, receives payments of interest and principal on leases and loans, writes checks on the 2008 A2 Trust Estate to pay interest and principal as it becomes due on the 2008 A2 Bonds, and maintains appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee is paid an annual fee of $10,000 plus $200 per lease outstanding.

3. Financial Computation Services: Effective December 2017 Compass Municipal Advisors, LLC ("CMA") performs certain financial computations pertaining to lease terms and payments. These services were previously performed by Lawrenson Services, Inc. ("LSI"). Fees paid to CMA and LSI are included in administrative fees in the accompanying consolidated statements of activities and changes in net assets.

Note C - Summary of Significant Accounting Policies

1. Trust Estate Investments: Investment contracts included in the Trust Estates are held for long-term investment purposes and are stated at cost and adjusted for accretion of discounts computed on the interest yield method over the estimated lives of the investments. At June 30, 2018 and 2017, investment contracts with the 1993 Trust Estate had net remaining discounts of approximately $13,000 and $32,000, respectively.

   The ASC requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the financial statements of not-for-profit organizations. Accordingly, CoLT's investments are stated at fair value.

2. Program Escrow Fund: During 2014, CoLT and US Bank entered into an escrow deposit agreement establishing a program escrow fund. This fund is maintained by US Bank (escrow agent) and is pledged as security for the bond obligations of the 1999 through 2008A2 trust estates as provided by the trust indentures. As of June 30, 2018 and 2017, $925,355 and $771,492, respectively, exists in the fund and is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations. The balance of this fund is recorded in trust estate investments in the accompanying consolidated statements of financial position.

3. Interest Rate Exchange Agreements: The Trust accounts for interest rate exchange agreements in accordance with the ASC. The ASC establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the statement of financial position as either an asset or liability measured at its fair value.

   CoLT utilizes interest rate swaps to provide fixed rate leases out of its Trust Estates (excluding the 1993 Trust Estate) without bearing interest rate risk. Under the terms of the agreements, CoLT pays to the swap counterparty the agreed to fixed rate and receives interest based upon an agreed to variable indexed rate (see below). These interest rate swap agreements have been designated by CoLT as fair value hedges of the underlying changes in the fair value of the leases receivable. The terms of the swap agreement are established to exactly match those of the underlying lease instruments (including notional amounts, payment dates, variable interest rates, etc.). Net payments made (received) under the swap agreements (settlements) are included as a component of interest expense (income). Changes in the fair value of the swap instruments, as well as changes in the fair value of the underlying lease instruments, are included as components of interest income, net. The following outlines the swap agreements in place as of June 30, 2018 and 2017.

   1999 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with Merrill Lynch in December 1999, of $2,380,000 on which CoLT pays fixed rates ranging from 6.07% to 6.17%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $103,500 and $127,500, respectively, under this agreement.

   2001 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in February 2001, of $3,953,782 on which CoLT pays fixed rates ranging from 4.38% to 5.62%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $158,800 and $199,600, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

3. Interest Rate Exchange Agreements (Continued):

2002 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with Chase in June 2002, of $2,611,447 on which CoLT pays fixed rates ranging from 3.82% to 4.65%, and receives a variable rate tied to the One Day Municipal Paper Market rates. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $85,600 and $113,600, respectively, under this agreement.

2004 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in September 2004 of $15,390,590 on which CoLT pays fixed rates ranging from 3.70% to 4.94%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $471,600 and $587,100, respectively, under this agreement.

2007 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in May 2007 of $14,694,631 on which CoLT pays fixed rates ranging from 3.20% to 5.46%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $444,700 and $553,800, respectively, under this agreement.

2007B Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2007 of $24,238,468 on which CoLT pays fixed rates ranging from 3.49% to 5.28%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $658,300 and $805,300, respectively, under this agreement.

2008 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2008 of $6,359,230 on which CoLT pays fixed rates ranging from 3.69% and 4.51%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $171,184 and $207,800, respectively, under this agreement.

2008 A2 Trust Estate - As of June 30, 2018, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in December 2008 of $23,740,000 on which CoLT pays fixed rates ranging from 4.10% to 4.39%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2018 and 2017, CoLT made settlement payments of approximately $539,100 and $692,600, respectively, under this agreement.

CoLT is exposed to credit losses in the event of non-performance by the counterparties to such interest rate exchange agreements. CoLT anticipates, however, that counterparties will be able to satisfy any obligations under the agreements. CoLT does not obtain collateral or other security to support such derivative financial instruments subject to credit risk, but the trustees monitor the credit standing of the counterparties.

4. Cash and Cash Equivalents: CoLT considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. CoLT typically maintains cash on deposit at banks in excess of federally insured limits. Accordingly, at various times during the years ended June 30, 2018 and 2017, balances were uninsured and uncollateralized.

Note C - Summary of Significant Accounting Policies (Continued)

5. Use of Estimates: The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

6. Subsequent Events: Subsequent events for CoLT have been considered through the date of the Independent Auditor's Report, which represents the date which the consolidated financial statements were available to be issued.

7. Recognition of Premium Revenues: Premiums written are earned ratably over the terms of the policies to which they relate. Premiums written related to the unexpired portion of policies in force at the statement of financial position date are recorded as unearned premiums. There are no unearned premiums at June 30, 2018 and 2017.

8. Reserves for Losses and Loss Adjustment Expenses: The reserves for losses and loss adjustment expenses ("LAE") represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30, 2018 and 2017. CIC does not discount the reserve for losses and LAE. The reserve for losses and LAE is estimated based on actuarial and other assumptions including individual case-basis valuations, past experience, and statistical analysis. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserve for losses and LAE is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. Because of the inherent uncertainties in estimating the reserve for losses and LAE, it is at least reasonably possible that the estimates used will change within the near term and could be material to the financial statements as a whole.

9. Recent Accounting Pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services. This standard will be effective for the fiscal year ending June 30, 2020.

   In May 2015, the FASB issued ASU 2015-09, *Financial Services-Insurance (Topic 944): Disclosures about Short-Duration Contracts*. This guidance requires insurance entities to disclose, for annual reporting periods, incurred and paid claims development information by accident year, after reinsurance, for the number of years for which claims typically remain open. Disclosures should also include quantitative information about claim frequency and a qualitative description of methodologies used for determining claim frequency information. This guidance was effective for CIC for the fiscal year ended June 30, 2018. The adoption of this standard did not have a material impact on the financial position, results of operations, or cash flows of CIC.

   In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the fiscal year ending June 30, 2022.

Note C - Summary of Significant Accounting Policies (Continued)

9. Recent Accounting Pronouncements (Continued):

   In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditor and other users. This guidance includes requirements to disclose liquidity and availability of resources. This standard will be effective for the fiscal year ending June 30, 2019.

   The Trust is currently evaluating this guidance and its related impact on the financial statements.

Note D - 1989 Trust Estate Investments

1. Money Market Funds: As of June 30, 2018 and 2017, $9,216 and $11,438, respectively, of the 1989 Trust Estate is invested in securities of JP Morgan U.S. Treasury Securities Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Cash and Cash Equivalents: As of June 30, 2018 and 2017, $146,253 and $148,082, respectively, of the 1989 Trust Estate is invested in cash and cash equivalents.

Note E - 1993 Trust Estate Investments

1. Assured Return Management Corporation Contract: In connection with the issuance of the 1993 Series A Bonds, CoLT signed an agreement with Assured Return Management Corporation ("ARMC", an affiliate of Lehman Government Securities, Inc.) dated September 1, 1995, to invest $90 million. In July 2005, CoLT redeemed the $90 Million ARMC Contract with the proceeds of the redemption paying down the 1993 bonds (see Note Q).

2. TransAmerica Contracts: The Debt Service Reserve Fund is invested in a guaranteed investment contract ("GIC") with TransAmerica. This GIC was purchased at a discounted price of $8,775,000 on March 10, 1993, has a par value of $10,000,000, bears an interest rate of 6.4% payable semiannually, and has a March 1, 2019 maturity date. Funds may, however, be withdrawn to cure payment defaults under eligible leases or loans or if TransAmerica's S&P credit rating falls below a credit rating of "AA-", unless TransAmerica takes certain actions specified in the contract which would generally secure or guarantee the contract value. At June 30, 2018 and 2017, respectively, the balance in this investment contract is $10,145,757 and $10,194,797, which is net of any unaccreted discounts.

3. LaSalle National Bank: As of June 30, 2017, the Expense Fund balance of $67,886 (which includes accrued interest), is invested in a guaranteed investment contract with LaSalle National Bank bearing interest at 5.18%, payable annually, with a maturity date of February 1, 2018. The trustee may withdraw funds periodically to pay certain administrative and fiduciary fees as outlined in the trust indenture.

4. Money Market Funds: As of June 30, 2018 and 2017, $7,228 and $7,228, respectively, of the 1993 Trust Estate is invested in the Blackrock U.S. Treasury Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

5. Cash and Cash Equivalents: As of June 30, 2018, the Expense Fund balance of $70,584 of the 1993 Trust Estate is invested in cash and cash equivalents.

Note F - 1999 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $12,157 and $13,442, respectively, of the 1999 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note G - 2001 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $15,730 and $16,235, respectively, of the 2001 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note H - 2002 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $82,923 and $80,560, respectively, of the 2002 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note I - 2004 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $272,016 and $279,174, respectively of the 2004 Trust Estate is invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note J - 2007 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $13,212 and $13,470, respectively of the 2007 Trust Estate is invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note K - 2007B Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $62,908 and $290,058, respectively of the 2007B Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note L - 2008 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $56,938 and $63,562, respectively of the 2008 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note M - 2008 A2 Trust Estate Investments

Money Market Funds: As of June 30, 2018 and 2017, $17,904 and $26,800, respectively of the 2008 A2 Trust Estate is invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note N - Leases Receivable

As noted in Note A, CoLT was organized to make funds available for capital improvement projects and equipment purchases by Kentucky county governments and special districts. The future minimum lease payments receivable under these leases as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 9,967,079
2020	8,100,089
2021	8,441,862
2022	8,279,189
2023	8,489,639
Thereafter	64,631,481
	$ 107,909,339

Interest income on leases is recognized using the effective interest method.

Generally, lease payments are subject to annual appropriation. Counties, however, have historically not defaulted or withdrawn from lease agreements. Management believes certain processes and precedents are in place in state government to provide reasonable assurance that the leases will be honored by the counties as non-cancelable lease agreements. Some of the leases are secured by a general obligation pledge.

Note O - Notes Receivable

Notes receivable consist of funds loaned to Kentucky county governments for capital improvement projects and equipment purchases from Program Administration. These notes include interest rates ranging from 3.25% to 3.99%. The future minimum payments receivable under these notes as of June 30, 2018 are as follows:

Year Ended June 30,	Amount
2019	$ 776,850
2020	1,188,761
2021	206,000
2022	9,259
	$ 2,180,870

Note P - Other Investments

These funds principally represent accumulated amounts transferred to Program Administration and amounts held by the Subsidiary.

As of June 30, 2018 and 2017, other investments included investments stated at fair value, as follows:

	2018	2017
Money Market Funds	$ 62,523	$ 72,547
Common Stock	2,930,834	2,844,396
Mutual Funds	747,482	1,199,063
U.S. Government Securities	3,397,108	3,171,407
Corporate Bonds	2,269,063	2,167,877
Municipal Bonds	500,000	500,000
U.S. Government Agency Bonds	38,560	39,687
	$ 9,945,570	$ 9,994,977

Note Q - Bonds Payable

1. 1989 Series: On March 28, 1989, CoLT, through the County of Pendleton, Kentucky, issued $200,000,000 of Money Market Municipal Multi-County Lease Revenue Bonds (the 1989 Bonds) as described in Note A. In May 1993, $95,000,000 of the 1989 Bonds were permanently retired by CoLT. Substantially all assets of the 1989 Trust Estate are pledged to secure repayment of the 1989 Bonds. During 2014, $102,591,999 of the 1989 bonds were permanently retired. Following the retirement, the Fifth Supplemental Trust Indenture was entered into which converted the remaining bonds to Established Fixed Rate Bonds. Chase purchased the Established Fixed Rate bonds. During 2018 and 2017, $305,269 and $626,228 of the bonds were permanently retired, respectively. As of June 30, 2018, $142,255 of bonds are outstanding with maturities and interest rates as follows:

Year Ended June 30,	Interest Rate	Amount
2019	2.75%	$ 142,255

The average interest rates for the years ended June 30, 2018 and 2017 were 3.75% and 0.97%, respectively.

Note Q - Bonds Payable (Continued)

2. 1993 Series: On March 10, 1993, CoLT, through the County of Pendleton, Kentucky, issued $100,000,000 of Multi-County Lease Revenue Bonds ("the 1993 Bonds"), as previously discussed, in two series as follows:

Amount	Interest Rate	Description
$ 90,000,000	6.5%	1993 Series A Bonds - redeemed July 2005
$ 10,000,000	6.4%	1993 Series B Bonds - due March 1, 2019

The 1993 Trust Estate, as defined in the trust indenture, has been pledged to secure repayment of the 1993 Bonds.

The Series A Bonds were redeemed at par value in July 2005.

The Series B Bonds are subject to mandatory redemption under either of the following circumstances:

- On each March 1, in an amount equal to the aggregate principal component of leases due since the prior March 1.
- Termination of a letter of credit consistent with that noted above for the Series A bonds.

3. 1999 Series: On December 14, 1999, CoLT, through the County of Breckinridge, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Weekly Rate Bonds. Weekly Rate Bonds can be converted to Adjustable Rate Bonds or Fixed Rate Bonds. CoLT has the ability to redeem Weekly Rate Bonds on any business day, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the years ended June 30, 2018 and 2017, $276,000 and $262,000, respectively, of the 1999 Bonds were permanently retired by CoLT. Substantially all assets of the 1999 Trust Estate are pledged to secure repayment of the 1999 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.94% and 1.46%, respectively.

4. 2001 Series: On February 8, 2001, CoLT, through the County of Breckinridge, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Weekly Rate Bonds. Weekly Rate Bonds can be converted to Adjustable Rate Bonds or Fixed Rate Bonds. CoLT has the ability to redeem Weekly Rate Bonds on any business day, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the years ended June 30, 2018 and 2017, $583,495 and $600,555, respectively, of the 2001 Bonds were permanently retired by CoLT. Substantially all assets of the 2001 Trust Estate are pledged to secure repayment of the 2001 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 2.00% and 1.54%, respectively.

Note Q - Bonds Payable (Continued)

5. 2002 Series: On January 1, 2002, CoLT, through the County of Breckinridge, Kentucky, issued $100,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the years ended June 30, 2018 and 2017, $992,152 and $1,472,461, respectively, of the 2002 Bonds were permanently retired by CoLT. Substantially all assets of the 2002 Trust Estate are pledged to secure repayment of the 2002 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.96% and 1.52%, respectively.

6. 2004 Series: On September 1, 2004, CoLT, through the County of Shelby, Kentucky, issued $100,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the fiscal years ended June 30, 2018 and 2017, $1,703,356 and $1,937,114, respectively, of the 2004 Bonds were permanently retired by CoLT. Substantially all assets of the 2004 Trust Estate are pledged to secure repayment of the 2004 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.96% and 1.51%, respectively.

7. 2007 Series: On April 1, 2007, CoLT, through the County of Christian, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the fiscal years ended June 30, 2018 and 2017, $1,404,718 and $1,406,690, respectively, of the 2007 Bonds were permanently retired by CoLT. Substantially all assets of the 2007 Trust Estate are pledged to secure repayment of the 2007 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.85% and 1.40%, respectively.

8. 2007B Series: On August 1, 2007, CoLT, through the County of Christian, Kentucky, issued $70,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the years ended June 30, 2018 and 2017, $2,211,849 and $1,430,235, respectively, of the 2007B Bonds were permanently retired by CoLT. Substantially all assets of the 2007B Trust Estate are pledged to secure repayment of the 2007B Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.84% and 1.39%, respectively.

Note Q - Bonds Payable (Continued)

9. 2008 Series: On June 1, 2008, CoLT, through the County of Christian, Kentucky, issued $30,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the years ended June 30, 2018 and 2017, $1,262,856 and $2,033,887, respectively, of the 2008 Bonds were permanently retired by CoLT. Substantially all assets of the 2008 Trust Estate are pledged to secure repayment of the 2008 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.99% and 1.52%, respectively.

10. 2008 A2 Series: On December 1, 2008, CoLT, through the County of Trimble, Kentucky, issued $75,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any June 1 or December 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds. During the years ended June 30, 2018 and 2017 $2,184,378 and $3,971,879, respectively, of the 2008 A2 Bonds were permanently retired by CoLT. Substantially all assets of the 2008 A2 Trust Estate are pledged to secure repayment of the 2008 A2 Bonds. The average interest rates for the years ended June 30, 2018 and 2017 were 1.83% and 1.35%, respectively.

    Debt issuance costs are being amortized using the effective interest method over the terms of the related bonds. Amortization for the years ended June 30, 2018 and 2017 was $51,109 and $60,870, respectively, and is included in interest expense in the accompanying consolidated statements of activities during the years ended June 30, 2018 and 2017, respectively. Debt issuance costs are netted against bonds payable in the consolidated statements of financial position in accordance with the amended guidance in ASC 250, which was adopted retrospectively by CoLT in fiscal year 2017. As of June 30, 2018 and 2017 the unamortized balance of debt issuance costs was $522,710 and $573,819, respectively.

Note R - Fair Value of Financial Instruments

The FASB issued a standard under the ASC which defines fair value and provides a framework for measuring fair value, and expands disclosures required for fair value measurements. The ASC also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels.

These levels, in order of highest to lowest priority, are described below:

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

Note R - Fair Value of Financial Instruments (Continued0

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments. The following is a description of the valuation methodologies used for assets measured at fair value:

<u>Short-term and Variable Rate Financial Instruments</u> - Many of CoLT's financial instruments have short-term maturities or have interest rates which vary in the short-term. These include cash investments (except for fixed rate investment contracts), accrued interest receivable and payable, accrued expenses, and the Bonds. The fair values of such instruments approximate the respective carrying values. The fair value of the Bonds, together with the related swap contracts and leases, approximate the carrying value of these financial instruments.

<u>Fixed Rate Investment Contracts and Related Financing</u> - These arrangements included in Note E were negotiated and entered into in connection with specific financing transactions. Due to the uniqueness of these arrangements, the lack of transferability and the fact that the principal amount invested, in most cases, fluctuates over the term of the agreement, no market values are available. However, in management's opinion, the credit risk related to these agreements has not changed. Furthermore, the stated interest rates, terms and principal amounts on the financing obligations and related investment agreements have generally been correlated in such a way that changes in market interest rates should not have a material net impact on values.

<u>Other Investments</u> - The investments and instruments discussed in Note P are recorded at fair value based on quoted market prices or values provided by brokerage firms based upon cash flow models.

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2018:

	Level 1	Level 2	Total
Assets			
Cash Equivalents/Money Market	$ 1,947,965	$ -	$ 1,947,965
Fixed Rate Investment Contracts	-	11,621,344	11,621,344
Other Investments	4,279,399	5,666,171	9,945,570
	$ 6,227,364	$ 17,287,515	$ 23,514,879

	Level 1	Level 2	Total
Liabilities			
Interest Rate Exchanges	$ -	$ 8,906,263	$ 8,906,263

Note R - Fair Value of Financial Instruments (Continued)

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2017:

	Level 1	Level 2	Total
Assets			
Cash Equivalents/Money Market	$ 1,866,074	$ -	$ 1,866,074
Fixed Rate Investment Contracts	-	11,768,256	11,768,256
Certificates of Deposit	4,155,693	5,839,284	9,994,977
Other Investments			
	$ 6,021,767	$ 17,607,540	$ 23,629,307

	Level 1	Level 2	Total
Liabilities			
Interest Rate Exchanges	$ -	$ 13,343,837	$ 13,343,837

Note S - Tax Status

The trust agreements state that all funds held are considered to be property of the public agencies participating in the Trusts. The Trusts intend to be instruments of the participating public agencies and only execute essential government functions. The income of the Trusts accrues to the benefit of the participating public agencies. As such, the income of the Leasing Trust is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements related to the Trusts.

Further, under a "Special Section" of the Tax Reform Act of 1986, including technical corrections, CoLT and 12 other similar entities are allowed to retain investment income in excess of tax-exempt interest expense (known as "arbitrage") under certain circumstances, as provided in title trust documents, for use at CoLT's discretion (the Credit Facility Agreement limits such use to circumstances under which "Parity" exists). This Special Section relates to the 1989 Trust Estate only. The other CoLT Bonds are exempt from this Special Section.

The 1999, 2001, 2002, 2004, 2007, 2007B, 2008 and 2008 A2 Bonds are subject to the arbitrage rebate regulations included in the Internal Revenue Code. These regulations require arbitrage earnings be rebated to the United States to prevent a bond issuance from being classified as arbitrage bonds. The regulations include certain exceptions to the rebate payments. There are no accrued arbitrage rebates recorded at June 30, 2018 and 2017.

The Subsidiary, for federal income tax purposes, is classified as an insurance company, other than a life insurance company, as described under Internal Revenue Code Section 831. The Subsidiary also qualifies under Code Section 834 for an alternative income tax calculation available to certain electing small insurance companies which have net premium income not exceeding $2,200,000. Under this election, the Subsidiary is taxed only on its net investment income. The Subsidiary is exempt from Kentucky corporate income taxes. Total income tax expense for the years ended June 30, 2018 and 2017 was $76,897 and $59,630, respectively. The Subsidiary's deferred tax for the years ended June 30, 2018 and 2017 are $23,000 and $74,000, respectively, resulting from unrealized gains on investments.

Note S - Tax Status (Continued)

The FASB issued standards, contained in the ASC, clarifying the accounting for uncertainty in income taxes recognized in annual financial statements. These standards require recognition and measurement of uncertain income tax position using a "more-likely-than-not" approach. The standards also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. CoLT determined that no material adjustment for tax exposures or unrecognized tax benefits was required under the recognition and measurement and disclosure guidance of the standard as of June 30, 2018 and 2017.

Note T - Concentrations

At June 30, 2018, there are leases receivable outstanding of approximately $44,220,000 from two counties which represents approximately 41% of leases receivable. At June 30, 2017, there are leases receivable outstanding of approximately $46,870,000 from two counties which represents approximately 40% of leases receivable.

Note U - Related-party Transactions

As discussed in Note A, CoLT and the Trusts are sponsored by KACo. From time to time in the ordinary course of business, CoLT enters into transactions with KACo affiliates. Members of CoLT's Board are also members of this organization.

For each of the years ended June 30, 2018 and 2017, CoLT paid $2,000 to KACo for licensing fees.

As noted in Note B2, KACo collects management fees from CoLT for providing services necessary for the orderly and proper administration of CoLT. For the years ended June 30, 2018 and 2017, CoLT paid $665,000 and $749,287, respectively, to KACo for management fees.

In the fiscal years ended June 30, 2018 and 2017, CoLT entered into agreements with KACo (see Note B, Administrative Services), in which CoLT pays a quarterly fee to cover all program administration costs paid by KACo. Cash paid to KACo was $1,097,817 and $1,044,576 for the fiscal years ended June 30, 2018 and 2017, respectively. The related expense was $1,090,817 and $1,039,905 for the years ended June 30, 2018 and 2017, respectively. Under the agreement, differences between amounts incurred by CoLT and paid by KACo and the quarterly fee will be "trued up" after year end. As of June 30, 2018 and 2017, CoLT has recorded a receivable of $113,131 and $105,734, respectively, related to the "true-up".

During the fiscal year ended June 30, 2009, CoLT loaned $12,000,000 to KACo from the 2008 trust estate to construct a new building. As of June 30, 2018 and 2017, CoLT has $191,573 and $999,454, respectively, recorded as a lease receivable from KACo. Accrued interest rebates due to KACo of $7,763 and $29,104 as of June 30, 2018 and 2017, respectively, are recorded in other accrued expenses on the consolidated statements of financial position.

As of June 30, 2018 and 2017, CoLT owns a KACO Finance Corporation revenue bond for $500,000 which was purchased with funds held in the Program Administration Fund (see Note A). The investment is included in other investments in the accompanying consolidated financial statements.

As of June 30, 2018 and 2017, the Subsidiary is in compliance with its minimum capital and surplus requirements, as set forth by the applicable insurance regulatory authorities. The minimum capital and surplus required to be maintained is $250,000.

The maximum amount of dividends that may be paid by insurance companies without prior approval of regulators is subject to restrictions relating to statutory surplus and net income. The Subsidiary did not declare dividends in 2018 and 2017.

Supplementary Information

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Financial Position
June 30, 2018

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-Wealth Ins.	Eliminations	Total
Assets														
Cash and cash equivalents	$ 1,349,333	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 381,795	$ -	$ 1,731,128
Trust estate investments														
Cash and cash equivalents	-	146,253	70,584	-	-	-	-	-	-	-	-	-	-	216,837
Investment contracts	-	-	10,145,757	-	-	-	-	-	-	-	-	-	-	10,145,757
U.S. government money market funds	-	9,216	7,228	12,157	15,730	82,923	272,016	13,212	62,908	56,938	17,904	-	-	550,232
Program escrow fund	9,216	-	-	(87,665)	(37,404)	55,735	166,757	(1,330)	(96,400)	(80,164)	996,610	-	-	925,355
Leases receivable	-	148,543	-	2,380,000	4,070,629	5,054,830	19,074,716	16,688,542	26,107,606	6,722,998	27,661,475	-	-	107,909,339
Leases receivable - unrealized appreciation in fair value	-	-	-	255,382	511,770	228,873	1,694,012	1,414,017	2,560,472	793,205	1,448,532	-	-	8,906,263
Other receivables	96,886	-	-	-	-	-	-	-	-	-	-	-	-	96,886
Intercompany receivables	-	-	-	-	-	-	-	-	3,658	-	-	-	(3,658)	-
Due from affiliate	160,074	-	-	-	-	-	-	-	-	-	-	14,405	(29,680)	144,799
Notes receivable, net	2,180,870	-	-	-	-	-	-	-	-	-	-	-	-	2,180,870
Other investments	3,818,002	-	-	-	-	-	-	-	-	-	-	7,627,568	(1,500,000)	9,945,570
Accrued interest receivable	-	-	53,191	-	-	-	-	-	-	-	-	32,494	-	85,685
Other assets	-	6,116	-	-	-	-	25,448	33,403	49,796	13,058	39,385	1,163	-	168,369
Total Assets	$ 7,614,381	$ 310,128	$ 10,276,760	$ 2,559,874	$ 4,560,725	$ 5,422,361	$ 21,232,949	$ 18,147,844	$ 28,688,040	$ 7,506,035	$ 30,163,906	$ 8,057,425	$ (1,533,338)	$ 143,007,090
Liabilities and Net Assets														
Liabilities														
Accrued interest payable	$ -	$ 3,000	$ 213,320	$ 4,437	$ 7,093	$ 8,914	$ 33,541	$ 27,545	$ 42,447	$ 11,781	$ 44,577	$ -	$ -	$ 396,655
Interest rate exchanges	-	-	-	255,382	511,770	228,873	1,694,012	1,414,017	2,560,472	793,205	1,448,532	-	-	8,906,263
Other accrued expenses	5,115	5,367	-	1,422	2,662	36,024	148,494	51,283	34,551	15,013	358,067	545,274	(33,338)	1,169,934
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	23,000	-	23,000
Bonds payable	-	142,255	9,979,181	2,338,483	4,020,285	5,074,059	19,166,755	16,650,608	26,067,470	6,678,530	27,610,032	-	-	117,727,658
Total Liabilities	5,115	150,622	10,192,501	2,599,724	4,541,810	5,347,870	21,042,802	18,143,453	28,704,940	7,498,529	29,461,208	568,274	(33,338)	128,223,510
Commitments and Contingencies														
Common Stock	-	-	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net Assets, Unrestricted/ Retained Earnings	7,609,266	159,506	84,259	(39,850)	18,915	74,491	190,147	4,391	(16,900)	7,506	702,698	5,989,151	-	14,783,580
Total Net Assets/ Retained Earnings	7,609,266	159,506	84,259	(39,850)	18,915	74,491	190,147	4,391	(16,900)	7,506	702,698	7,489,151	(1,500,000)	14,783,580
Total Liabilities and Net Assets	$ 7,614,381	$ 310,128	$ 10,276,760	$ 2,559,874	$ 4,560,725	$ 5,422,361	$ 21,232,949	$ 18,147,844	$ 28,688,040	$ 7,506,035	$ 30,163,906	$ 8,057,425	$ (1,533,338)	$ 143,007,090

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Financial Position
June 30, 2017

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-wealth Ins.	Eliminations	Total
Assets														
Cash and cash equivalents	$ 1,221,853	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 496,139	$ -	$ 1,717,992
Trust estate investments														
Cash and cash equivalents	-	148,082	-	-	-	-	-	-	-	-	-	-	-	148,082
Investment contracts	-	-	10,194,797	-	-	-	-	-	-	-	-	-	-	10,194,797
U.S. government money market funds	-	11,438	7,228	13,442	16,235	80,560	279,174	13,470	290,058	63,562	26,800	-	-	801,967
Program escrow fund	9,154	-	-	(65,999)	(17,169)	23,328	137,595	(5,083)	(98,693)	(47,008)	835,367	-	-	771,492
Leases receivable	-	451,307	-	2,642,829	4,654,311	6,047,758	20,778,414	18,093,897	28,084,448	7,984,711	29,836,585	-	-	118,574,260
Leases receivable - unrealized appreciation in fair value	-	-	-	389,203	735,799	351,068	2,475,407	2,115,594	3,739,828	1,120,285	2,416,653	-	-	13,343,837
Other receivables	101,926	-	-	-	-	-	-	-	-	-	-	-	-	101,926
Intercompany receivables	-	-	-	-	-	-	-	-	3,658	-	-	-	(3,658)	-
Due from affiliate	116,703	-	-	-	-	-	-	-	-	-	-	22,287	(33,256)	105,734
Notes receivable, net	2,227,178	-	-	-	-	-	-	-	-	-	-	-	-	2,227,178
Other investments	4,421,610	-	-	-	-	-	-	-	-	-	-	7,073,367	(1,500,000)	9,994,977
Accrued interest receivable	-	-	53,471	-	-	-	-	-	-	-	-	20,200	-	73,671
Other assets	-	6,108	6,111	-	-	-	31,895	42,341	61,971	16,102	51,896	1,630	(6,108)	211,946
Total Assets	$ 8,098,424	$ 616,935	$ 10,261,607	$ 2,979,475	$ 5,389,176	$ 6,502,714	$ 23,702,485	$ 20,260,219	$ 32,081,270	$ 9,137,652	$ 33,167,301	$ 7,613,623	$ (1,543,022)	$ 158,267,859
Liabilities and Net Assets														
Liabilities														
Accrued interest payable	$ -	$ 3,000	$ 213,324	$ 3,608	$ 6,327	$ 8,302	$ 28,480	$ 22,923	$ 35,438	$ 10,907	$ 36,600	$ -	$ -	$ 368,909
Interest rate exchanges	-	-	-	389,203	735,799	351,068	2,475,407	2,115,594	3,739,828	1,120,285	2,416,653	-	-	13,343,837
Other accrued expenses	20,618	5,367	-	1,487	2,624	15,329	123,068	43,797	19,038	37,529	349,329	613,588	(43,022)	1,188,752
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	74,000	-	74,000
Bonds payable	-	447,524	9,979,181	2,606,662	4,597,936	6,051,958	20,862,842	18,049,372	28,275,782	7,940,524	29,789,841	-	-	128,601,622
Total Liabilities	20,618	455,891	10,192,505	3,000,960	5,342,686	6,426,657	23,489,797	20,231,686	32,070,086	9,109,245	32,592,423	687,588	(43,022)	143,577,120
Commitments and Contingencies														
Common Stock	-	-	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net Assets, Unrestricted/ Retained Earnings	8,077,806	161,044	69,102	(21,485)	46,490	76,057	212,688	28,533	11,184	28,407	574,878	5,426,035	-	14,690,739
Total Net Assets/ Retained Earnings	8,077,806	161,044	69,102	(21,485)	46,490	76,057	212,688	28,533	11,184	28,407	574,878	6,926,035	(1,500,000)	14,690,739
Total Liabilities and Net Assets	$ 8,098,424	$ 616,935	$ 10,261,607	$ 2,979,475	$ 5,389,176	$ 6,502,714	$ 23,702,485	$ 20,260,219	$ 32,081,270	$ 9,137,652	$ 33,167,301	$ 7,613,623	$ (1,543,022)	$ 158,267,859

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-wealth Ins.	Elim-inations	Total
Revenues														
Investment income	$ 68,572	$ -	$ 661,265	$ 164	$ 310	$ 405	$ 729	$ 641	$ 1,226	$ 567	$ 3,889	$ 189,294	$ -	$ 927,062
Interest income from leases receivable	111,683	12,502	-	159,008	250,780	292,943	990,703	823,878	1,266,695	343,958	1,334,533	-	-	5,586,683
Premium income	-	-	-	-	-	-	-	-	-	-	-	950,000	-	950,000
Credit, administrative and fiduciary fees	959,092	-	-	-	-	-	-	-	-	-	-	-	(382,930)	576,162
Down payment assistance	76,119	-	-	-	-	-	-	-	-	-	-	-	-	76,119
Miscellaneous income	7,793	-	-	-	-	-	-	-	-	-	-	-	-	7,793
Net realized and unrealized gains on investments	188,264	-	-	-	-	-	-	-	-	-	-	72,684	-	260,948
Total Revenues	1,411,523	12,502	661,265	159,172	251,090	293,348	991,432	824,519	1,267,921	344,525	1,338,422	1,211,978	(382,930)	8,384,767
Expenses														
Interest	-	11,049	639,858	160,409	251,806	209,846	874,369	772,780	1,162,813	319,059	1,069,294	-	-	5,471,283
Administrative and other fees	1,649,665	-	-	6,728	13,663	37,860	78,632	45,432	94,349	22,801	81,525	465,161	(382,930)	2,112,886
Legal fees	121,446	-	-	-	-	-	-	-	-	-	-	-	-	121,446
Trustee fees	107,952	2,991	6,250	10,400	12,400	14,117	17,123	12,933	12,567	11,233	11,450	-	-	219,416
Sponsoring agency fees	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Lease rebates	-	-	-	-	796	33,091	43,849	17,516	26,276	11,404	48,333	-	-	181,265
Miscellaneous expense	-	-	-	-	-	-	-	-	-	929	-	-	-	929
Claims expense	-	-	-	-	-	-	-	-	-	-	-	106,804	-	106,804
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	76,897	-	76,897
Total Expenses	1,880,063	14,040	646,108	177,537	278,665	294,914	1,013,973	848,661	1,296,005	365,426	1,210,602	648,862	(382,930)	8,291,926
Changes in Net Assets	(468,540)	(1,538)	15,157	(18,365)	(27,575)	(1,566)	(22,541)	(24,142)	(28,084)	(20,901)	127,820	563,116	-	92,841
Net Assets (Deficit) at Beginning of Year	8,077,806	161,044	69,102	(21,485)	46,490	76,057	212,688	28,533	11,184	28,407	574,878	6,926,035	(1,500,000)	14,690,739
Net Assets (Deficit) at End of Year	$ 7,609,266	$ 159,506	$ 84,259	$ (39,850)	$ 18,915	$ 74,491	$ 190,147	$ 4,391	$ (16,900)	$ 7,506	$ 702,698	$ 7,489,151	$ (1,500,000)	$ 14,783,580

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-wealth Ins.	Elim-inations	Total
Revenues														
Investment income	$ 69,293	$ -	$ 664,530	$ 17	$ 56	$ 96	$ 142	$ 145	$ 153	$ 156	$ 251	$ 153,099	$ -	$ 887,938
Interest Income from Lease Receivable	85,655	17,065	-	149,346	282,147	299,319	1,032,347	864,121	1,218,254	382,587	1,394,621	-	-	5,725,462
Premium income	-	-	-	-	-	-	-	-	-	-	-	950,000	-	950,000
Credit, administrative and fiduciary fees	901,646	-	-	-	-	-	-	-	-	-	-	-	(427,287)	474,359
Down payment assistance	41,712	-		-	-	-	-	-	-	-	-	-	-	41,712
Miscellaneous income	13,702	-	333,200	-	-	-	-	-	-	-	-	-	(333,200)	13,702
Net realized and unrealized gains on investments	253,348	-	-	-	-	-	-	-	-	-	-	104,920	-	358,268
Total Revenues	1,365,356	17,065	997,730	149,363	282,203	299,415	1,032,489	864,266	1,218,407	382,743	1,394,872	1,208,019	(760,487)	8,451,441
Expenses														
Interest	-	7,389	639,996	168,201	287,633	227,137	928,292	820,804	1,215,221	359,000	1,130,228	-	-	5,783,901
Administrative and other fees	1,599,653	-	-	7,498	15,675	47,899	86,106	48,890	104,113	25,022	92,084	440,196	(427,287)	2,039,849
Legal fees	182,139	-	-	-	-	-	-	-	-	-	-	-	-	182,139
Trustee fees	80,977	1,566	20,000	10,067	12,917	14,517	18,783	13,867	12,950	11,400	12,048	-	-	209,092
Sponsoring agency fees	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Lease rebates	-	-	-	-	651	11,750	12,186	7,573	9,554	34,564	17,411	-	-	93,689
Miscellaneous expense	333,200	-	-	-	-	-	-	-		-	-	-	(333,200)	-
Claims expense	-	-	-	-	-	-	-	-	-	-	-	(5,000)	-	(5,000)
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	59,630	-	59,630
Total Expenses	2,196,969	8,955	659,996	185,766	316,876	301,303	1,045,367	891,134	1,341,838	429,986	1,251,771	494,826	(760,487)	8,364,300
Changes in Net Assets	(831,613)	8,110	337,734	(36,403)	(34,673)	(1,888)	(12,878)	(26,868)	(123,431)	(47,243)	143,101	713,193	-	87,141
Net Assets (Deficit) at Beginning of Year	8,909,419	152,934	(268,632)	14,918	81,163	77,945	225,566	55,401	134,615	75,650	431,777	6,212,842	(1,500,000)	14,603,598
Net Assets (Deficit) at End of Year	$ 8,077,806	$ 161,044	$ 69,102	$ (21,485)	$ 46,490	$ 76,057	$ 212,688	$ 28,533	$ 11,184	$ 28,407	$ 574,878	$ 6,926,035	$ (1,500,000)	$ 14,690,739

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Cash Flows
Year Ended June 30, 2018

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-wealth Ins.	Eliminations	Total
Cash Flows from Operating Activities														
Changes in Net Assets	$ (468,540)	$ (1,538)	$ 15,157	$ (18,365)	$ (27,575)	$ (1,566)	$ (22,541)	$ (24,142)	$ (28,084)	$ (20,901)	$ 127,820	$ 563,116	$ -	$ 92,841
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:														
Amortization of debt issuance costs	-	-	-	7,821	5,844	14,253	8,269	5,954	3,537	862	4,569	-	-	51,109
Net realized and unrealized gains on other investments	(188,264)	-	-	-	-	-	-	-	-	-	-	(72,684)	-	(260,948)
Changes in:														
Other receivables	5,040	-	-	-	-	-	-	-	-	-	-	-	-	5,040
Intercompany receivable/payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivable from affiliate, net	(43,371)	-	-	-	-	-	-	-	-	-	-	7,882	(3,577)	(39,066)
Accrued interest receivable	-	-	280	-	-	-	-	-	-	-	51,896	(12,294)	-	39,882
Other assets	-	(8)	6,111	-	-	-	6,447	8,938	12,175	3,044	(39,385)	467	8	(2,203)
Accrued interest payable	-	-	(4)	829	766	612	5,061	4,622	7,009	874	7,977	-	-	27,746
Other accrued expenses	(15,503)	-	-	(65)	38	20,695	25,426	7,486	15,513	(22,516)	8,738	(68,314)	3,569	(24,933)
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	(51,000)	-	(51,000)
Net Cash (Used) Provided by Operating Activities	(710,638)	(1,546)	21,544	(9,780)	(20,927)	33,994	22,662	2,858	10,150	(38,637)	161,615	367,173	-	(161,532)
Cash Flows from Investing Activities														
Net proceeds from (purchases of) trust estate investments	(62)	4,051	(21,544)	22,951	20,740	(34,770)	(22,004)	(3,495)	224,857	39,780	(152,347)	-	-	78,157
Lease repayments	-	302,764	-	262,829	583,682	992,928	1,703,698	1,405,355	1,976,842	1,261,713	2,175,110	-	-	10,664,921
Net proceeds from (purchases of) other investments	791,872	-	-	-	-	-	-	-	-	-	-	(481,517)	-	310,355
Principal repayments on notes receivable	3,657,025	-	-	-	-	-	-	-	-	-	-	-	-	3,657,025
Issuance of notes receivable	(3,610,717)	-	-	-	-	-	-	-	-	-	-	-	-	(3,610,717)
Net Cash Provided (Used) by Investing Activities	838,118	306,815	(21,544)	285,780	604,422	958,158	1,681,694	1,401,860	2,201,699	1,301,493	2,022,763	(481,517)	-	11,099,741
Cash Flows from Financing Activities														
Payments on bonds	-	(305,269)	-	(276,000)	(583,495)	(992,152)	(1,704,356)	(1,404,718)	(2,211,849)	(1,262,856)	(2,184,378)	-	-	(10,925,073)
Net Cash Used by Financing Activities	-	(305,269)	-	(276,000)	(583,495)	(992,152)	(1,704,356)	(1,404,718)	(2,211,849)	(1,262,856)	(2,184,378)	-	-	(10,925,073)
Increase (Decrease) in Cash and Cash Equivalents	127,480	-	-	-	-	-	-	-	-	-	-	(114,344)	-	13,136
Cash and Cash Equivalents at Beginning of Year	1,221,853	-	-	-	-	-	-	-	-	-	-	496,139	-	1,717,992
Cash and Cash Equivalents at End of Year	$ 1,349,333	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 381,795	$ -	$ 1,731,128

See independent auditor's report.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidating Statement of Cash Flows
Year Ended June 30, 2017

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-wealth Ins.	Eliminations	Total
Cash Flows from Operating Activities														
Changes in Net Assets	$ (831,613)	$ 8,110	$ 337,734	$ (36,403)	$ (34,673)	$ (1,888)	$ (12,878)	$ (26,868)	$ (123,431)	$ (47,243)	$ 143,101	$ 713,193	$ -	$ 87,141
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:														
Amortization of debt issuance costs	-	-	-	-	11,871	9,766	10,357	2,804	4,945	13,290	7,837	-	-	60,870
Net realized and unrealized gains on other investments	(253,348)	-	-	-	-	-	-	-	-	-	-	(104,920)	-	(358,268)
Changes in:														
Other receivables	(11,489)	-	-	-	-	-	-	-	-	-	-	-	-	(11,489)
Receivable from affiliate, net	334,482	-	-	-	-	-	-	-	-	-	-	(894)	(5,059)	328,529
Accrued interest receivable	-	-	(471)	-	-	-	-	-	-	-	(51,896)	(4,300)	-	(56,667)
Other assets	-	3	5,139	-	-	-	(31,895)	(42,341)	(61,971)	(16,102)	-	13,262	(3)	(133,908)
Accrued interest payable	-	-	(4)	527	921	501	4,918	4,648	7,960	555	6,008	-	-	26,034
Other accrued expenses	867	-	(333,200)	(61)	(3,298)	(42,475)	(55,384)	(27,562)	(33,552)	(50,971)	(103,013)	18,588	5,062	(624,999)
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	2,000	-	2,000
Net Cash (Used) Provided by Operating Activities	(761,101)	8,113	9,198	(35,937)	(25,179)	(34,096)	(84,882)	(89,319)	(206,049)	(100,471)	2,037	636,929	-	(680,757)
Cash Flows from Investing Activities														
Net proceeds from (purchases of) trust estate investments	-	10,048	(9,198)	22,766	29,007	32,879	89,058	84,834	(33,972)	216,352	37,234	-	-	479,008
Lease repayments	-	608,067	-	275,171	596,727	1,473,678	1,932,938	1,411,174	1,670,256	1,918,006	3,932,608	-	-	13,818,625
Net proceeds from (purchases of) other investments	356,792	-	-	-	-	-	-	-	-	-	-	(1,265,573)	-	(908,781)
Principal repayments on notes receivable	3,120,818	-	-	-	-	-	-	-	-	-	-	-	-	3,120,818
Issuance of notes receivable	(3,190,841)	-	-	-	-	-	-	-	-	-	-	-	-	(3,190,841)
Net Cash Provided (Used) by Investing Activities	286,769	618,115	(9,198)	297,937	625,734	1,506,557	2,021,996	1,496,008	1,636,284	2,134,358	3,969,842	(1,265,573)	-	13,318,829
Cash Flows from Financing Activities														
Payments on bonds	-	(626,228)	-	(262,000)	(600,555)	(1,472,461)	(1,937,114)	(1,406,689)	(1,430,235)	(2,033,887)	(3,971,879)	-	-	(13,741,048)
Net Cash Used by Financing Activities	-	(626,228)	-	(262,000)	(600,555)	(1,472,461)	(1,937,114)	(1,406,689)	(1,430,235)	(2,033,887)	(3,971,879)	-	-	(13,741,048)
Decrease in Cash and Cash Equivalents	(474,332)	-	-	-	-	-	-	-	-	-	-	(628,644)	-	(1,102,976)
Cash and Cash Equivalents at Beginning of Year	1,696,185	-	-	-	-	-	-	-	-	-	-	1,124,783	-	2,820,968
Cash and Cash Equivalents at End of Year	$ 1,221,853	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 496,139	$ -	$ 1,717,992

See independent auditor's report.