

**Kentucky Association of Counties Leasing Trust
and Subsidiary**

Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

**Kentucky Association of Counties Leasing Trust
and Subsidiary
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Years Ended June 30, 2020 and 2019**

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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, 2020 and 2019, 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 Consolidated 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 \$7,819,803 and \$7,026,259 as of June 30, 2020 and 2019, respectively, and total revenues of \$1,270,913 and \$1,481,817 for the years ended June 30, 2020 and 2019, 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.

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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, 2020 and 2019, 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, 2020 and 2019, the consolidating statements of activities and changes in net assets for the years ended June 30, 2020 and 2019, and the consolidating statements of cash flows for the years ended June 30, 2020 and 2019, 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
September 24, 2020

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidated Statements of Financial Position
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 2,528,329	\$ 2,120,718
Trust estate investments	1,456,895	2,918,820
Leases receivable	82,781,326	92,071,152
Leases receivable - unrealized appreciation in fair value	15,139,154	12,268,597
Other receivables	337,693	99,653
Due from affiliate	192,803	99,082
Notes receivable, net	2,665,856	3,149,857
Other investments	9,048,248	8,945,416
Accrued interest receivable	23,539	29,530
Other assets	<u>14,175</u>	<u>20,550</u>
Total assets	<u>\$ 114,188,018</u>	<u>\$ 121,723,375</u>
Liabilities and net assets		
Liabilities		
Accrued interest payable	\$ 54,016	\$ 182,530
Interest rate exchanges	15,139,154	12,268,597
Other accrued expenses	915,216	954,117
Deferred income taxes	85,000	69,000
Bonds payable, net	<u>82,709,780</u>	<u>93,384,103</u>
Total liabilities	98,903,166	106,858,347
Net assets, unrestricted/retained earnings	<u>15,284,852</u>	<u>14,865,028</u>
Total liabilities and net assets	<u>\$ 114,188,018</u>	<u>\$ 121,723,375</u>

See accompanying notes.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Investment income	\$ 267,275	\$ 737,370
Income from leases receivable	4,459,866	5,151,476
Premium income	950,000	950,000
Credit, administrative and fiduciary fees	853,463	606,116
Down payment assistance	2,443	25,942
Miscellaneous income	11,943	15,825
Net realized and unrealized gains on other investments	<u>187,961</u>	<u>290,195</u>
Total revenues	6,732,951	7,776,924
Expenses		
Interest	3,821,728	4,844,167
Administrative and other fees	1,983,472	2,108,108
Legal fees	151,265	376,133
Trustee fees	237,315	227,039
Sponsoring agency fees	1,000	1,000
Lease rebates	22,108	60,175
Miscellaneous expense	1,030	7,420
Claims expense and change in estimated liability for future claims	30,000	(33,891)
Provision for income taxes	<u>65,209</u>	<u>105,325</u>
Total expenses	<u>6,313,127</u>	<u>7,695,476</u>
Changes in net assets	419,824	81,448
Net assets at beginning of year	<u>14,865,028</u>	<u>14,783,580</u>
Net assets at end of year	<u>\$ 15,284,852</u>	<u>\$ 14,865,028</u>

See accompanying notes.

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ 419,824	\$ 81,448
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Amortization of debt issuance costs	56,355	111,525
Net realized and unrealized gains on other investments	(187,961)	(290,194)
Changes in		
Other receivables	(238,040)	(2,767)
Receivable from affiliate, net	(106,245)	29,136
Accrued interest receivable	5,991	56,155
Other assets	18,898	164,400
Accrued interest payable	(128,514)	(214,125)
Other accrued expenses	(38,900)	(215,817)
Deferred income taxes	16,000	46,000
	<u>(182,592)</u>	<u>(234,239)</u>
Net cash used in operating activities	(182,592)	(234,239)
Cash flows from investing activities		
Net proceeds from trust estate investments	1,461,925	8,919,361
Lease repayments	9,289,826	15,838,187
Net proceeds from other investments	85,129	1,290,348
Principal repayments on notes receivable	3,206,061	1,206,875
Issuance of notes receivable	<u>(2,722,060)</u>	<u>(2,175,862)</u>
Net cash provided by investing activities	11,320,881	25,078,909
Cash flows from financing activities		
Payments on bonds	<u>(10,730,678)</u>	<u>(24,455,080)</u>
Net cash used in financing activities	<u>(10,730,678)</u>	<u>(24,455,080)</u>
Increase in cash and cash equivalents	407,611	389,590
Cash and cash equivalents at beginning of year	<u>2,120,718</u>	<u>1,731,128</u>
Cash and cash equivalents at end of year	<u>\$ 2,528,329</u>	<u>\$ 2,120,718</u>
Supplemental disclosure		
Cash paid for interest	\$ 3,950,242	\$ 5,058,292
Non-cash investing and financing activities		
Change in fair value of lease receivables and related interest rate exchanges	2,870,557	3,362,334

See accompanying notes.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements
Years Ended June 30, 2020 and 2019

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 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 were 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

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019**

Note A - Nature of Organization and Operations (Continued)

3. Basis of Presentation: The accompanying 2019 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. The accompanying 2020 consolidated financial statements present the combined financial position, activities and changes in net assets and cash flows for the 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Trust Estates, the Subsidiary, and Program Administration. The 1989 and 1993 Trust Estates were terminated in March 2019. Common costs are paid from discretionary funds provided by the Trust Estates as follows:

	<u>2020</u>	<u>2019</u>
1989 Series	\$ -	\$ 5,115
1993 Series	-	30,000
1999 Series	5,069	5,920
2001 Series	8,852	10,342
2002 Series	7,991	13,428
2004 Series	43,736	57,480
2007 Series	39,553	43,550
2007B Series	63,601	71,482
2008 Series	16,778	18,097
2008 A2 Series	<u>60,072</u>	<u>77,715</u>
	<u>\$ 245,652</u>	<u>\$ 333,129</u>

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.

4. Distributions on Termination: Upon ultimate termination of the 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 transferred to Program Administration.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note B - Contractual Agreements

1. Administrative Services: During fiscal year 2020, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2019 and expired June 30, 2020. 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, 2020.

During fiscal year 2019, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2018 and expired June 30, 2019.

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 acted as trustee for the 1989 Trust Estate and, as such, held investments, received payments of interest and principal on leases and loans, conducted other transactions as directed by CoLT, and maintained appropriate books and records to account for all funds established under the trust indenture. In return for the trustee's services, CoLT paid 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. This arrangement concluded during the year ended June 30, 2019 as the trust terminated.

1993 Trust Indenture: Under terms of a separate trust indenture dated February 1993, Bank of New York Mellon acted as trustee, paying agent and registrar for the 1993 Trust Estate and, as such, held investments, received payments of interest and principal on leases and loans, wrote checks on the 1993 Trust Estate to pay interest and principal as it became due on the 1993 Bonds, and maintained appropriate books and records to account for all funds established under the trust indenture. In return for these services, the trustee was paid an annual fee of \$15,000, plus other fees based on services provided. This arrangement concluded during the year ended June 30, 2019 as the trust terminated.

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.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

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: Compass Municipal Advisors, LLC ("CMA") performs certain financial computations pertaining to lease terms and payments. Fees paid to CMA are included in administrative fees in the accompanying consolidated statements of activities and changes in net assets.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note C - Summary of Significant Accounting Policies

1. 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, 2020 and 2019, the balance of the program escrow fund is \$925,699 and \$839,312, respectively and is included as a component of trust estate investments on the consolidated statements of financial position.
2. 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 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, 2020 and 2019.

1999 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with Merrill Lynch in December 1999, of \$1,785,000 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, 2020 and 2019, CoLT made settlement payments of approximately \$74,500 and \$82,000, respectively, under this agreement.

2001 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in February 2001, of \$2,742,762 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, 2020 and 2019, CoLT made settlement payments of approximately \$102,500 and \$122,300, respectively, under this agreement.

2002 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with Chase in June 2002, of \$1,697,250 on which CoLT pays fixed rates ranging from 3.84% to 4.32%, and receives a variable rate tied to the One Day Municipal Paper Market rates. For the years ended June 30, 2020 and 2019, CoLT made settlement payments of approximately \$62,300 and \$63,300, respectively, under this agreement.

2004 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in September 2004 of \$12,469,372 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, 2020 and 2019, CoLT made settlement payments of approximately \$358,200 and \$360,800, respectively, under this agreement.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note C - Summary of Significant Accounting Policies (Continued)

3. Interest Rate Exchange Agreements (Continued):

2007 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in May 2007 of \$12,312,630 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, 2020 and 2019, CoLT made settlement payments of approximately \$347,300 and \$347,900, respectively, under this agreement.

2007B Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2007 of \$20,880,000 on which CoLT pays fixed rates ranging from 3.71% to 4.49%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2020 and 2019, CoLT made settlement payments of approximately \$622,700 and \$523,500, respectively, under this agreement.

2008 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2008 of \$5,824,230 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, 2020 and 2019, CoLT made settlement payments of approximately \$145,360 and \$137,500 respectively, under this agreement.

2008 A2 Trust Estate: As of June 30, 2020, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in December 2008 of \$21,984,000 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, 2020 and 2019, CoLT made settlement payments of approximately \$419,900 and \$401,800, 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, 2020 and 2019, balances were uninsured and uncollateralized.
5. Investments: The ASC requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value. Accordingly, CoLT's investments are stated at fair value.

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.

6. 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.

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019**

Note C - Summary of Significant Accounting Policies (Continued)

7. 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.
8. 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, 2020 and 2019.
9. 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, 2020 and 2019. 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.
10. Recent Accounting Pronouncements: In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities and changes in net assets will reflect the measurement of credit losses for newly-recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This standard is effective for the fiscal year ending June 30, 2024 and not expected to have a material impact on the consolidated financial statements.
11. Reclassifications: There were certain reclassification made to the June 30, 2019 consolidated financial statements to adhere to the June 30, 2020 presentation.

Note D - 1999 Trust Estate Investments

As of June 30, 2020 and 2019, \$9,355 and \$10,591, 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 E - 2001 Trust Estate Investments

As of June 30, 2020 and 2019, \$13,231 and \$4,155, 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.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note F - 2002 Trust Estate Investments

As of June 30, 2020 and 2019, \$32,488 and \$40,589, 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 G - 2004 Trust Estate Investments

As of June 30, 2020 and 2019, \$278,046 and \$803,945, 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 H - 2007 Trust Estate Investments

As of June 30, 2020 and 2019, \$33,832 and \$36,712, 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 I - 2007B Trust Estate Investments

As of June 30, 2020 and 2019, \$98,990 and \$1,127,356, 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 J - 2008 Trust Estate Investments

As of June 30, 2020 and 2019, \$53,898 and \$43,143, 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 K - 2008 A2 Trust Estate Investments

As of June 30, 2020 and 2019, \$11,356 and \$13,017, 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.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note L - 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, 2020 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 7,833,044
2022	7,666,304
2023	7,877,748
2024	8,056,866
2025	8,244,648
Thereafter	<u>43,102,716</u>
	<u>\$ 82,781,326</u>

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 M - 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 4.95%. The future minimum payments receivable under these notes as of June 30, 2020 are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2021	\$ 1,683,455
2022	725,754
2023	145,922
2024	71,637
2025	30,608
Thereafter	<u>8,480</u>
	<u>\$ 2,665,856</u>

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note N - Other Investments

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

As of June 30, 2020 and 2019, other investments included investments stated at fair value, as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 170,830	\$ 128,075
Common stock	1,863,747	1,800,565
Mutual funds	321,940	258,196
U.S. Government Securities	3,175,665	3,089,578
Corporate bonds	2,898,942	2,887,782
Municipal bonds	500,000	500,000
U.S. Government Agency Bonds	<u>117,124</u>	<u>281,220</u>
	<u>\$ 9,048,248</u>	<u>\$ 8,945,416</u>

Note O - Bonds Payable

1. 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, 2020 and 2019, \$305,000 and \$290,000, 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, 2020 and 2019 were 1.32% and 1.88%, respectively.
2. 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, 2020 and 2019, \$636,460 and \$662,360, 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, 2020 and 2019 were 2.42% and 2.48%, respectively.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note O - Bonds Payable (Continued)

3. 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, 2020 and 2019, \$790,581 and \$1,837,912, 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, 2020 and 2019 were 2.27% and 2.22%, respectively.
4. 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, 2020 and 2019, \$2,297,519 and \$2,106,977, 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, 2020 and 2019 were 1.93% and 2.39%, respectively.
5. 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, 2020 and 2019, \$1,322,842 and \$1,804,973, 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, 2020 and 2019 were 1.69% and 2.07%, respectively.
6. 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, 2020 and 2019, \$3,255,166 and \$1,366,003, 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, 2020 and 2019 were 1.64% and 2.15%, respectively.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note O - Bonds Payable (Continued)

7. 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, 2020 and 2019, \$265,000 and \$646,624, 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, 2020 and 2019 were 1.70% and 2.18%, respectively.
8. 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, 2020 and 2019, \$1,858,110 and \$5,597,976, 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, 2020 and 2019 were 2.07% and 2.36%, 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, 2020 and 2019 was \$56,355 and \$111,525, respectively, and is included in interest expense in the accompanying consolidated statements of activities and changes in net assets during the years ended June 30, 2020 and 2019, 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. As of June 30, 2020 and 2019 the unamortized balance of debt issuance costs was \$354,830 and \$411,185 respectively.

Note P - 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.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note P - Fair Value of Financial Instruments (Continued)

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

- Cash and Cash Equivalents: Many of CoLT's financial instruments have short-term maturities or have interest rates which vary in the short-term. These include cash investments. The fair values of such instruments approximate the respective carrying values.
- Mutual Funds Held in Trust Estates: These include First American Government Obligation Funds. These funds are valued based on quoted market prices.
- Other Investments: The investments and instruments discussed in Note N are recorded at fair value based on quoted market prices or values provided by brokerage firms based upon cash flow models.
- Interest Rate Exchanges: The instruments discussed in Note C3 are recorded at fair value based on quoted market prices or values provided by brokerage firms based upon cash flow models.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2020:

	2020		
	Level 1	Level 2	Total
Assets			
Cash and cash equivalents	\$ 2,528,329	\$ -	\$ 2,528,329
Mutual funds held in trust estates	-	1,456,895	1,456,895
Other investments	2,414,115	6,634,133	9,048,248
	<u>\$ 4,942,444</u>	<u>\$ 8,091,028</u>	<u>\$ 13,033,472</u>
Liabilities			
Interest rate exchanges	<u>\$ -</u>	<u>\$ 15,139,154</u>	<u>\$ 15,139,154</u>

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note P - Fair Value of Financial Instruments (Continued)

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2019:

	2019		Total
	Level 1	Level 2	
Assets			
Cash and cash equivalents	\$ 2,120,718	\$ -	\$ 2,120,718
Mutual funds held in trust estates	-	2,918,820	2,918,820
Other investments	2,467,933	6,477,483	8,945,416
	<u>\$ 4,588,651</u>	<u>\$ 9,396,303</u>	<u>\$ 13,984,954</u>
Liabilities			
Interest rate exchanges	<u>\$ -</u>	<u>\$ 12,268,597</u>	<u>\$ 12,268,597</u>

Note Q - 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. 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.

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, 2020 and 2019.

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(b). 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, 2020 and 2019 was \$65,209 and \$105,325, respectively. The Subsidiary's deferred tax for the years ended June 30, 2020 and 2019 are \$85,000 and \$69,000, respectively, resulting from unrealized gains on investments.

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, 2020 and 2019.

**Kentucky Association of Counties Leasing Trust
and Subsidiary**
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019

Note R - Concentrations

At June 30, 2020, there are leases receivable outstanding of approximately \$38,565,000 from two counties which represents approximately 47% of leases receivable. At June 30, 2019, there are leases receivable outstanding of approximately \$41,455,000 from two counties which represents approximately 45% of leases receivable.

For the years ended June 30, 2020 and 2019, 100% of CIC's premium revenue was derived by related party Kentucky Association of Counties - All Lines Fund, which provides coverage to its members.

Note S - Related-party Transactions

As discussed in Note B1, 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, 2020 and 2019, 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, 2020 and 2019, CoLT paid \$533,000 and \$608,500, respectively, to KACo for management fees.

In the fiscal years ended June 30, 2020 and 2019, 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 \$1,198,668 and \$1,111,821 for the fiscal years ended June 30, 2020 and 2019, respectively. The related expense was \$1,104,947 and \$1,123,718 for the years ended June 30, 2020 and 2019, respectively. Under the agreement, differences between amounts incurred by CoLT and paid by KACo and the quarterly fee will be "true up" after year end. As of June 30, 2020 and 2019, CoLT has recorded a prepaid of \$192,803 and \$99,082, respectively, related to the "true-up".

As of June 30, 2020 and 2019, 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.

Note T - Minimum Capital and Surplus Requirements

As of June 30, 2020 and 2019, 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 declared and paid a \$2,000,000 dividend in 2019. The Subsidiary did not declare a dividend in 2020.

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2020 and 2019**

Note U - Global Novel Coronavirus Disease 2019

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Additionally, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the accompanying financial statements were available to be issued, CoLT's operations have not been significantly impacted by the COVID-19 outbreak. CoLT's operations could ultimately be adversely affected as a result of COVID-19, however the impact on the Trust is generally not known at this point as the scale and severity of the outbreak, and the resulting short-term and long-term economic impact, is still largely unknown.

Note V - Subsequent Events

As disclosed in Note R, 100% of CIC premium revenue for the years ended June 30, 2020 and 2019, was derived from the KALF. Effective July 1, 2020, KALF began providing coverage of its dishonesty fidelity bond and business income/extra expense coverage directly to its members without purchasing these insurance coverages from CIC. Accordingly, premium revenue for CIC for the year ending June 30, 2021 is expected to decrease by \$950,000 annual premiums historically received from KALF. Management is evaluating the impact this reduction in premium revenue from KALF will have on the CoLT's future consolidated financial statements. Management is also exploring other potential lines of coverage CIC could offer and other potential revenue sources.

Supplementary Information

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Financial Position
June 30, 2020**

	Program admin	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	\$ 1,473,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,054,959	\$ -	\$ 2,528,329
Trust estate investments	9,154	(87,946)	(55,227)	75,902	449,617	27,705	22,101	(49,346)	1,064,935	-	-	1,456,895
Leases receivable	-	1,785,000	2,773,840	2,468,605	14,662,782	13,562,623	21,486,100	5,824,230	20,218,146	-	-	82,781,326
Leases receivable - unrealized appreciation in fair value	-	208,128	615,316	228,544	2,556,645	2,208,700	4,737,049	1,649,941	2,934,831	-	-	15,139,154
Other receivables	337,693	-	-	-	-	-	-	-	-	-	-	337,693
Intercompany receivables	-	-	-	-	-	-	3,658	-	-	-	(3,658)	-
Due from affiliate	180,132	-	-	-	-	-	-	-	-	32,055	(19,384)	192,803
Notes receivable, net	2,665,856	-	-	-	-	-	-	-	-	-	-	2,665,856
Other investments	3,853,173	-	-	-	-	-	-	-	-	6,695,075	(1,500,000)	9,048,248
Accrued interest receivable	-	-	-	-	-	-	-	-	-	23,539	-	23,539
Other assets	-	-	-	-	-	-	-	-	-	14,175	-	14,175
Total assets	\$ 8,519,378	\$ 1,905,182	\$ 3,333,929	\$ 2,773,051	\$ 17,669,044	\$ 15,799,028	\$ 26,248,908	\$ 7,424,825	\$ 24,217,912	\$ 7,819,803	\$ (1,523,042)	\$ 114,188,018
Liabilities and net assets												
Liabilities												
Accrued interest payable	\$ -	\$ 541	\$ 2,242	\$ 2,611	\$ 11,078	\$ 7,227	\$ 10,755	\$ 3,114	\$ 16,448	\$ -	\$ -	\$ 54,016
Interest rate exchanges	-	208,128	615,316	228,544	2,556,645	2,208,700	4,737,049	1,649,941	2,934,831	-	-	15,139,154
Other accrued expenses	20,168	876	1,718	3,418	83,373	36,130	14,635	3,749	251,561	522,630	(23,042)	915,216
Deferred income taxes	-	-	-	-	-	-	-	-	-	85,000	-	85,000
Bonds payable	-	1,761,914	2,738,015	2,467,614	14,790,306	13,536,062	21,457,994	5,784,026	20,173,849	-	-	82,709,780
Total liabilities	20,168	1,971,459	3,357,291	2,702,187	17,441,402	15,788,119	26,220,433	7,440,830	23,376,689	607,630	(23,042)	98,903,166
Common stock	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net assets/retained earnings	8,499,210	(66,277)	(23,362)	70,864	227,642	10,909	28,475	(16,005)	841,223	5,712,173	-	15,284,852
Total net assets/ retained earnings	8,499,210	(66,277)	(23,362)	70,864	227,642	10,909	28,475	(16,005)	841,223	7,212,173	(1,500,000)	15,284,852
Total liabilities and net assets	\$ 8,519,378	\$ 1,905,182	\$ 3,333,929	\$ 2,773,051	\$ 17,669,044	\$ 15,799,028	\$ 26,248,908	\$ 7,424,825	\$ 24,217,912	\$ 7,819,803	\$ (1,523,042)	\$ 114,188,018

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Financial Position
June 30, 2019

	Program admin	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	\$ 1,874,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,669	\$ -	\$ 2,120,718
Trust estate investments	9,154	(88,179)	(53,708)	74,226	917,636	8,956	980,585	(57,843)	1,127,993	-	-	2,918,820
Leases receivable	-	2,090,000	3,408,051	3,256,353	16,483,596	14,885,763	23,772,084	6,099,230	22,076,075	-	-	92,071,152
Leases receivable - unrealized appreciation in fair value	-	238,156	565,567	260,347	2,113,101	1,856,303	3,745,880	1,199,554	2,289,689	-	-	12,268,597
Other receivables	99,653	-	-	-	-	-	-	-	-	-	-	99,653
Intercompany receivables	-	-	-	-	-	-	3,658	-	-	-	(3,658)	-
Due from affiliate	91,873	-	-	-	-	-	-	-	-	29,104	(21,895)	99,082
Notes receivable, net	3,149,857	-	-	-	-	-	-	-	-	-	-	3,149,857
Other investments	3,745,010	-	-	-	-	-	-	-	-	6,700,406	(1,500,000)	8,945,416
Accrued interest receivable	-	-	-	-	-	-	-	-	-	29,530	-	29,530
Other assets	-	-	-	-	-	-	-	-	-	20,550	-	20,550
Total assets	\$ 8,969,596	\$ 2,239,977	\$ 3,919,910	\$ 3,590,926	\$ 19,514,333	\$ 16,751,022	\$ 28,502,207	\$ 7,240,941	\$ 25,493,757	\$ 7,026,259	\$ (1,525,553)	\$ 121,723,375
Liabilities and net assets												
Liabilities												
Accrued interest payable	\$ -	\$ 3,279	\$ 7,125	\$ 7,513	\$ 35,614	\$ 26,758	\$ 45,354	\$ 11,008	\$ 45,879	\$ -	\$ -	\$ 182,530
Interest rate exchanges	-	238,156	565,567	260,347	2,113,101	1,856,303	3,745,880	1,199,554	2,289,689	-	-	12,268,597
Other accrued expenses	10,083	673	1,609	7,575	113,796	36,688	12,557	4,134	308,097	484,458	(25,553)	954,117
Deferred income taxes	-	-	-	-	-	-	-	-	-	69,000	-	69,000
Bonds payable	-	2,058,347	3,368,375	3,247,219	17,083,877	14,851,894	24,707,296	6,041,894	22,025,201	-	-	93,384,103
Total liabilities	10,083	2,300,455	3,942,676	3,522,654	19,346,388	16,771,643	28,511,087	7,256,590	24,668,866	553,458	(25,553)	106,858,347
Common stock	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net assets/retained earnings	8,959,513	(60,478)	(22,766)	68,272	167,945	(20,621)	(8,880)	(15,649)	824,891	4,972,801	-	14,865,028
Total net assets/ retained earnings	8,959,513	(60,478)	(22,766)	68,272	167,945	(20,621)	(8,880)	(15,649)	824,891	6,472,801	(1,500,000)	14,865,028
Total liabilities and net assets	\$ 8,969,596	\$ 2,239,977	\$ 3,919,910	\$ 3,590,926	\$ 19,514,333	\$ 16,751,022	\$ 28,502,207	\$ 7,240,941	\$ 25,493,757	\$ 7,026,259	\$ (1,525,553)	\$ 121,723,375

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, 2020

	Program admin	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
Revenues												
Investment income	\$ 56,725	\$ 401	\$ 358	\$ 538	\$ 1,766	\$ 1,218	\$ 1,974	\$ 359	\$ 10,595	\$ 193,341	\$ -	\$ 267,275
Interest income from leases receivable	137,044	109,875	195,528	155,671	802,125	687,000	1,138,082	277,583	956,958	-	-	4,459,866
Premium income	-	-	-	-	-	-	-	-	-	950,000	-	950,000
Credit, administrative and fiduciary fees	1,099,115	-	-	-	-	-	-	-	-	-	(245,652)	853,463
Down payment assistance	2,443	-	-	-	-	-	-	-	-	-	-	2,443
Miscellaneous income	11,943	-	-	-	-	-	-	-	-	-	-	11,943
Net realized and unrealized gains on investments	60,389	-	-	-	-	-	-	-	-	127,572	-	187,961
Total revenues	1,367,659	110,276	195,886	156,209	803,891	688,218	1,140,056	277,942	967,553	1,270,913	(245,652)	6,732,951
Expenses												
Interest	-	108,748	183,394	138,906	670,975	594,417	1,006,829	254,149	864,310	-	-	3,821,728
Administrative and other fees	1,568,218	5,069	8,852	7,991	43,736	39,553	63,601	16,778	59,042	416,284	(245,652)	1,983,472
Legal fees	136,265	300	600	600	2,850	2,400	4,050	900	3,300	-	-	151,265
Trustee fees	122,479	1,958	3,414	3,082	16,870	15,256	24,566	6,471	23,171	20,048	-	237,315
Sponsoring agency fees	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Lease rebates	-	-	222	3,038	9,763	5,062	3,655	-	368	-	-	22,108
Miscellaneous expense	-	-	-	-	-	-	-	-	1,030	-	-	1,030
Claims expense	-	-	-	-	-	-	-	-	-	30,000	-	30,000
Provision for income taxes	-	-	-	-	-	-	-	-	-	65,209	-	65,209
Total expenses	1,827,962	116,075	196,482	153,617	744,194	656,688	1,102,701	278,298	951,221	531,541	(245,652)	6,313,127
Changes in net assets	(460,303)	(5,799)	(596)	2,592	59,697	31,530	37,355	(356)	16,332	739,372	-	419,824
Net assets (deficit) at beginning of year	8,959,513	(60,478)	(22,766)	68,272	167,945	(20,621)	(8,880)	(15,649)	824,891	6,472,801	(1,500,000)	14,865,028
Net assets (deficit) at end of year	\$ 8,499,210	\$ (66,277)	\$ (23,362)	\$ 70,864	\$ 227,642	\$ 10,909	\$ 28,475	\$ (16,005)	\$ 841,223	\$ 7,212,173	\$ (1,500,000)	\$ 15,284,852

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, 2019

	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
Revenues														
Investment income	\$ 2,069,688	\$ -	\$ 441,052	\$ 381	\$ 584	\$ 1,726	\$ 1,499	\$ 1,996	\$ 1,498	\$ 863	\$ 9,369	\$ 208,714	\$ (2,000,000)	\$ 737,370
Interest income from lease receivable	92,928	2,389	-	128,309	210,887	190,909	932,268	753,833	1,240,208	305,457	1,294,288	-	-	5,151,476
Premium income	-	-	-	-	-	-	-	-	-	-	-	950,000	-	950,000
Credit, administrative and fiduciary fees	895,105	-	-	-	-	-	-	-	-	-	-	-	(288,989)	606,116
Down payment assistance	25,942	-	-	-	-	-	-	-	-	-	-	-	-	25,942
Miscellaneous income	9,321	-	-	-	-	6,504	-	-	-	-	-	-	-	15,825
Net realized and unrealized (loss) gains on investments	(32,908)	-	-	-	-	-	-	-	-	-	-	323,103	-	290,195
Total revenues	3,060,076	2,389	441,052	128,690	211,471	199,139	933,767	755,829	1,241,706	306,320	1,303,657	1,481,817	(2,288,989)	7,776,924
Expenses														
Interest	-	3,228	447,499	134,025	225,353	167,704	819,489	680,545	1,076,957	288,167	1,001,200	-	-	4,844,167
Administrative and other fees	1,637,235	5,115	30,000	5,920	10,342	13,428	57,480	43,550	71,482	18,097	77,715	426,733	(288,989)	2,108,108
Legal fees	146,134	-	-	5,080	8,688	10,789	40,712	35,619	55,723	14,349	59,039	-	-	376,133
Trustee fees	121,998	722	-	4,293	6,133	5,897	18,468	15,821	24,939	7,639	21,129	-	-	227,039
Sponsoring agency fees	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Lease rebates	-	-	-	-	506	7,540	19,820	5,150	4,585	1,223	21,351	-	-	60,175
Miscellaneous expense	-	4,104	-	-	2,130	-	-	156	-	-	1,030	-	-	7,420
Claims expense	-	-	-	-	-	-	-	-	-	-	-	(33,891)	-	(33,891)
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	105,325	-	105,325
Total expenses	1,906,367	13,169	477,499	149,318	253,152	205,358	955,969	780,841	1,233,686	329,475	1,181,464	498,167	(288,989)	7,695,476
Changes in net assets	1,153,709	(10,780)	(36,447)	(20,628)	(41,681)	(6,219)	(22,202)	(25,012)	8,020	(23,155)	122,193	983,650	(2,000,000)	81,448
Transfers	196,538	(148,726)	(47,812)	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	(2,000,000)	2,000,000	-
Net assets (deficit) at beginning 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
Net assets (deficit) at end of year	\$ 8,959,513	\$ -	\$ -	\$ (60,478)	\$ (22,766)	\$ 68,272	\$ 167,945	\$ (20,621)	\$ (8,880)	\$ (15,649)	\$ 824,891	\$ 6,472,801	\$ (1,500,000)	\$ 14,865,028

See independent auditor's report.

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Cash Flows
Year Ended June 30, 2020**

	Program admin	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	\$ (460,303)	\$ (5,799)	\$ (596)	\$ 2,592	\$ 59,697	\$ 31,530	\$ 37,355	\$ (356)	\$ 16,332	\$ 739,372	\$ -	\$ 419,824
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities												
Amortization of debt issuance costs	-	8,567	6,100	10,976	3,948	7,010	5,864	7,132	6,758	-	-	56,355
Net realized and unrealized gains on other investments	(60,389)	-	-	-	-	-	-	-	-	(127,572)	-	(187,961)
Changes in												
Other receivables	(238,040)	-	-	-	-	-	-	-	-	-	-	(238,040)
Receivable from affiliate, net	(88,259)	-	-	-	-	-	-	-	-	(15,474)	(2,512)	(106,245)
Accrued interest receivable	-	-	-	-	-	-	-	-	-	5,991	-	5,991
Other assets	-	-	-	-	-	-	-	-	-	18,898	-	18,898
Accrued interest payable	-	(2,738)	(4,883)	(4,902)	(24,536)	(19,531)	(34,599)	(7,894)	(29,431)	-	-	(128,514)
Other accrued expenses	10,085	203	109	(4,157)	(30,423)	(558)	2,078	(385)	(56,536)	38,172	2,512	(38,900)
Deferred income taxes	-	-	-	-	-	-	-	-	-	16,000	-	16,000
Net cash (used) provided by operating activities	(836,906)	233	730	4,509	8,686	18,451	10,698	(1,503)	(62,877)	675,387	-	(182,592)
Cash flows from investing activities												
Net proceeds from (purchases of) trust estate investments	-	(233)	1,519	(1,676)	468,019	(18,749)	958,484	(8,497)	63,058	-	-	1,461,925
Lease repayments	-	305,000	634,211	787,748	1,820,814	1,323,140	2,285,984	275,000	1,857,929	-	-	9,289,826
Net proceeds from (purchases of) other investments	(47,774)	-	-	-	-	-	-	-	-	132,903	-	85,129
Principal repayments on notes receivable	3,206,061	-	-	-	-	-	-	-	-	-	-	3,206,061
Issuance of notes receivable	(2,722,060)	-	-	-	-	-	-	-	-	-	-	(2,722,060)
Net cash provided by investing activities	436,227	304,767	635,730	786,072	2,288,833	1,304,391	3,244,468	266,503	1,920,987	132,903	-	11,320,881
Cash flows from financing activities												
Payments on bonds	-	(305,000)	(636,460)	(790,581)	(2,297,519)	(1,322,842)	(3,255,166)	(265,000)	(1,858,110)	-	-	(10,730,678)
Net cash (used) by financing activities	-	(305,000)	(636,460)	(790,581)	(2,297,519)	(1,322,842)	(3,255,166)	(265,000)	(1,858,110)	-	-	(10,730,678)
Increase (decrease) in cash and cash equivalents	(400,679)	-	-	-	-	-	-	-	-	808,290	-	407,611
Cash and cash equivalents at beginning of year	1,874,049	-	-	-	-	-	-	-	-	246,669	-	2,120,718
Cash and cash equivalents at end of year	\$ 1,473,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,054,959	\$ -	\$ 2,528,329

See independent auditor's report.

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statement of Cash Flows
Year Ended June 30, 2019**

	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	\$ 1,153,709	\$ (10,780)	\$ (36,447)	\$ (20,628)	\$ (41,681)	\$ (6,219)	\$ (22,202)	\$ (25,012)	\$ 8,020	\$ (23,155)	\$ 122,193	\$ 983,650	\$ (2,000,000)	\$ 81,448
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities														
Amortization of debt issuance costs	-	-	20,819	9,864	10,450	11,072	24,099	6,259	5,829	9,988	13,145	-	-	111,525
Net realized and unrealized gains on other investments	32,908	-	-	-	-	-	-	-	-	-	-	(323,102)	-	(290,194)
Changes in														
Other receivables	(2,767)	-	-	-	-	-	-	-	-	-	-	-	-	(2,767)
Receivable from affiliate, net	68,201	-	-	-	-	-	-	-	-	-	-	(31,280)	(7,785)	29,136
Accrued interest receivable	-	-	53,191	-	-	-	-	-	-	-	-	2,964	-	56,155
Other assets	-	6,116	-	-	-	-	25,448	33,403	49,796	13,058	39,385	(2,806)	-	164,400
Accrued interest payable	-	(3,000)	(213,320)	(1,158)	32	(1,401)	2,073	(787)	2,907	(773)	1,302	-	-	(214,125)
Other accrued expenses	4,968	(5,367)	-	(749)	(1,053)	(28,449)	(34,698)	(14,595)	(21,994)	(10,879)	(49,970)	(60,816)	7,785	(215,817)
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	46,000	-	46,000
Net cash provided (used) by operating activities	1,257,019	(13,031)	(175,757)	(12,671)	(32,252)	(24,997)	(5,280)	(732)	44,558	(11,761)	126,055	614,610	(2,000,000)	(234,239)
Cash flows from investing activities														
Net proceeds from (purchases of) trust estate investments	62	155,469	10,223,569	12,671	32,034	64,432	(478,863)	2,926	(1,014,077)	34,617	(113,479)	-	-	8,919,361
Lease repayments	-	148,543	-	290,000	662,578	1,798,477	2,591,120	1,802,779	2,335,522	623,768	5,585,400	-	-	15,838,187
Net proceeds from (purchases of) other investments	40,084	-	-	-	-	-	-	-	-	-	-	1,250,264	-	1,290,348
Principal repayments on notes receivable	1,206,875	-	-	-	-	-	-	-	-	-	-	-	-	1,206,875
Issuance of notes receivable	(2,175,862)	-	-	-	-	-	-	-	-	-	-	-	-	(2,175,862)
Net cash provided (used) by investing activities	(928,841)	304,012	10,223,569	302,671	694,612	1,862,909	2,112,257	1,805,705	1,321,445	658,385	5,471,921	1,250,264	-	25,078,909
Cash flows from financing activities														
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(2,000,000)	2,000,000	-
Transfers	196,538	(148,726)	(47,812)	-	-	-	-	-	-	-	-	-	-	-
Payments on bonds	-	(142,255)	(10,000,000)	(290,000)	(662,360)	(1,837,912)	(2,106,977)	(1,804,973)	(1,366,003)	(646,624)	(5,597,976)	-	-	(24,455,080)
Net cash provided (used) by financing activities	196,538	(290,981)	(10,047,812)	(290,000)	(662,360)	(1,837,912)	(2,106,977)	(1,804,973)	(1,366,003)	(646,624)	(5,597,976)	(2,000,000)	2,000,000	(24,455,080)
Decrease in cash and cash equivalents	524,716	-	-	-	-	-	-	-	-	-	-	(135,126)	-	389,590
Cash and cash equivalents at beginning of year	1,349,333	-	-	-	-	-	-	-	-	-	-	381,795	-	1,731,128
Cash and cash equivalents at end of year	\$ 1,874,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,669	\$ -	\$ 2,120,718

See independent auditor's report.