Kentucky Association of Counties Leasing Trust and Subsidiary

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

Kentucky Association of Counties Leasing Trust
and Subsidiary

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June 30, 2013 and 2012

MCM CPAs & Advisors

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 and Subsidiary (a County Interlocal Cooperation Agreement Trust) ("the Trust"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, 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 $4,953,295 and $4,339,087 as of June 30, 2013 and 2012, respectively, and total revenues of $1,131,634 and $1,110,306 for the years ended June 30, 2013 and 2012, 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.

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 as of June 30, 2013 and 2012, 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, 2013 and 2012, the consolidating statements of activities and changes in net assets for the years ended June 30, 2013 and 2012, and the consolidating statements of cash flows for the years ended June 30, 2013 and 2012, 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.

Mountjoy Chilton Medley LLP

Louisville, Kentucky
October 28, 2013

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 2,214,820	$ 5,195,329
Trust Estate Investments		
Cash and cash equivalents	24,506,061	18,036,386
Investment contracts	126,503,004	120,898,018
U.S. government money market funds	5,799,382	7,560,269
Certificates of deposit	24,501,957	24,500,000
Leases receivable	184,280,888	221,098,870
Leases receivable - unrealized appreciation in fair value	16,930,768	26,211,565
Other receivables	58,132	44,684
Due from affiliate	268,724	274,722
Notes receivable, net	67,356	64,522
Other investments	7,784,381	4,358,101
Accrued interest receivable	250,523	94,359
Other assets	68,205	366,623
Costs of debt issuance, net of accumulated amortization of $4,498,288 and $4,320,749	1,028,061	1,205,600
Total Assets	$ 394,262,262	$ 429,909,048
Liabilities and Net Assets		
Liabilities		
Accrued interest payable	$ 599,858	$ 306,201
Interest rate exchanges	16,930,768	26,211,565
Other accrued expenses	3,126,546	3,731,030
Accrued arbitrage rebate	577,558	1,056,660
Bonds payable	360,379,950	386,099,950
Total Liabilities	381,614,680	417,405,406
Commitments and Contingencies		
Net Assets, Unrestricted/Retained Earnings	12,647,582	12,503,642
Total Liabilities and Net Assets	$ 394,262,262	$ 429,909,048

See accompanying notes.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2013 and 2012

	2013	2012
Revenues		
Investment income	$ 1,204,017	$ 1,195,193
Income from leases receivable	9,326,598	10,266,252
Premium income	1,119,010	1,072,295
Credit, administrative and fiduciary fees	508,583	199,489
Miscellaneous income	8,065	189,236
Net realized and unrealized gains (losses) on other investments	371,444	(162,824)
Total Revenues	12,537,717	12,759,641
Expenses		
Interest	6,688,904	7,103,554
Amortization of deferred financing costs	177,539	246,997
Credit fees	2,100,187	2,367,600
Administrative and other fees	2,030,171	2,056,439
Remarketing fees	372,604	403,669
Legal fees	253,567	188,332
Trustee fees	195,439	190,834
Sponsoring agency fees	1,000	28,000
Lease rebates	1,045,294	1,378,502
Arbitrage rebate	(401,431)	(119,327)
Claims expense	(80,000)	(55,000)
Provision for income taxes	10,503	9,912
Total Expenses	12,393,777	13,799,512
Changes in Net Assets	143,940	(1,039,871)
Net Assets at Beginning of Year	12,503,642	13,543,513
Net Assets at End of Year	$ 12,647,582	$ 12,503,642

See accompanying notes.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Changes in Net Assets	$ 143,940	$ (1,039,871)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Amortization of debt issuance costs	177,539	246,997
Bad debt expense	-	213,575
Net realized and unrealized (gains) losses on other investments	(371,444)	162,824
Changes in:		
Other receivables	(13,448)	(10,978)
Receivable from affiliate, net	5,998	(10,631)
Accrued interest receivable	(156,164)	34,771
Other assets	298,418	(344,573)
Accrued interest payable	293,657	(124)
Other accrued expenses	(604,484)	(49,223)
Accrued arbitrage rebate	(479,102)	(119,327)
Net Cash Used in Operating Activities	(705,090)	(916,560)
Cash Flows from Investing Activities		
Net (purchases of) proceeds from trust estate investments	(10,315,731)	3,639,214
Lease repayments	36,817,982	35,184,275
Net (purchases of) proceeds from other investments	(3,054,836)	581,233
Issuance of notes receivable, net	(2,834)	(40,569)
Net Cash Provided by Investing Activities	23,444,581	39,364,153
Cash Flows from Financing Activities		
Payments on bonds	(25,720,000)	(36,975,050)
Cash Used in Financing Activities	(25,720,000)	(36,975,050)
(Decrease) Increase in Cash and Cash Equivalents	(2,980,509)	1,472,543
Cash and Cash Equivalents at Beginning of Year	5,195,329	3,722,786
Cash and Cash Equivalents at End of Year	$ 2,214,820	$ 5,195,329
Supplemental Disclosure:		
Cash paid for interest	$ 6,395,247	$ 7,103,678
Non-cash investing and financing activities:		
Change in fair value of lease receivables and related interest rate exchanges	(9,280,797)	12,596,437

See accompanying notes.

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"), 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:

	2013	2012
1989 Series	$ -	$ -
1993 Series	-	-
1999 Series	80,353	103,135
2001 Series	37,145	44,164
2002 Series	113,106	127,193
2004 Series	162,149	173,715
2007 Series	75,390	97,613
2007B Series	119,916	128,649
2008 Series	48,260	70,435
2008 A2 Series	162,980	197,678
	$ 799,299	$ 942,582

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 for non-governmental entities. 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.

Note A - Nature of Organization and Operations (Continued)

4. Parity: "Parity", as defined by the 1989 trust indenture, is a condition which is deemed to exist when the value of the 1989 Trust Estate assets equals or exceeds the outstanding principal amount of the bonds plus accrued interest. On September 1 of each year in which Parity exists, the excess of the value of the 1989 Trust Estate assets over the outstanding principal and accrued interest on the bonds may be transferred to the Program Discretionary Account for use at the discretion of CoLT's Board of Trustees, subject to certain conditions as specified in a letter of credit agreement with JP Morgan Chase Bank N.A. ("Chase"). During fiscal 2013 and 2012 Parity computations provided to Chase by CoLT indicated that CoLT had not maintained Parity in the 1989 Trust Estate.

5. 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.

Note B - Contractual Agreements

1. Credit Facility:

   1989 Trust Estate - Effective July 3, 2006, CoLT and Chase became parties to a letter of credit and reimbursement agreement dated July 3, 2006, and extended through May 31, 2014, under which Chase guarantees payment of all principal and interest related to the 1989 Bonds. Concurrent with the agreement, Chase issued an irrevocable letter of credit in favor of CoLT (approximately $113,531,000 at June 30, 2013 and 2012), which is used by CoLT to facilitate redemption of the 1989 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

   Draws on the letter of credit are made by the paying agent, Chase, to fund payments of principal and interest on the 1989 Bonds. Principal draws used for redemption of 1989 Bonds are repaid to Chase by CoLT or by the remarketing agent with the proceeds from resale of the 1989 Bonds. Interest draws are repaid by CoLT.

   In return for the letter of credit and reimbursement agreement, CoLT pays Chase an annual commitment fee of .4% for each investment classification, a disbursement fee of $35 per disbursement made by Chase, and a fee of $3,000 for the issuance of each substitute letter of credit by Chase.

   1999 Trust Estate - CoLT and U.S. Bank National Association ("US Bank") are parties to a letter of credit and reimbursement agreement dated December 1, 1999, and extended through December 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 1999 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $14,760,000 and $18,311,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 1999 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

   In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.25% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

Note B - Contractual Agreements (Continued)

1. Credit Facility (Continued):

2001 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated February 1, 2001, and extended through August 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2001 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $14,527,000 and $17,657,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2001 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.25% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2002 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated January 31, 2002, and extended through February 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2002 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $28,764,000 and $32,473,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2002 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.25% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2004 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated September 29, 2004, and extended through September 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2004 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $43,819,000 and $47,350,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2004 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.25% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2007 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated April 1, 2007, and extended through April 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2007 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $32,921,000 and $36,655,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2007 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.25% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

Note B - Contractual Agreements (Continued)

1. Credit Facility (Continued):

2007B Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated August 1, 2007, and extended through August 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2007B Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $41,774,000 and $44,222,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2007B Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.25% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2008 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated June 1, 2008, and extended through June 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2008 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $20,662,000 and $22,250,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2008 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $10,000. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.50% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2008 A2 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated December 1, 2008, and extended through June 15, 2014, under which US Bank guarantees payment of all principal and interest related to the 2008 A2 Bonds. Concurrent with the agreement, US Bank issued an irrevocable letter of credit in favor of CoLT (approximately $51,445,000 and $55,817,000 at June 30, 2013 and 2012, respectively), which is used by CoLT to facilitate the redemption of the 2008 A2 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing).

In return for the letter of credit and reimbursement agreement, CoLT paid US Bank a one-time establishment fee of $37,500. CoLT also pays US Bank an annual letter of credit fee, ranging from 0.40% to 1.85% of the available bond amount in quarterly installments, a disbursement fee of $50 per disbursement made by US Bank, and a fee of $2,500 for the issuance of each substitute letter of credit by US Bank.

2. Administrative Services:

During fiscal year 2013, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2012 and expired June 30, 2013. 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, 2013.

During fiscal year 2012, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2011 and expired June 30, 2012.

Note B - Contractual Agreements (Continued)

2. Administrative Services (Continued):

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.

3. Bond Remarketing:

1989 Trust Indenture - As further discussed in Note P, the 1989 Bonds, in their Money Market form, as originally issued, ("the Money Market Bonds") mature in varying periods not greater than six months in term and are convertible, by CoLT, into Fixed Rate Bonds.

Under the terms of a remarketing agreement, Lehman Brothers ("LB") has agreed to use its best efforts to remarket the matured Money Market Bonds and Fixed Rate Bonds (collectively, "the 1989 Bonds"). The Money Market Bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

LB receives annual remarketing fees (payable quarterly) equal to .125% of the principal amount of Money Market Bonds outstanding.

Due to bankruptcy of LB in 2008, Barclays Capital Inc. assumed the remarketing agreement effective September 22, 2008.

1999 Trust Indenture - As further discussed in Note P, the 1999 Bonds, in the Variable Rate Bond form, are considered Weekly Rate Bonds with the ability to be converted to Adjustable Rate Bonds or Fixed Rate Bonds.

Under the terms of a remarketing agreement, Merrill Lynch ("ML") has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 1999 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid ML a one-time establishment fee of $212,500. ML also receives annual remarketing fees (payable quarterly) equal to .08% of the principal amount of 1999 Bonds outstanding.

2001 Trust Indenture - As further discussed in Note P, the 2001 Bonds, in the Variable Rate Bond form, are considered Weekly Rate Bonds with the ability to be converted to Adjustable Rate Bonds or Fixed Rate Bonds.

Under the terms of a remarketing agreement, ML has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2001 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid ML a one-time establishment fee of $250,000. ML also receives annual remarketing fees (payable quarterly) equal to .08% of the principal amount of 2001 Bonds outstanding.

Note B - Contractual Agreements (Continued)

3. Bond Remarketing (Continued):

2002 Trust Indenture - As further discussed in Note P, the 2002 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, J. P. Morgan Securities Inc. ("JPM") has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2002 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $250,000. JPM also receives annual remarketing fees (payable quarterly) equal to .10% of the principal amount of 2002 Bonds outstanding.

2004 Trust Indenture - As further discussed in Note P, the 2004 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2004 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $350,000. JPM also receives annual remarketing fees (payable quarterly) equal to .08% of the principal amount of Weekly Rate 2004 Bonds and .10% of the Daily Rate 2004 Bonds outstanding.

2007 Trust Indenture - As further discussed in Note P, the 2007 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2007 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $100,000. JPM also receives annual remarketing fees (payable quarterly) equal to .07% of the principal amount of Weekly Rate 2007 Bonds and .085% of the Daily Rate 2007 Bonds outstanding.

Note B - Contractual Agreements (Continued)

3. Bond Remarketing (Continued):

2007B Trust Indenture - As further discussed in Note P, the 2007B Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2007B bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $140,000. JPM also receives annual remarketing fees (payable quarterly) equal to .07% of the principal amount of Weekly Rate 2007B Bonds and .085% of the Daily Rate 2007B Bonds outstanding.

2008 Trust Indenture - As further discussed in Note P, the 2008 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2008 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $60,000. JPM also receives annual remarketing fees (payable quarterly) equal to .07% of the principal amount of Weekly Rate 2008 Bonds and .085% of the Daily Rate 2008 Bonds outstanding.

2008 A2 Trust Indenture - As further discussed in Note P, the 2008 A2 Bonds, in the Variable Rate Bond form, are considered Daily Rate Bonds with the ability to be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

Under the terms of a remarketing agreement, JPM has agreed to use its best efforts to remarket the Variable Rate Bonds and Fixed Rate Bonds. These 2008 A2 bonds are to be resold at the most favorable interest rates and terms that will result in a sale price equal to the face amount of the bonds sold. Proceeds from the remarketing of the bonds are used to repay draws on the letter of credit (see Note B, Credit Facility).

CoLT paid JPM a one-time establishment fee of $170,946. JPM also receives annual remarketing fees (payable quarterly) equal to .1% of the principal amount of Weekly Rate 2008 A2 Bonds and .125% of the Daily Rate 2008 A2 Bonds outstanding.

Note B - Contractual Agreements (Continued)

4. 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.

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.

Note B - Contractual Agreements (Continued)

4. Trustee Arrangements (Continued):

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.

5. Financial Computation Services:

Lawrenson Services, Inc. ("LSI") performs certain financial computations with respect to the 1989, 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Trust Estates pertaining to lease terms and payments. LSI also performs computations of "Parity" (see Note A) for the 1989 Trust Estate as defined by the trust indenture, for the purpose of determining the amount of the 1989 Trust Estate's earnings that are available for use at the discretion of CoLT's Board of Trustees. Fees paid to 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. 1989 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 1989 Trust Estate as more fully described in the trust indenture:

   Revenue Fund - This fund is used to receive investment income from the Revolving Funds and the Debt Service Reserve Fund and all non-principal payments from leases and loans, with such funds being subsequently used with others, if necessary, to reimburse draws against the letter of credit made by the paying agent for the payment of interest on the 1989 Bonds or, after such draws have been reimbursed, to pay certain expenses of CoLT. If "Parity", as defined, does not exist, any amounts then remaining will be transferred to a Revolving Fund. If "Parity" does exist, such remaining amounts may be transferred to the Program Discretionary Fund for use at the discretion of the Board of Trustees.

   Revolving Funds - These funds are used to receive payments of principal from lessees to be held for use in new leases and loans. As described in Note P, Revolving Funds are established on six-month intervals. Unless an appropriate opinion of bond counsel is received which would require the funds to be investment-yield-restricted, any amounts remaining in a Revolving Fund for more than three years must be used to redeem the 1989 Bonds.

   Debt Service Reserve Fund - This fund is used for the deposit of $20,000,000 of the proceeds from the initial bond sale, which amount is the Debt Service Requirement to be maintained while the 1989 Bonds remain outstanding. Amounts on deposit in the Debt Service Reserve Fund will be applied for the purposes of satisfying Revenue Fund obligations, should amounts in the Revenue Fund be insufficient for those purposes. Any amounts in the Debt Service Reserve Fund that are in excess of the Debt Service Requirement are periodically transferred to the Revenue Fund.

   Program Discretionary Fund - This fund is used to receive amounts transferred out of any other funds upon the existence of "Parity", as defined, for use at the discretion of CoLT's Board of Trustees. At June 30, 2013 and 2012, the balance is $-0- and $658,164, respectively.

2. 1993 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 1993 Trust Estate as more fully described in the trust indenture:

   Project Fund - This fund was used to hold the proceeds of the bond issue until the monies are utilized to make leases or loans, or are transferred to other funds as outlined in the trust indenture ("Bond Proceeds Account"). Other accounts within this fund may be utilized at a later date as leases or loans are executed.

   Revenue Fund - This fund is used to hold Available Monies and Non-Available Monies, as defined in the trust indenture, not otherwise required to be transferred to other funds, and disburse such deposits predominantly to pay interest on the 1993 Bonds and fiduciary and administrative expenses in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund was used to hold an original deposit of $1,310,208 of the initial proceeds from the bond sale for the payment of administrative and fiduciary expenses until such funds are exhausted. At June 30, 2013 and 2012, the balance is $108,416 and $118,990, respectively.

   Debt Service Reserve Fund - This fund is used for the deposit of $8,775,000 (purchase price of related investment agreement with a face value of $10 million,) to be maintained while the 1993 Bonds remain outstanding and to be used to satisfy Revenue Fund obligations, if such amounts in the Revenue Fund are insufficient.

Note C - Summary of Significant Accounting Policies (Continued)

3. 1999 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 1999 Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 1999 Bonds and fiduciary and administrative fees.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $5,000,000 exists in this fund.

4. 2001 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2001 Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2001 Bonds and fiduciary and administrative fees.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $5,000,000 exists in this fund.

Note C - Summary of Significant Accounting Policies (Continued)

5. 2002 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2002 Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2002 Bonds and fiduciary and administrative fees.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $10,000,000 exists in this fund.

6. 2004 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2004 Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2004 Bonds and fiduciary and administrative fees.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $10,000,821 and $10,000,000, respectively, exists in this fund.

Note C - Summary of Significant Accounting Policies (Continued)

7. 2007 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2007 Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2007 Bonds and fiduciary and administrative fees.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $5,000,000 exists in this fund.

8. 2007B Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2007B Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2007B Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $7,000,520 and $7,000,000, respectively, exists in this fund.

Note C - Summary of Significant Accounting Policies (Continued)

9. 2008 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2008 Trust Estate as more fully described in the trust indenture:

   Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

   Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2008 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

   Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

   Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

   Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $3,000,000 exists in this fund.

10. 2008 A2 Trust Estate: The following presents a summarized description of the primary funds currently used to account for assets in the 2008 A2 Trust Estate as more fully described in the trust indenture:

    Redemption Fund - This fund receives transfers from other funds and when funds are available this fund will redeem the applicable bonds on certain interest payment dates.

    Revenue Fund - This fund is used to collect lease payments from lessees and hold monies not otherwise required to be transferred into other accounts. The fund disburses such monies predominantly to pay interest on the 2008 A2 Bonds and fiduciary and administrative fees in excess of amounts in the Expense Fund, described below.

    Expense Fund - This fund is used to hold monies as designated by CoLT for the cost of issuing bonds and, afterward, fiduciary and administrative fees until exhausted.

Note C - Summary of Significant Accounting Policies (Continued)

10. 2008 A2 Trust Estate (Continued):

Program Discretionary Fund - This fund is used to receive any excess monies upon the existence of investment assets exceeding investment liabilities. Any amount transferred into this fund can be used at CoLT's discretion. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

Prepayment Fund - This fund is used to hold lessees' optional lease prepayments. The principal component of each payment will be transferred to the Redemption Fund to redeem the portion of the bonds associated with the lessees' prepayment. As of June 30, 2013 and 2012, no amounts have been deposited into this fund.

Debt Service Reserve Fund - This fund is used to apply money to the Revenue Fund to pay interest, or to the Redemption Fund to redeem bonds. At June 30, 2013 and 2012, $7,500,616 and $7,500,000, respectively, exists in this fund.

11. 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, 2013 and 2012, investment contracts with the 1993 Trust Estate had net remaining discounts of approximately $120,000 and $146,000, 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.

12. 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, 2013 and 2012.

1989 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with Commonwealth Bank of Australia in fiscal 1991, on which CoLT currently pays weighted average fixed rates, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2013 and 2012, CoLT made settlement payments of approximately $18,900 and $22,300, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

12. Interest Rate Exchange Agreements (Continued):

1999 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with Merrill Lynch in December 1999, of $3,629,000 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, 2013 and 2012, CoLT made settlement payments of approximately $191,000 and $205,000, respectively, under this agreement.

2001 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in February 2001, of $7,912,943 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, 2013 and 2012, CoLT made settlement payments of approximately $396,600 and $443,700, respectively, under this agreement.

2002 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with Chase in June 2002, of $8,157,686 on which CoLT pays fixed rates ranging from 3.15% to 4.65%, and receives a variable rate tied to the One Day Municipal Paper Market rates. For the years ended June 30, 2013 and 2012, CoLT made settlement payments of approximately $357,700 and $420,500, respectively, under this agreement.

2004 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in September 2004 of $24,154,690 on which CoLT pays fixed rates ranging from 3.41% to 4.94%, and receives a variable rate tied to the BMA Index. For the years ended June 30, 2013 and 2012, CoLT made settlement payments of approximately $943,800 and $1,164,900, respectively, under this agreement.

2007 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in May 2007 of $23,566,382 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, 2013 and 2012, CoLT made settlement payments of approximately $903,900 and $957,200, respectively, under this agreement.

2007B Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2007 of $29,758,759 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, 2013 and 2012, CoLT made settlement payments of approximately $1,081,900 and $1,139,300, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

12. Interest Rate Exchange Agreements (Continued):

2008 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2008 of $7,504,230 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, 2013 and 2012, CoLT made settlement payments of approximately $271,200 and $278,300, respectively, under this agreement.

2008 A2 Trust Estate

As of June 30, 2013, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in December 2008 of $31,455,000 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, 2013 and 2012, CoLT made settlement payments of approximately $1,002,100 and $1,044,200, 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.

13. 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, 2013 and 2012, balances were uninsured and uncollateralized.

14. Other Assets: Costs of the 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 debt issuances have been capitalized and are being amortized to interest expense on the effective interest method as follows:

Costs of issuance on the 1993 Bonds were allocated pro rata between the $90,000,000 Series A Bonds and the $10,000,000 Series B Bonds. Costs of the Series A issue were being amortized over the life of the related contract in which these proceeds were invested. During the fiscal year ended June 30, 2006, the Series A Bonds were retired and the balance of the cost of issuance of $215,340 was expensed. Costs of the Series B issue are being amortized over the term of those bonds (through March 1, 2019).

Cost of issuance of the 1999 Bonds are being amortized over the term of the related bonds (through December 1, 2029).

Cost of issuance of the 2001 Bonds are being amortized over the term of the related bonds (through March 1, 2031).

Cost of issuance of the 2002 Bonds are being amortized over the term of the related bonds (through February 1, 2032).

Cost of issuance of the 2004 Bonds are being amortized over the term of the related bonds (through September 1, 2034).

Note C - Summary of Significant Accounting Policies (Continued)

14. Other Assets (Continued):

    Cost of issuance of the 2007 Bonds are being amortized over the term of the related bonds (through April 1, 2037).

    Cost of issuance of the 2007B Bonds are being amortized over the term of the related bonds (through August 1, 2037).

    Cost of issuance of the 2008 Bonds are being amortized over the term of the related bonds (through June 1, 2038).

    Cost of issuance of the 2008 A2 Bonds are being amortized over the term of the related bonds (through December 1, 2038).

15. 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.

16. 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.

Note D - 1989 Trust Estate Investments

1. Lehman Brothers (LB) Contract: As of June 30, 2013 and 2012, a portion of the balances of the Debt Service Reserve Fund ($20,000,000 for both years), the Revolving Funds ($28,754,780 for both years), the Revenue Fund ($1,807,675 for both years), and other amounts due from LB ($24,813,270 for both years) of the 1989 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with LB ("the LB Contract"), which also served as the remarketer of the Money Market Bonds (see Note B).

   The LB Contract specifies that the collateral for the investment contracts which is held by the trustee, consists of the following types of investments at the discretion of LB:

   - Obligations of the United States of America ("U.S. Treasury Securities")
   - Obligations of the following agencies and instrumentalities of the United States of America:
     - Government National Mortgage Association ("GNMA")
     - Veterans Administration
     - Federal Housing Administration
     - Export-Import Bank
     - Overseas Private Investment Corporation
     - Commodity Credit Corporation
     - Small Business Administration
   - Obligations of the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Association ("FNMA")
   - Repurchase agreements with FDIC insured banks chartered or located in the state of Kentucky meeting certain financial requirements (provided such repurchase agreements are collateralized at 103% by securities of any of the above entities delivered to or registered in the name of the trustee or its designee)
   - Other investments as may be approved by Chase (see Note B)

Note D - 1989 Trust Estate Investments (Continued)

1. Lehman Brothers (LB) Contract (Continued):

   Pursuant to the terms of the LB Contract, the 1989 Trust Estate receives investment income equal to the interest cost of outstanding 1989 Bonds plus: 1) 2.40% for Debt Service Reserve Fund investments and 2) 2.50% for all other investments. These interest rate spreads are guaranteed by LB. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 1989 Trust is borne by LB, while any excess is retained by LB as compensation for risks assumed and services rendered.

   The LB Contract includes a security agreement that provides for LB to transfer additional securities to the trustee, as collateral (collateral securities), if the market value of the investment securities drops below cost. In such event, the market value of the collateral securities transferred plus the market value of the investment securities must equal at least 103% of the investment contracts balance. At June 30, 2013 and 2012, the value of the collateral securities plus the market value of the investment securities is significantly below the 103% requirement. The LB Contract collateral consists of cash and U.S. Government Agency Securities.

   Actions related to the LB bankruptcy have created uncertainty as to the full recovery of the investment contract. If full recovery is not obtained, the 1989 Trust Estate may not have sufficient funds to pay amounts due on the related bonds. CoLT has no obligation to pay any deficiency. Furthermore, the bonds are secured by a letter of credit and CoLT expects all bond payments to be made in the normal course of business with draws on the letter of credit.

2. Money Market Funds: As of June 30, 2013 and 2012, $2,209 and $802,366, respectively, of the 1989 Trust Estate was invested in securities of JP Morgan U.S. Treasury Securities Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2013 and 2012, $24,495,583 and $18,034,526 of the 1989 Trust Estate was 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 P).

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, 2013 and 2012, respectively, the balance in this investment contract was $10,199,896 and $10,012,561, which is net of any unaccreted discounts.

3. LaSalle National Bank: All of the Expense Fund as of June 30, 2013 and 2012, $108,416 and $118,990, respectively (which includes accrued interest), is invested in a time deposit 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.

Note E - 1993 Trust Estate Investments (Continued)

4. Money Market Funds: As of June 30, 2013 and 2012, $1,722 of the 1993 Trust Estate was 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, 2013 and 2012, $1,860 of the 1993 Trust Estate was invested in cash and cash equivalents.

Note F - 1999 Trust Estate Investments

1. Bayerische Contract: As of June 30, 2013 and 2012, the Debt Service Reserve Fund ($5,000,000 for both years), a portion of the Redemption Fund ($5,895,070 and $183,628, respectively), and a portion of the Revenue Fund ($347,051 and $328,379, respectively) of the 1999 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Bayerische.

   Pursuant to the terms of the Bayerische Contract, the 1999 Trust Estate receives investment income equal to the interest cost of the outstanding 1999 Bonds plus: 1) 1.41% on Project Fund investments and 2) .77% on the combined balance of Debt Service Reserve Fund, Revenue Fund and Redemption Fund investments. The Expense Fund earns 5.08%. These interest rate spreads are guaranteed by Bayerische. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 1999 Trust is borne by Bayerische, while any excess is retained by Bayerische as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2013 and 2012, $344 and $26,326, respectively, of the 1999 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note G - 2001 Trust Estate Investments

1. Trinity Plus Funding Contract: As of June 30, 2013 and 2012, the Debt Service Reserve Fund ($5,000,000 for both years), a portion of the Revenue Fund ($485,681 and $488,735, respectively), and a portion of the Redemption Fund ($1,006,796 and $1,332,547, respectively) of the 2001 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Trinity Plus Funding.

   Pursuant to the terms of the Trinity Plus Funding Contract, the 2001 Trust Estate receives investment income equal to the interest cost of the outstanding 2001 Bonds plus: 1) 1.40% on Project Fund investments, 2) 1.05% on the combined balance of Debt Service Reserve Fund, Revenue Fund and Redemption Fund investments and 3) 1.40% on Expense Fund investments. These interest rate spreads are guaranteed by Trinity Plus Funding. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2001 Trust is borne by Trinity Plus Funding, while any excess is retained by Trinity Plus Funding as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2013 and 2012, $5,086 and $49,137, respectively, of the 2001 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note H - 2002 Trust Estate Investments

1. Bank of America N.A. Contract: As of June 30, 2013 and 2012, the Debt Service Reserve Fund ($10,000,000 for both years), a portion of the Revenue Fund ($727,666 and $774,806, respectively), and a portion of the Redemption Fund ($1,928,616 and $1,807,084, respectively) of the 2002 Trust Estate are held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Bank of America, N.A.

   Pursuant to the terms of the Bank of America, N.A. Contract, the 2002 Trust Estate receives investment income equal to the interest cost of the outstanding 2002 Bonds plus 0.43% on combined balances of the Debt Service Reserve Fund and Revenue Fund. This interest rate spread is guaranteed by Bank of America, N.A. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2002 Trust is borne by Bank of America, N.A., while any excess is retained by Bank of America, N.A. as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2013 and 2012, $190,197 and $239,423, respectively, of the 2002 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note I - 2004 Trust Estate Investments

1. Money Market Funds: As of June 30, 2013 and 2012, $1,506,101 and $1,565,975, respectively of the 2004 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Certificate of Deposit: As of June 30, 2013 and 2012, $10,000,821 and $10,000,000 of the 2004 Trust Estate was invested in a certificate of deposit at US Bank earning a fixed rate of 0.04%.

Note J - 2007 Trust Estate Investments

1. DEPFA Bank Investment Agreement: As of June 30, 2013 and 2012, the Debt Service Fund ($5,000,000 for both years), a portion of the Revenue Fund ($1,202,247 and $1,121,271, respectively), and a portion of the Redemption Fund ($601,910 and $761,417, respectively) of the 2007 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with DEPFA Bank.

   Pursuant to the terms of the contract, the 2007 Trust Estate receives interest at the Securities Industry and Financial Markets Association index ("SIFMA ") plus 0.96% related to the Debt Service Fund and the SIFMA index plus 0.50% for the float funds. This interest rate is guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2007 Trust is borne by DEPFA Bank, while any excess is retained by DEPFA Bank, as compensation for risks assumed and services rendered.

2. Money-Market Funds: As of June 30, 2013 and 2012, $58,390 and $249,344, respectively of the 2007 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2013 and 2012, $6,556 and $-0-, respectively, of the 2007 Trust Estate was invested in cash and cash equivalents.

Note K - 2007B Trust Estate Investments

1. Money Market Funds: As of June 30, 2013 and 2012, $1,559,774 and $2,366,752, respectively of the 2007B Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Certificate of Deposit: As of June 30, 2013 and 2012, $7,000,520 and $7,000,000 of the 2007B Trust Estate was invested in a certificate of deposit at US Bank earning a fixed rate of 0.04%.

Note L - 2008 Trust Estate Investments

1. Bayerische Contract: As of June 30, 2013 and 2012, the Debt Service Fund ($3,000,000 for both years), a portion of the Revenue Fund ($557,086 and $569,265, respectively), and a portion of the Redemption Fund ($66,844 and $23,610, respectively) of the 2008 Trust Estate are held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with Bayerische.

   Pursuant to the terms of the Bayerische Contract, the 2008 Trust Estate receives interest at the Securities Industry and Financial Markets Association index ("SIFMA ") Swap Index plus 0.78% for the float funds and SIMFA Swap Index plus 1.04% for the Debt Service Fund. These interest rates are guaranteed. Any deficiency in actual earnings (including capital gains and losses) as compared to the guaranteed earnings of the 2008 Trust is borne by Bayerische, while any excess is retained by Bayerische as compensation for risks assumed and services rendered.

2. Money Market Funds: As of June 30, 2013 and 2012, $363,378 and $112,044, respectively of the 2008 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note M - 2008 A2 Trust Estate Investments

1. Money Market Funds: As of June 30, 2013 and 2012, $2,112,181 and $2,147,180, respectively of the 2008 A2 Trust Estate was invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Certificate of Deposit: As of June 30, 2013 and 2012, $7,500,616 and $7,500,000 of the 2008 A2 Trust Estate was invested in a certificate of deposit at US Bank earning a fixed rate of 0.04%.

3. Cash and Cash Equivalents: As of June 30, 2013 and 2012, $2,062 and $-0-, respectively, of the 2008 Trust Estate was invested in cash and cash equivalents.

Note N - Leases Receivable

As explained 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, 2013 are as follows:

Year Ending June 30,	Amount
2014	$ 13,555,791
2015	11,607,522
2016	11,655,150
2017	11,408,674
2018	10,934,663
Thereafter	125,119,088
	$ 184,280,888

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 - Other Investments

These funds principally represent accumulated amounts transferred to the Program Discretionary Fund (see Note A).

As of June 30, 2013 and 2012, other investments included investments stated at fair value, as follows:

	2013	2012
Money Market Funds	$ 29,088	$ 197,540
Common Stock:		
Energy	726,400	673,030
Financials	149,584	111,823
Technology	153,048	-
Service	117,728	-
Retail	295,424	-
Healthcare	130,115	115,000
Mutual Funds:		
Balanced fund	3,540,246	3,260,708
International fund	183,935	-
Mid cap fund	132,789	-
Small cap fund	97,370	-
Mortgage-backed Securities	971,871	-
Corporate Bonds	453,295	-
Municipal Bonds	742,877	-
Other Investments	60,611	-
	$ 7,784,381	$ 4,358,101

Note P - 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. Repayment of the bonds has been guaranteed by Chase under the credit facility agreement described in Note B. The 1989 Bonds have various maturities and bear interest at various rates. The average interest rates for the years ended June 30, 2013 and 2012 were 0.48% and 0.45%, respectively.

   When the Bonds mature, they are redeemed, and sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 1989 Bonds have a final maturity date of March 1, 2019, beyond which they may not be remarketed.

   Receipts of principal from leases and loans are deposited into dated Revolving Funds, which are established on six-month intervals. The amount held in each Revolving Fund at the close of the fund (six months after opening) must be used to permanently retire outstanding 1989 Bonds unless used for new leases or loans within three years of the opening of that Revolving Fund, unless an appropriate opinion of bond counsel is received which would require the funds to be investment-yield-restricted (see Note C).

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.

Note P - Bonds Payable (Continued)

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 the years ended June 30, 2013 and 2012, $3,500,000 and $995,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.16% and 0.12%, respectively.

   When the Weekly Rate Bonds and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 1999 Bonds have a final maturity date of December 1, 2029, beyond which they may not be remarketed.

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 the years ended June 30, 2013 and 2012, $3,085,000 and $2,490,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.16% and 0.12%, respectively.

   When the Weekly Rate Bonds and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2001 Bonds have a final maturity date of March 1, 2031, beyond which they may not be remarketed.

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 the years ended June 30, 2013 and 2012, $3,655,000 and $3,235,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.14% and 0.11%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2002 Bonds have a final maturity date of February 1, 2032, beyond which they may not be remarketed.

Note P - Bonds Payable (Continued)

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 the fiscal years ended June 30, 2013 and 2012, $3,490,000 and $12,790,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.14% and 0.11%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2004 Bonds have a final maturity date of September 1, 2034, beyond which they may not be remarketed.

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 the fiscal years ended June 30, 2013 and 2012, $3,690,000 and $2,265,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.15% and 0.11%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2007 Bonds have a final maturity date of April 1, 2037, beyond which they may not be remarketed.

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 the years ended June 30, 2013 and 2012, $2,420,000 and $6,455,050, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.14% and 0.10%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2007B Bonds have a final maturity date of August 1, 2037, beyond which they may not be remarketed.

Note P - 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 the years ended June 30, 2013 and 2012, $1,570,000 and $2,450,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.15% and 0.11%, respectively.

   When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2008 Bonds have a final maturity date of June 1, 2038, beyond which they may not be remarketed.

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 the years ended June 30, 2013 and 2012 $4,310,000 and $6,295,000, 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. Repayment of the bonds has been guaranteed by US Bank under the Credit Facility agreement described in Note B. The average interest rates for the years ended June 30, 2013 and 2012 were 0.14% and 0.10%, respectively.

    When the Daily Rate Bonds, Weekly Rate Bonds, and the Adjustable Rate Bonds are redeemed, they are sold with the assistance of the remarketing agent (see Note B) at the best terms available. The 2008 Bonds have a final maturity date of December 1, 2038, beyond which they may not be remarketed.

Note Q - 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.

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:

Short-Term and Variable Rate Financial Instruments - 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.

Fixed Rate Investment Contracts and Related Financing - These arrangements included in Notes D through M 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.

Certificates of Deposit - Due to the lack of an active market, certificates of deposit are valued at amortized cost, which approximates fair value.

Letter of Credit Agreement - As described in Note B, CoLT, Chase, and US Bank are parties to letter of credit and reimbursement agreements to provide additional collateral for CoLT's 1989, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 Bonds outstanding. These agreements are integral to the bond issue to which they relate and, as such, cannot be marketed separately. It is the opinion of management that any fair value related to these agreements has already been included in the fair values of the related bond issue.

Note Q - Fair Value of Financial Instruments (Continued)

Other Investments - The investments and instruments discussed in Notes D through M and Note O 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, 2013:

Assets	Level 1	Level 2	Total
Cash Equivalents/Money Market	$ 30,305,443	$ -	$ 30,305,443
Fixed Rate Investment Contracts	-	126,503,004	126,503,004
Certificates of Deposit	-	24,501,957	24,501,957
Other Investments	6,055,727	1,728,654	7,784,381
	$ 36,361,170	$ 152,733,615	$ 189,094,785

Liabilities	Level 1	Level 2	Total
Interest Rate Exchanges	$ -	$ 16,930,768	$ 16,930,768

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2012:

	Level 1	Level 2	Total
Cash Equivalents/Money Market	$ 25,596,655	$ -	$ 25,596,655
Fixed Rate Investment Contracts	-	120,898,018	120,898,018
Certificates of Deposit	-	24,500,000	24,500,000
Other Investments	4,358,101	-	4,358,101
	$ 29,954,756	$ 145,398,018	$ 175,352,774

Liabilities	Level 1	Level 2	Total
Interest Rate Exchanges	$ -	$ 26,211,565	$ 26,211,565

Note R - 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 CoLT 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. Accrued arbitrage rebates at June 30, 2013 and 2012 are $577,558 and $1,056,660, respectively.

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 $1,200,000. 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 year ended June 30, 2013 and 2012 was $10,503 and $9,912, respectively.

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, 2013 and 2012. Commonwealth Insurance Company, Inc.'s 2009 - 2012 tax years remain open and subject to examination.

Note S - Concentrations

At June 30, 2013, there are leases receivable outstanding of approximately $56,370,000 from two counties which represents approximately 31% of leases receivable. At June 30, 2012, there are leases receivable outstanding of approximately $82,126,000 from three counties which represents approximately 37% of leases receivable.

Note T - 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, 2013 and 2012, 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, 2013 and 2012, CoLT paid $638,570 and $651,649, respectively, to KACo for management fees.

In the fiscal years ended June 30, 2013 and 2012, 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 $967,921 and $963,943 for the fiscal years ended June 30, 2013 and 2012, respectively. The related expense was $938,283 and $971,962 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, CoLT has recorded a receivable of $146,939 and $117,301, 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, 2013 and 2012, CoLT has $6,921,717 and $8,110,896, respectively, recorded as a lease receivable from KACo. Accrued interest rebates due to KACo of $217,605 and $246,381 as of June 30, 2013 and 2012, respectively, are recorded in other accrued expenses on the consolidated statement of financial position.

During the year ended June 30, 2013, CoLT purchased a KACO Finance Corporation revenue bond for $500,000 with funds held in the Program Discretionary Fund (see Note A). The investment is included in other investments in the accompanying consolidated financial statements.

Supplementary Information

**Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statements of Financial Position
June 30, 2013**

	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	$ 276,818	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,938,002	$ -	$ 2,214,820
Trust estate investments														
Cash and cash equivalents	-	24,495,583	1,860	-	-	-	-	6,556	-	-	2,062	-	-	24,506,061
Investment contracts	-	75,375,725	10,308,312	11,242,121	6,492,477	12,656,282	-	6,804,157	-	3,623,930	-	-	-	126,503,004
U.S. government money market funds	-	2,209	1,722	344	5,086	190,197	1,506,101	58,390	1,559,774	363,378	2,112,181	-	-	5,799,382
Certificates of deposit	-	-	-	-	-	-	10,000,821	-	7,000,520	-	7,500,616	-	-	24,501,957
Leases receivable	-	3,467,377	-	3,629,000	8,382,500	15,986,361	32,738,749	26,877,384	33,987,521	17,041,405	42,170,591	-	-	184,280,888
Leases receivable - unrealized appreciation in fair value	-	58,288	-	771,485	1,312,516	1,019,327	3,305,411	3,085,716	3,725,957	934,479	2,717,589	-	-	16,930,768
Other receivables	58,132	-	-	-	-	-	-	-	-	-	-	-	-	58,132
Due from affiliate	622,231	177,836	-	-	-	-	-	-	-	-	-	-	(531,343)	268,724
Notes receivable, net	67,356	-	-	-	-	-	-	-	-	-	-	-	-	67,356
Other investments	6,337,293	-	-	-	-	-	-	-	-	-	-	2,947,088	(1,500,000)	7,784,381
Accrued interest receivable	11,781	-	212,676	3,013	6,890	6,247	268	5,386	196	3,863	203	-	-	250,523
Other assets	-	-	-	-	-	-	-	-	-	-	-	68,205	-	68,205
Costs of debt issuance, net	-	-	20,819	58,263	51,597	77,237	164,751	146,999	142,103	117,544	248,748	-	-	1,028,061
Total Assets	$ 7,373,611	$ 103,577,018	$ 10,545,389	$ 15,704,226	$ 16,251,066	$ 29,935,651	$ 47,716,101	$ 36,984,588	$ 46,416,071	$ 22,084,599	$ 54,751,990	$ 4,953,295	$ (2,031,343)	$ 394,262,262
Liabilities and Net Assets														
Liabilities														
Accrued interest payable	$ -	$ 35,940	$ 533,333	$ 2,161	$ 2,141	$ 3,502	$ 5,218	$ 3,919	$ 4,960	$ 2,589	$ 6,095	$ -	$ -	$ 599,858
Interest rate exchanges	-	58,288	-	771,485	1,312,516	1,019,327	3,305,411	3,085,716	3,725,957	934,479	2,717,589	-	-	16,930,768
Other accrued expenses	29,577	674,875	333,200	183,937	46,204	210,818	408,832	171,368	171,893	325,152	807,033	295,000	(531,343)	3,126,546
Accrued arbitrage rebate	-	-	-	86,306	106,782	3,658	7,500	35,677	-	80,479	257,156	-	-	577,558
Bonds payable	-	105,000,000	10,000,000	14,545,000	14,315,000	28,345,000	43,285,000	32,520,000	41,264,950	20,410,000	50,695,000	-	-	360,379,950
Total Liabilities	29,577	105,769,103	10,866,533	15,588,889	15,782,643	29,582,305	47,011,961	35,816,680	45,167,760	21,752,699	54,482,873	295,000	(531,343)	381,614,680
Commitments and Contingencies														
Common Stock	-	-	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net Assets, unrestricted/ Retained Earnings	7,344,034	(2,192,085)	(321,144)	115,337	468,423	353,346	704,140	1,167,908	1,248,311	331,900	269,117	3,158,295	-	12,647,582
Total Net Assets/ Retained Earnings	7,344,034	(2,192,085)	(321,144)	115,337	468,423	353,346	704,140	1,167,908	1,248,311	331,900	269,117	4,658,295	(1,500,000)	12,647,582
Total Liabilities and Net Assets	$ 7,373,611	$ 103,577,018	$ 10,545,389	$ 15,704,226	$ 16,251,066	$ 29,935,651	$ 47,716,101	$ 36,984,588	$ 46,416,071	$ 22,084,599	$ 54,751,990	$ 4,953,295	$ (2,031,343)	$ 394,262,262

See independent auditor's report.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidating Statements of Financial Position
June 30, 2012

	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	$ 890,232	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,305,097	$ -	$ 5,195,329
Trust estate investments														
Cash and cash equivalents	-	18,034,526	1,860	-	-	-	-	-	-	-	-	-	-	18,036,386
Investment contracts	-	75,375,725	10,131,551	5,512,007	6,821,282	12,581,890	-	6,882,688	-	3,592,875	-	-	-	120,898,018
U.S. government money market funds	-	802,366	1,722	26,326	49,137	239,423	1,565,975	249,344	2,366,752	112,044	2,147,180	-	-	7,560,269
Certificates of deposit	-	-	-	-	-	-	10,000,000	-	7,000,000	-	7,500,000	-	-	24,500,000
Leases receivable	-	10,104,102	-	12,839,695	11,112,270	19,693,197	36,158,423	30,208,577	35,610,580	18,867,648	46,504,378	-	-	221,098,870
Leases receivable - unrealized appreciation in fair value	-	58,288	-	1,014,136	1,951,323	1,589,426	4,899,976	4,514,718	6,006,050	1,599,932	4,577,716	-	-	26,211,565
Other receivables	44,684	-	-	-	-	-	-	-	-	-	-	-	-	44,684
Due from affiliate	430,086	177,836	-	-	-	-	-	-	-	-	-	-	(333,200)	274,722
Notes receivable, net	64,522	-	-	-	-	-	-	-	-	-	-	-	-	64,522
Other investments	5,858,101	-	-	-	-	-	-	-	-	-	-	-	(1,500,000)	4,358,101
Accrued interest receivable	11,214	-	53,095	4,218	7,043	6,426	1,047	5,676	725	4,146	769	-	-	94,359
Other assets	-	-	-	-	-	-	58,530	76,706	90,428	22,639	83,609	34,711	-	366,623
Costs of debt issuance, net	-	-	20,819	79,802	69,757	95,162	189,594	174,057	158,433	133,360	284,616	-	-	1,205,600
Total Assets	$ 7,298,839	$ 104,552,843	$ 10,209,047	$ 19,476,184	$ 20,010,812	$ 34,205,524	$ 52,873,545	$ 42,111,766	$ 51,232,968	$ 24,332,644	$ 61,098,268	$ 4,339,808	$ (1,833,200)	$ 429,909,048
Liabilities and Net Assets														
Liabilities														
Accrued interest payable	$ -	$ 52,125	$ 211,556	$ 2,788	$ 2,729	$ 4,966	$ 7,686	$ 5,580	$ 6,722	$ 3,561	$ 8,488	$ -	$ -	$ 306,201
Interest rate exchanges	-	58,288	-	1,014,136	1,951,323	1,589,426	4,899,976	4,514,718	6,006,050	1,599,932	4,577,716	-	-	26,211,565
Other accrued expenses	-	789,639	333,200	176,027	62,612	223,371	265,865	196,650	167,835	353,905	995,520	499,606	(333,200)	3,731,030
Accrued arbitrage rebate	-	-	-	63,322	65,177	18,699	7,500	408,993	134,921	100,892	257,156	-	-	1,056,660
Bonds payable	-	105,000,000	10,000,000	18,045,000	17,400,000	32,000,000	46,775,000	36,210,000	43,684,950	21,980,000	55,005,000	-	-	386,099,950
Total Liabilities	-	105,900,052	10,544,756	19,301,273	19,481,841	33,836,462	51,956,027	41,335,941	50,000,478	24,038,290	60,843,880	499,606	(333,200)	417,405,406
Commitments and Contingencies														
Common Stock	-	-	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net Assets, unrestricted/ Retained Earnings	7,298,839	(1,347,209)	(335,709)	174,911	528,971	369,062	917,518	775,825	1,232,490	294,354	254,388	2,340,202	-	12,503,642
Total Net Assets/ Retained Earnings	7,298,839	(1,347,209)	(335,709)	174,911	528,971	369,062	917,518	775,825	1,232,490	294,354	254,388	3,840,202	(1,500,000)	12,503,642
Total Liabilities and Net Assets	$ 7,298,839	$ 104,552,843	$ 10,209,047	$ 19,476,184	$ 20,010,812	$ 34,205,524	$ 52,873,545	$ 42,111,766	$ 51,232,968	$ 24,332,644	$ 61,098,268	$ 4,339,808	$ (1,833,200)	$ 429,909,048

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statements of Activities and Changes in Net Assets
Year Ended June 30, 2013

	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	$ 111,861	$ 42,869	$ 671,342	$ 51,220	$ 77,083	$ 71,643	$ 8,227	$ 72,401	$ 6,613	$ 44,530	$ 7,306	$ 38,922	$ -	$ 1,204,017
Income from leases receivable														
Interest	-	283,979	-	525,126	516,735	823,038	1,498,191	1,312,889	1,574,329	737,358	2,054,953	-	-	9,326,598
Premium income	-	-	-	-	-	-	-	-	-	-	-	1,119,010	-	1,119,010
Credit, administrative and fiduciary fees	1,307,882	-	-	-	-	-	-	-	-	-	-	-	(799,299)	508,583
Miscellaneous income	52,065	-	-	-	-	-	-	-	-	-	-	-	(44,000)	8,065
Net realized and unrealized gains (losses) on investments	397,742	-	-	-	-	-	-	-	-	-	-	(26,298)	-	371,444
Total Revenues	1,869,550	326,848	671,342	576,346	593,818	894,681	1,506,418	1,385,290	1,580,942	781,888	2,062,259	1,131,634	(843,299)	12,537,717
Expenses														
Interest	-	525,608	641,777	216,136	421,198	400,577	1,007,917	953,877	1,142,750	302,335	1,076,729	-	-	6,688,904
Amortization of deferred financing costs	-	-	-	21,539	18,160	17,925	24,843	27,058	16,330	15,816	35,868	-	-	177,539
Credit fees	-	456,225	-	119,137	70,059	192,248	291,801	178,485	209,432	95,498	487,302	-	-	2,100,187
Administrative and other fees	1,567,785	-	-	88,353	46,145	122,106	171,681	93,006	132,916	54,260	170,180	383,038	(799,299)	2,030,171
Remarketing fees	-	131,250	-	12,960	12,502	29,656	44,020	29,585	29,577	18,209	64,845	-	-	372,604
Legal fees	253,567	-	-	-	-	-	-	-	-	-	-	-	-	253,567
Trustee fees	2,003	58,641	15,000	10,216	13,215	18,388	21,643	15,400	14,601	11,783	14,549	-	-	195,439
Sponsoring agency fees	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Lease rebates	-	-	-	121,594	17,482	144,538	150,891	69,112	76,766	266,854	198,057	-	-	1,045,294
Arbitrage rebate	-	-	-	22,985	41,605	(15,041)	-	(373,316)	(57,251)	(20,413)	-	-	-	(401,431)
Miscellaneous expense	-	-	-	23,000	14,000	-	7,000	-	-	-	-	-	(44,000)	-
Claims expense	-	-	-	-	-	-	-	-	-	-	-	(80,000)	-	(80,000)
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	10,503	-	10,503
Total Expenses	1,824,355	1,171,724	656,777	635,920	654,366	910,397	1,719,796	993,207	1,565,121	744,342	2,047,530	313,541	(843,299)	12,393,777
Changes in Net Assets	45,195	(844,876)	14,565	(59,574)	(60,548)	(15,716)	(213,378)	392,083	15,821	37,546	14,729	818,093	-	143,940
Net Assets (Deficit) at Beginning of Year	7,298,839	(1,347,209)	(335,709)	174,911	528,971	369,062	917,518	775,825	1,232,490	294,354	254,388	3,840,202	(1,500,000)	12,503,642
Net Assets (Deficit) at End of Year	$ 7,344,034	$ (2,192,085)	$ (321,144)	$ 115,337	$ 468,423	$ 353,346	$ 704,140	$ 1,167,908	$ 1,248,311	$ 331,900	$ 269,117	$ 4,658,295	$ (1,500,000)	$ 12,647,582

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statements of Activities and Changes in Net Assets
Year Ended June 30, 2012

	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	$ 186,460	$ -	$ 671,093	$ 52,654	$ 75,949	$ 68,090	$ 6,305	$ 70,394	$ (13,479)	$ 49,950	$ (5,652)	$ 33,429	$ -	$ 1,195,193
Income from leases receivable														
Interest	-	506,824	-	628,057	649,357	971,305	2,012,131	1,393,958	1,691,369	784,895	1,628,356	-	-	10,266,252
Premium income	-	-	-	-	-	-	-	-	-	-	-	1,072,295	-	1,072,295
Credit, administrative and														
fiduciary fees	1,142,071	-	-	-	-	-	-	-	-	-	-	-	(942,582)	199,489
Miscellaneous income	402,810	(213,574)	-	-	-	-	-	-	-	-	-	-	-	189,236
Net realized and unrealized														
(losses) gains on investments	(167,406)	-	-	-	-	-	-	-	-	-	-	4,582	-	(162,824)
Total Revenues	1,563,935	293,250	671,093	680,711	725,306	1,039,395	2,018,436	1,464,352	1,677,890	834,845	1,622,704	1,110,306	(942,582)	12,759,641
Expenses														
Interest	-	498,390	640,000	227,542	466,095	455,992	1,222,232	997,970	1,186,518	303,716	1,105,099	-	-	7,103,554
Amortization of deferred														
financing costs	-	-	-	10,283	16,407	17,135	74,840	19,921	36,072	22,759	49,580	-	-	246,997
Credit fees	-	456,968	-	155,299	94,544	219,430	350,415	206,807	221,407	106,355	556,375	-	-	2,367,600
Administrative and other fees	1,523,115	-	15,000	109,505	52,916	135,700	183,153	108,113	159,599	76,035	206,268	429,617	(942,582)	2,056,439
Remarketing fees	-	131,251	-	14,829	14,609	32,773	55,021	32,030	31,403	19,919	71,834	-	-	403,669
Legal fees	188,332	-	-	-	-	-	-	-	-	-	-	-	-	188,332
Trustee fees	1,864	57,645	-	11,566	14,862	19,639	24,300	18,100	14,067	11,765	17,026	-	-	190,834
Sponsoring agency fees	28,000	-	-	-	-	-	-	-	-	-	-	-	-	28,000
Lease rebates	-	-	-	159,565	42,920	178,007	214,658	101,898	97,329	303,642	280,483	-	-	1,378,502
Arbitrage rebate	-	-	-	47,455	65,177	3,690	(207,666)	34,664	(15,750)	31,978	(78,875)	-	-	(119,327)
Claims expense	-	-	-	-	-	-	-	-	-	-	-	(55,000)	-	(55,000)
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	9,912	-	9,912
Total Expenses	1,741,311	1,144,254	655,000	736,044	767,530	1,062,366	1,916,953	1,519,503	1,730,645	876,169	2,207,790	384,529	(942,582)	13,799,512
Changes in Net Assets	(177,376)	(851,004)	16,093	(55,333)	(42,224)	(22,971)	101,483	(55,151)	(52,755)	(41,324)	(585,086)	725,777	-	(1,039,871)
Net Assets (Deficit) at														
Beginning of Year	7,476,215	(496,205)	(351,802)	230,244	571,195	392,033	816,035	830,976	1,285,245	335,678	839,474	3,114,425	(1,500,000)	13,543,513
Net Assets (Deficit) at End of Year	$ 7,298,839	$ (1,347,209)	$ (335,709)	$ 174,911	$ 528,971	$ 369,062	$ 917,518	$ 775,825	$ 1,232,490	$ 294,354	$ 254,388	$ 3,840,202	$ (1,500,000)	$ 12,503,642

See independent auditor's report.

Kentucky Association of Counties Leasing Trust
and Subsidiary
Consolidating Statements of Cash Flows
Year Ended June 30, 2013

	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	$ 45,195	$ (844,876)	$ 14,565	$ (59,574)	$ (60,548)	$ (15,716)	$ (213,378)	$ 392,083	$ 15,821	$ 37,546	$ 14,729	$ 818,093	$ -	$ 143,940
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:														
Amortization of debt issuance costs	-	-	-	21,539	18,160	17,925	24,843	27,058	16,330	15,816	35,868	-	-	177,539
Net realized and unrealized (gains) losses on other investments	(397,742)	-	-	-	-	-	-	-	-	-	-	26,298	-	(371,444)
Changes in:														
Other receivables	(13,448)	-	-	-	-	-	-	-	-	-	-	-	-	(13,448)
Receivable from affiliate, net	(192,145)	-	-	-	-	-	-	-	-	-	-	-	198,143	5,998
Accrued interest receivable	(567)	-	(159,581)	1,205	153	179	779	290	529	283	566	-	-	(156,164)
Other assets	-	-	-	-	-	-	58,530	76,706	90,428	22,639	83,609	(33,494)	-	298,418
Accrued interest payable	-	(16,185)	321,777	(627)	(588)	(1,464)	(2,468)	(1,661)	(1,762)	(972)	(2,393)	-	-	293,657
Other accrued expenses	29,577	(114,764)	-	7,910	(16,408)	(12,553)	142,967	(25,282)	4,058	(28,753)	(188,487)	(204,606)	(198,143)	(604,484)
Accrued arbitrage rebate	-	-	-	22,984	41,605	(15,041)	-	(373,316)	(134,921)	(20,413)	-	-	-	(479,102)
Net Cash Provided (Used) by Operating Activities	(529,130)	(975,825)	176,761	(6,563)	(17,626)	(26,670)	11,273	95,878	(9,517)	26,146	(56,108)	606,291	-	(705,090)
Cash Flows from Investing Activities														
Net proceeds from (purchases of) trust estate investments	-	(5,660,900)	(176,761)	(5,704,132)	372,856	(25,166)	59,053	262,929	806,458	(282,389)	32,321	-	-	(10,315,731)
Lease repayments	-	6,636,725	-	9,210,695	2,729,770	3,706,836	3,419,674	3,331,193	1,623,059	1,826,243	4,333,787	-	-	36,817,982
Net (purchases of) proceeds from other investments	(81,450)	-	-	-	-	-	-	-	-	-	-	(2,973,386)	-	(3,054,836)
Issuance of notes receivable, net	(2,834)	-	-	-	-	-	-	-	-	-	-	-	-	(2,834)
Net Cash (Used) Provided by Investing Activities	(84,284)	975,825	(176,761)	3,506,563	3,102,626	3,681,670	3,478,727	3,594,122	2,429,517	1,543,854	4,366,108	(2,973,386)	-	23,444,581
Cash Flows from Financing Activities														
Payments on bonds	-	-	-	(3,500,000)	(3,085,000)	(3,655,000)	(3,490,000)	(3,690,000)	(2,420,000)	(1,570,000)	(4,310,000)	-	-	(25,720,000)
Net Cash Used by Financing Activities	-	-	-	(3,500,000)	(3,085,000)	(3,655,000)	(3,490,000)	(3,690,000)	(2,420,000)	(1,570,000)	(4,310,000)	-	-	(25,720,000)
(Decrease) Increase in Cash and Cash Equivalents	(613,414)	-	-	-	-	-	-	-	-	-	-	(2,367,095)	-	(2,980,509)
Cash and Cash Equivalents at Beginning of Year	890,232	-	-	-	-	-	-	-	-	-	-	4,305,097	-	5,195,329
Cash and Cash Equivalents at End of Year	$ 276,818	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,938,002	$ -	$ 2,214,820

See independent auditor's report.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidating Statements of Cash Flows
Year Ended June 30, 2012

	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
Cash Flows from Operating Activities														
Changes in net assets	$ (177,376)	$ (851,004)	$ 16,093	$ (55,333)	$ (42,224)	$ (22,971)	$ 101,483	$ (55,151)	$ (52,755)	$ (41,324)	$ (585,086)	$ 725,777	$ -	$ (1,039,871)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:														
Amortization of debt issuance costs	-	-	-	10,283	16,407	17,135	74,840	19,921	36,072	22,759	49,580	-	-	246,997
Bad debt expense	-	213,575	-	-	-	-	-	-	-	-	-	-	-	213,575
Net realized and unrealized losses (gains) on other investments	167,406	-	-	-	-	-	-	-	-	-	-	(4,582)	-	162,824
Changes in:														
Other receivables	(10,978)	-	-	-	-	-	-	-	-	-	-	-	-	(10,978)
Receivable from affiliate, net	298,902	(15,414)	-	-	-	-	-	-	-	-	-	-	(294,119)	(10,631)
Accrued interest receivable	377	-	1,640	(225)	(313)	(1,059)	2,824	(790)	19,848	(106)	12,575	-	-	34,771
Other assets	-	-	-	-	-	-	(55,101)	(76,706)	(90,428)	(22,639)	(83,609)	(16,090)	-	(344,573)
Accrued interest payable	-	20,192	-	(1,669)	(1,884)	(1,797)	(3,701)	(1,996)	(4,128)	(1,198)	(3,943)	-	-	(124)
Other accrued expenses	-	114,763	-	(70,033)	(33,061)	(69,695)	(225,151)	(18,767)	(256,348)	(61,604)	328,111	(51,557)	294,119	(49,223)
Accrued arbitrage rebate	-	-	-	47,455	65,177	3,690	(207,666)	34,664	(15,750)	31,978	(78,875)	-	-	(119,327)
Net Cash Provided (Used) by Operating Activities	278,331	(517,888)	17,733	(69,522)	4,102	(74,697)	(312,472)	(98,825)	(363,489)	(72,134)	(361,247)	653,548	-	(916,560)
Cash Flows from Investing Activities														
Net proceeds from (purchases of) trust estate investments	-	(3,272,383)	(17,733)	72,378	437,926	438,573	849,715	(373,870)	3,891,234	1,079,111	534,263	-	-	3,639,214
Lease repayments	-	3,790,271	-	992,144	2,047,972	2,871,124	12,252,757	2,737,695	2,927,305	1,443,023	6,121,984	-	-	35,184,275
Net (purchases of) proceeds from other investments	(168,767)	-	-	-	-	-	-	-	-	-	-	750,000	-	581,233
Issuance of notes receivable, net	(40,569)	-	-	-	-	-	-	-	-	-	-	-	-	(40,569)
Net Cash (Used) Provided by Investing Activities	(209,336)	517,888	(17,733)	1,064,522	2,485,898	3,309,697	13,102,472	2,363,825	6,818,539	2,522,134	6,656,247	750,000	-	39,364,153
Payments on bonds	-	-	-	(995,000)	(2,490,000)	(3,235,000)	(12,790,000)	(2,265,000)	(6,455,050)	(2,450,000)	(6,295,000)	-	-	(36,975,050)
Net Cash Used by Financing Activities	-	-	-	(995,000)	(2,490,000)	(3,235,000)	(12,790,000)	(2,265,000)	(6,455,050)	(2,450,000)	(6,295,000)	-	-	(36,975,050)
Increase in Cash and Cash Equivalents	68,995	-	-	-	-	-	-	-	-	-	-	1,403,548	-	1,472,543
Cash and Cash Equivalents at Beginning of Year	821,237	-	-	-	-	-	-	-	-	-	-	2,901,549	-	3,722,786
Cash and Cash Equivalents at End of Year	$ 890,232	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,305,097	$ -	$ 5,195,329

See independent auditor's report.