Kentucky Association of Counties Leasing Trust and Subsidiary

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2014 and 2013

Kentucky Association of Counties Leasing Trust and Subsidiary

Table of Contents
June 30, 2014 and 2013

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 (a County Interlocal Cooperation Agreement Trust) ("the Trust") and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, 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 $5,658,044 and $4,953,295 as of June 30, 2014 and 2013, respectively, and total revenues of $1,161,622 and $1,131,634 for the years ended June 30, 2014 and 2013, 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.

Mountjoy Chilton Medley LLP
P 502.749.1900 | F 502.749.1930
2600 Meidinger Tower | 462 South Fourth Street | Louisville, KY 40202
www.mcmcpa.com | 888.587.1719
An Independent Member of Baker Tilly International

Kentucky
Indiana
Ohio

Independent Auditor's Report (Continued)

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust and Subsidiary as of June 30, 2014 and 2013, 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, 2014 and 2013, the consolidating statements of activities and changes in net assets for the years ended June 30, 2014 and 2013, and the consolidating statements of cash flows for the years ended June 30, 2014 and 2013, 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
December 18, 2014

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 3,016,310	$ 2,214,820
Trust Estate Investments		
Cash and cash equivalents	159,831	24,506,061
Investment contracts	10,110,490	126,503,004
U.S. government money market funds	4,961,933	5,799,382
Certificates of deposit	-	24,501,957
Leases receivable	163,508,653	184,280,888
Leases receivable - unrealized appreciation in fair value	15,953,279	16,930,768
Other receivables	255,474	58,132
Due from affiliate	59,351	268,724
Notes receivable, net	233,625	67,356
Other investments	11,804,349	7,784,381
Accrued interest receivable	136,051	250,523
Other assets	41,387	68,205
Costs of debt issuance, net of accumulated amortization of $2,029,456 and $4,320,749	867,628	1,028,061
Total Assets	$ 211,108,361	$ 394,262,262
Liabilities and Net Assets		
Liabilities		
Accrued interest payable	$ 308,310	$ 599,858
Interest rate exchanges	15,953,279	16,930,768
Other accrued expenses	3,296,731	3,126,546
Accrued arbitrage rebate	-	577,558
Bonds payable	175,928,998	360,379,950
Total Liabilities	195,487,318	381,614,680
Commitments and Contingencies		
Net Assets, Unrestricted/Retained Earnings	15,621,043	12,647,582
Total Liabilities and Net Assets	$ 211,108,361	$ 394,262,262

See accompanying notes.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2014 and 2013

	2014	2013
Revenues		
Investment income	$ 1,079,131	$ 1,204,017
Income from leases receivable	8,010,161	9,326,598
Premium income	850,000	1,119,010
Credit, administrative and fiduciary fees	315,906	508,583
Miscellaneous income	3,769	8,065
Income from settlement	5,621,348	-
Net realized and unrealized gains on other investments	738,702	371,444
Total Revenues	16,619,017	12,537,717
Expenses		
Interest	6,194,328	6,688,904
Amortization of deferred financing costs	1,035,183	177,539
Credit fees	1,376,992	2,100,187
Administrative and other fees	2,088,060	2,031,171
Remarketing fees	212,768	372,604
Legal fees	464,405	253,567
Trustee fees	199,398	195,439
Lease rebates	2,036,655	1,045,294
Arbitrage rebate	(368,054)	(401,431)
Miscellaneous expense	177,836	-
Claims expense	145,000	(80,000)
Provision for income taxes	82,985	10,503
Total Expenses	13,645,556	12,393,777
Changes in Net Assets	2,973,461	143,940
Net Assets at Beginning of Year	12,647,582	12,503,642
Net Assets at End of Year	$ 15,621,043	$ 12,647,582

See accompanying notes.

Kentucky Association of Counties Leasing Trust and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Changes in Net Assets	$ 2,973,461	$ 143,940
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Amortization of debt issuance costs	1,035,183	177,539
Net realized and unrealized gains on other investments	(738,702)	(371,444)
Changes in:		
Other receivables	(197,342)	(13,448)
Receivable from affiliate, net	209,373	5,998
Accrued interest receivable	114,472	(156,164)
Other assets	26,818	298,418
Accrued interest payable	(291,548)	293,657
Other accrued expenses	170,185	(604,484)
Accrued arbitrage rebate	(577,558)	(479,102)
Net Cash Provided by (Used in) Operating Activities	2,724,342	(705,090)
Cash Flows from Investing Activities		
Net proceeds from (purchases of) trust estate investments	166,078,150	(10,315,731)
Lease repayments	20,772,235	36,817,982
Net purchases of other investments	(3,281,266)	(3,054,836)
Issuance of notes receivable, net	(166,269)	(2,834)
Net Cash Provided by Investing Activities	183,402,850	23,444,581
Cash Flows from Financing Activities		
Bond issuance cost	(874,750)	-
Payments on bonds	(184,450,952)	(25,720,000)
Cash Used in Financing Activities	(185,325,702)	(25,720,000)
Increase (Decrease) in Cash and Cash Equivalents	801,490	(2,980,509)
Cash and Cash Equivalents at Beginning of Year	2,214,820	5,195,329
Cash and Cash Equivalents at End of Year	$ 3,016,310	$ 2,214,820
Supplemental Disclosure:		
Cash paid for interest	$ 6,485,876	$ 6,395,247
Non-cash investing and financing activities:		
Change in fair value of lease receivables and related interest rate exchanges	(977,489)	(9,280,797)

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:

	2014	2013
1989 Series	$ -	$ -
1993 Series	-	-
1999 Series	7,628	80,353
2001 Series	19,528	37,145
2002 Series	89,982	113,106
2004 Series	74,535	162,149
2007 Series	50,737	75,390
2007B Series	88,883	119,916
2008 Series	33,648	48,260
2008 A2 Series	113,279	162,980
	$ 478,220	$ 799,299

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. 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, 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), which is used by CoLT to facilitate redemption of the 1989 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, the irrevocable letter of credit was terminated and Chase purchased the outstanding 1989 Bonds.

   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 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 1999 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

   2001 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated February 1, 2001, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2001 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

   2002 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated January 31, 2002, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2002 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

Note B - Contractual Agreements (Continued)

1. Credit Facility (Continued):

2004 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated September 29, 2004, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2004 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

2007 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated April 1, 2007, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2007 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

2007B Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated August 1, 2007, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2007B Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

2008 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated June 1, 2008, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2008 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

2008 A2 Trust Estate - CoLT and US Bank are parties to a letter of credit and reimbursement agreement dated December 1, 2008, 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 at June 30, 2013), which is used by CoLT to facilitate the redemption of the 2008 A2 Bonds immediately prior to their remarketing (see Note B, Bond Remarketing). During 2014, CoLT converted the bonds to Adjustable Rate Bonds. Upon conversion, the outstanding bonds were purchased by US Bank and the letter of credit and reimbursement agreement was terminated.

Note B - Contractual Agreements (Continued)

2. Administrative Services:

During fiscal year 2014, KACo provided administrative and management services to CoLT pursuant to contracts that became effective on July 1, 2013 and expired June 30, 2014. 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, 2014.

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 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). During 2014, the remarketing agreement was terminated and the 1989 bonds were purchased by Chase.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

Note B - Contractual Agreements (Continued)

3. Bond Remarketing (Continued):

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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). During 2014, all outstanding bonds were converted to Adjustable Rate Bonds. Upon conversion, all outstanding bonds were purchased by US Bank and the remarketing agreement was terminated.

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 pertaining to lease terms and payments. 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. 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, 2014 and 2013, investment contracts with the 1993 Trust Estate had net remaining discounts of approximately $96,000 and $120,000, 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.

Note C - Summary of Significant Accounting Policies (Continued)

2. Program Escrow Fund: During 2014, CoLT and US Bank entered into an escrow deposit agreement establishing a program escrow fund. This fund is maintained by US Bank (escrow agent) and is pledged as security for the bond obligations of the 1999 through 2008A2 trust estates as provided by the trust indentures. As of June 30, 2014, $1,596,886 exists in the fund and is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations. The balance of this fund is recorded in trust estate investments in the accompanying consolidated statements of financial position.

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

   CoLT utilizes interest rate swaps to provide fixed rate leases out of its Trust Estates (excluding the 1993 Trust Estate) without bearing interest rate risk. Under the terms of the agreements, CoLT pays to the swap counterparty the agreed to fixed rate and receives interest based upon an agreed to variable indexed rate (see below). These interest rate swap agreements have been designated by CoLT as fair value hedges of the underlying changes in the fair value of the leases receivable. The terms of the swap agreement are established to exactly match those of the underlying lease instruments (including notional amounts, payment dates, variable interest rates, etc.). Net payments made (received) under the swap agreements (settlements) are included as a component of interest expense (income). Changes in the fair value of the swap instruments, as well as changes in the fair value of the underlying lease instruments, are included as components of interest income, net. The following outlines the swap agreements in place as of June 30, 2014 and 2013.

   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. During 2014, the swap contracts were terminated and all outstanding lease receivables were converted to fixed interest rates. For the years ended June 30, 2014 and 2013, CoLT made settlement payments of approximately $10,300 and $18,900, respectively, under this agreement.

   1999 Trust Estate

   As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with Merrill Lynch in December 1999, of $3,404,000 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, 2014 and 2013, CoLT made settlement payments of approximately $182,000 and $191,000, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

3. Interest Rate Exchange Agreements (Continued):

2001 Trust Estate

As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in February 2001, of $6,995,666 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, 2014 and 2013, CoLT made settlement payments of approximately $352,300 and $396,600, respectively, under this agreement.

2002 Trust Estate

As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with Chase in June 2002, of $6,884,823 on which CoLT pays fixed rates ranging from 3.82% to 4.65%, and receives a variable rate tied to the One Day Municipal Paper Market rates. For the years ended June 30, 2014 and 2013, CoLT made settlement payments of approximately $299,300 and $357,700, respectively, under this agreement.

2004 Trust Estate

As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in September 2004 of $22,622,830 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, 2014 and 2013, CoLT made settlement payments of approximately $901,700 and $943,800, respectively, under this agreement.

2007 Trust Estate

As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in May 2007 of $19,736,497 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, 2014 and 2013, CoLT made settlement payments of approximately $871,600 and $903,900, respectively, under this agreement.

2007B Trust Estate

As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2007 of $28,732,759 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, 2014 and 2013, CoLT made settlement payments of approximately $1,073,200 and $1,081,900, respectively, under this agreement.

2008 Trust Estate

As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in August 2008 of $7,304,230 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, 2014 and 2013, CoLT made settlement payments of approximately $271,000 and $271,200, respectively, under this agreement.

Note C - Summary of Significant Accounting Policies (Continued)

3. Interest Rate Exchange Agreements (Continued):

   2008 A2 Trust Estate

   As of June 30, 2014, CoLT has outstanding swap contracts under a master swap agreement, executed with US Bank in December 2008 of $30,046,000 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, 2014 and 2013, CoLT made settlement payments of approximately $987,900 and $1,002,100, respectively, under this agreement.

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

4. Cash and Cash Equivalents: CoLT considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. CoLT typically maintains cash on deposit at banks in excess of federally insured limits. Accordingly, at various times during the years ended June 30, 2014 and 2013, balances were uninsured and uncollateralized.

5. Other Assets: Costs of the 1993, 1999, 2001, 2002, 2004, 2007, 2007B, 2008, and 2008 A2 debt issuances have been capitalized. During 2014, the 1999 – 2008 A2 debt issuances were converted to Adjustable Rate Bonds. In connection with the conversion, $850,088 of unamortized costs of issuance were written off and included in amortization of deferred financing costs in the accompanying consolidated financial statements. The costs incurred related to the conversion were capitalized. Costs of issuance are being amortized to interest expense on the effective interest method over the life of the bonds.

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

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

8. Reclassifications: Certain reclassifications were made to the 2013 consolidated financial statements to conform to the 2014 presentation.

Note D - 1989 Trust Estate Investments

1. Lehman Brothers (LB) Contract: As of June 30, 2013, $75,375,725 of the 1989 Trust Estate is 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

   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, 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.

   During 2014, a settlement agreement was reached between CoLT and JP Morgan Chase Bank in regards to the LB bankruptcy. In conjunction with the settlement the Trust Estate drew on the letter of credit to pay bondholders $105,000,000 (approximately $102,600,000 to permanently retire bonds and approximately $2,400,000 to purchase the remaining bonds outstanding) (See Note P). The balance of the Trust Estate investments were used for required settlement payments including amounts paid to CoLT for accumulated guaranteed investment earnings and accumulated administration fees. CoLT recorded $5,621,348 of income from the settlement which is included in the accompanying consolidated statements of activities and changes in net assets.

Note D - 1989 Trust Estate Investments (Continued)

2. Money Market Funds: As of June 30, 2014 and 2013, $2,113 and $2,209, respectively, of the 1989 Trust Estate is invested in securities of JP Morgan U.S. Treasury Securities Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2014 and 2013, $159,831 and $24,495,583 of the 1989 Trust Estate is invested in cash and cash equivalents.

Note E - 1993 Trust Estate Investments

1. Assured Return Management Corporation Contract: In connection with the issuance of the 1993 Series A Bonds, CoLT signed an agreement with Assured Return Management Corporation ("ARMC", an affiliate of Lehman Government Securities, Inc.) dated September 1, 1995, to invest $90 million. In July 2005, CoLT redeemed the $90 Million ARMC Contract with the proceeds of the redemption paying down the 1993 bonds (see Note 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, 2014 and 2013, respectively, the balance in this investment contract is $10,011,545 and $10,199,896, which is net of any unaccreted discounts.

3. LaSalle National Bank: All of the Expense Fund as of June 30, 2014 and 2013, $98,945 and $108,416, 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.

4. Money Market Funds: As of June 30, 2014 and 2013, $1,702 and $1,722, respectively, of the 1993 Trust Estate is invested in the Blackrock U.S. Treasury Money Market Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

5. Cash and Cash Equivalents: As of June 30, 2014 and 2013, $-0- and $1,860 of the 1993 Trust Estate is invested in cash and cash equivalents, respectively.

Note F - 1999 Trust Estate Investments

1. Bayerische Contract: As of June 30, 2013, $11,242,121 of the 1999 Trust Estate is held by the Trustee in the Trustee's name on behalf of CoLT pursuant to the terms of the guaranteed investment contract with Bayerische. As of June 30, 2014, there were no amounts invested in the guaranteed investment contract.

   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, 2014 and 2013, $29,493 and $344, respectively, of the 1999 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note G - 2001 Trust Estate Investments

1. Trinity Plus Funding Contract: As of June 30, 2013, $6,492,477 of the 2001 Trust Estate is 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. As of June 30, 2014, there were no amounts invested in the guaranteed investment contract.

   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, 2014 and 2013, $158,819 and $5,086, respectively, of the 2001 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note H - 2002 Trust Estate Investments

1. Bank of America N.A. Contract: As of June 30, 2013, $12,656,282 of the 2002 Trust Estate is 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. As of June 30, 2014, there were no amounts invested in the guaranteed investment contract.

   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, 2014 and 2013, $359,702 and $190,197, respectively, of the 2002 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note I - 2004 Trust Estate Investments

1. Money Market Funds: As of June 30, 2014 and 2013, $819,153 and $1,506,101, respectively of the 2004 Trust Estate is invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Certificate of Deposit: As of June 30, 2014 and 2013, $-0- and $10,000,821 of the 2004 Trust Estate is 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, 2014, $6,804,157 of the 2007 Trust Estate is 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. As of June 30, 2014, there were no amounts invested in the guaranteed investment contract.

   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, 2014 and 2013, $2,252,282 and $58,390, respectively of the 2007 Trust Estate is invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

3. Cash and Cash Equivalents: As of June 30, 2014 and 2013, $-0- and $6,556, respectively, of the 2007 Trust Estate is invested in cash and cash equivalents.

Note K - 2007B Trust Estate Investments

1. Money Market Funds: As of June 30, 2014 and 2013, $180,565 and $1,559,774, respectively of the 2007B Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Certificate of Deposit: As of June 30, 2014 and 2013, $-0- and $7,000,520 of the 2007B Trust Estate is 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, $3,623,930 of the 2008 Trust Estate is held by the trustee in the trustee's name on behalf of CoLT, pursuant to the terms of the guaranteed investment contract with Bayerische. As of June 30, 2014, there were no amounts invested in the guaranteed investment contract.

   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, 2014 and 2013, $319,869 and $363,378, respectively of the 2008 Trust Estate is invested in securities of the First American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

Note M - 2008 A2 Trust Estate Investments

1. Money Market Funds: As of June 30, 2014 and 2013, $838,235 and $2,112,181, respectively of the 2008 A2 Trust Estate is invested in securities of The American Government Obligation Fund, a diversified mutual fund investing exclusively in U.S. Treasury obligations.

2. Certificate of Deposit: As of June 30, 2014 and 2013, $-0- and $7,500,616 of the 2008 A2 Trust Estate is 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, 2014 and 2013, $-0- and $2,062, respectively, of the 2008 Trust Estate is invested in cash and cash equivalents.

Note N - Leases Receivable

As noted in Note A, CoLT was organized to make funds available for capital improvement projects and equipment purchases by Kentucky county governments and special districts. The future minimum lease payments receivable under these leases as of June 30, 2014 are as follows:

Year Ending June 30,	Amount
2015	$ 11,002,148
2016	11,278,383
2017	10,984,815
2018	10,478,146
2019	10,244,660
Thereafter	109,520,501
	$ 163,508,653

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, 2014 and 2013, other investments included investments stated at fair value, as follows:

	2014	2013
Money Market Funds	$ 40,550	$ 29,088
Common Stock:		
Energy	303,859	726,400
Financials	260,102	149,584
Technology	325,800	153,048
Service	72,473	117,728
Retail	545,279	295,424
Healthcare	190,449	130,115
Construction	19,742	-
Mutual Funds:		
Balanced fund	3,982,991	3,540,246
International fund	506,530	183,935
Mid cap fund	354,237	132,789
Small cap fund	174,928	97,370
Fixed income	634,631	-
Real estate	204,987	-
Commodities	132,963	-
Mortgage-backed Securities	2,092,289	971,871
Corporate Bonds	1,215,155	453,295
Municipal Bonds	747,384	742,877
Other Investments	-	60,611
	$ 11,804,349	$ 7,784,381

Note P - Bonds Payable

1. <u>1989 Series</u>: 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. During 2014, the credit facility was drawn upon to permanently retire $102,591,999 of the 1989 bonds. Following the retirement, the Fifth Supplemental Trust Indenture was entered into which converted the remaining bonds to Established Fixed Rate Bonds. Chase purchased the Established Fixed Rate bonds and terminated the credit facility agreement described in Note B. As of June 30, 2014, $2,408,001 of bonds are outstanding with maturities and interest rates as follows:

Year Ending June 30,	Interest Rate	Amount
2015	1.60%	$ 707,384
2016	1.90%	639,276
2017	2.30%	620,330
2018	2.75%	306,907
2019	3.20%	134,104
		$ 2,408,001

The average interest rates for the years ended June 30, 2014 and 2013 were 0.31% and 0.45%, respectively.

2. <u>1993 Series</u>: 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 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the years ended June 30, 2014 and 2013, $11,141,000 and $3,500,000, respectively, of the 1999 Bonds were permanently retired by CoLT. Substantially all assets of the 1999 Trust Estate are pledged to secure repayment of the 1999 Bonds. The average interest rates for the years ended June 30, 2014 and 2013 were 0.11% and 0.16%, respectively.

4. 2001 Series: On February 8, 2001, CoLT, through the County of Breckinridge, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Weekly Rate Bonds. Weekly Rate Bonds can be converted to Adjustable Rate Bonds or Fixed Rate Bonds. CoLT has the ability to redeem Weekly Rate Bonds on any business day, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the years ended June 30, 2014 and 2013, $6,926,740 and $3,085,000, 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. The average interest rates for the years ended June 30, 2014 and 2013 were 0.18% and 0.16%, respectively.

5. 2002 Series: On January 1, 2002, CoLT, through the County of Breckinridge, Kentucky, issued $100,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the years ended June 30, 2014 and 2013, $14,889,006 and $3,655,000, 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. The average interest rates for the years ended June 30, 2014 and 2013 were 0.15% and 0.14%, respectively.

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 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the fiscal years ended June 30, 2014 and 2013, $14,905,074 and $3,490,000, 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. The average interest rates for the years ended June 30, 2014 and 2013 were 0.10% and 0.14%, respectively.

7. 2007 Series: On April 1, 2007, CoLT, through the County of Christian, Kentucky, issued $50,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the fiscal years ended June 30, 2014 and 2013, $7,344,590 and $3,690,000, 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. The average interest rates for the years ended June 30, 2014 and 2013 were 0.37% and 0.15%, respectively.

8. 2007B Series: On August 1, 2007, CoLT, through the County of Christian, Kentucky, issued $70,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any September 1 or March 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the years ended June 30, 2014 and 2013, $8,872,887 and $2,420,000, respectively, of the 2007B Bonds were permanently retired by CoLT. Substantially all assets of the 2007B Trust Estate are pledged to secure repayment of the 2007B Bonds. The average interest rates for the years ended June 30, 2014 and 2013 were 0.36% and 0.14%, respectively.

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 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the years ended June 30, 2014 and 2013, $5,246,362 and $1,570,000, 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. The average interest rates for the years ended June 30, 2014 and 2013 were 0.40% and 0.15%, respectively.

10. 2008 A2 Series: On December 1, 2008, CoLT, through the County of Trimble, Kentucky, issued $75,000,000 of Bonds. The bonds were initially offered as Daily Rate Bonds. Daily Rate Bonds can be converted to Weekly Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds. CoLT has the ability to redeem Daily Rate Bonds and Weekly Rate Bonds the first business day of each month, Adjustable Rate Bonds on any June 1 or December 1 (or, if not a business day, then the next business day), and Fixed Rate Bonds on any interest payment date that is at least 10 years from the fixed rate conversion date. During 2014, CoLT exercised its option to convert the outstanding bonds to Adjustable Rate Bonds. Upon conversion, US Bank purchased the Adjustable Rate Bonds and terminated the Credit Facility agreement described in Note B. During the years ended June 30, 2014 and 2013 $12,533,294 and $4,310,000, 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. The average interest rates for the years ended June 30, 2014 and 2013 were 0.07% and 0.14%, respectively.

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.

Note Q - Fair Value of Financial Instruments (Continued)

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. These agreements were canceled during 2014.

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

Note Q - Fair Value of Financial Instruments (Continued)

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2014:

	Level 1	Level 2	Total
Cash Equivalents/Money Market	$ 5,121,764	$ -	$ 5,121,764
Fixed Rate Investment Contracts	-	10,110,490	10,110,490
Other Investments	8,249,521	3,554,828	11,804,349
	$ 13,371,285	$ 13,665,318	$ 27,036,603

Liabilities

	Level 1	Level 2	Total
Interest Rate Exchanges	$ -	$ 15,953,279	$ 15,953,279

The following table summarizes CoLT's assets and liabilities measured at fair value as of June 30, 2013:

	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

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, 2014 and 2013 are $-0- and $577,558, 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, 2014 and 2013 was $82,985 and $10,503, 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, 2014 and 2013. Commonwealth Insurance Company, Inc.'s 2010 - 2013 tax years remain open and subject to examination.

Note S - Concentrations

At June 30, 2014, there are leases receivable outstanding of approximately $54,150,000 from two counties which represents approximately 33% of leases receivable. At June 30, 2013, there are leases receivable outstanding of approximately $56,370,000 from two counties which represents approximately 31% 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, 2014 and 2013, 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, 2014 and 2013, CoLT paid $625,700 and $638,570, respectively, to KACo for management fees.

In the fiscal years ended June 30, 2014 and 2013, 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 $922,238 and $967,921 for the fiscal years ended June 30, 2014 and 2013, respectively. The related expense was $971,467 and $938,283 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, CoLT has recorded a receivable of $97,710 and $146,939, 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, 2014 and 2013, CoLT has $5,531,174 and $6,921,717, respectively, recorded as a lease receivable from KACo. Accrued interest rebates due to KACo of $154,744 and $217,605 as of June 30, 2014 and 2013, respectively, are recorded in other accrued expenses on the consolidated statement of financial position.

As of June 30, 2014 and 2013, CoLT owns a KACO Finance Corporation revenue bond for $500,000 which was purchased 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, 2014

	Program Admin	1989 Trust Estate	1993 Trust Estate	1999 Trust Estate	2001 Trust Estate	2002 Trust Estate	2004 Trust Estate	2007 Trust Estate	2007B Trust Estate	2008 Trust Estate	2008 A2 Trust Estate	Common-Wealth Ins.	Eliminations	Total
Assets														
Cash and cash equivalents	$ 1,457,916	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,558,394	$ -	$ 3,016,310
Trust estate investments														
Cash and cash equivalents	-	159,831	-	-	-	-	-	-	-	-	-	-	-	159,831
Investment contracts	-	-	10,110,490	-	-	-	-	-	-	-	-	-	-	10,110,490
U.S. government money market funds	-	2,113	1,702	29,493	158,819	359,702	819,153	2,252,282	180,565	319,869	838,235	-	-	4,961,933
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leases receivable	-	2,401,255	-	3,404,000	7,382,004	13,396,119	28,190,455	23,110,241	32,377,825	15,129,425	38,117,329	-	-	163,508,653
Leases receivable - unrealized appreciation in fair value	-	-	-	681,972	1,141,564	888,212	3,114,586	2,694,604	3,745,399	958,798	2,728,144	-	-	15,953,279
Other receivables	64,684	-	-	-	190,790	-	-	-	-	-	-	-	-	255,474
Intercompany receivables	-	1,445,621	-	-	-	-	-	-	-	-	-	-	(1,445,621)	-
Due from affiliate	442,789	-	-	-	-	-	-	-	3,658	-	-	-	(387,096)	59,351
Notes receivable, net	233,625	-	-	-	-	-	-	-	-	-	-	-	-	233,625
Other investments	9,260,230	-	-	-	-	-	-	-	-	-	-	4,044,119	(1,500,000)	11,804,349
Accrued interest receivable	14,914	-	106,982	-	-	-	-	-	-	-	11	14,144	-	136,051
Other assets	-	-	-	-	-	-	-	-	-	-	-	41,387	-	41,387
Costs of debt issuance, net	-	-	20,819	85,933	105,992	109,229	152,121	76,339	77,029	138,558	101,608	-	-	867,628
Total Assets	$ 11,474,158	$ 4,008,820	$ 10,239,993	$ 4,201,398	$ 8,979,169	$ 14,753,262	$ 32,276,315	$ 28,133,466	$ 36,384,476	$ 16,546,650	$ 41,785,327	$ 5,658,044	$ (3,332,717)	$ 211,108,361
Liabilities and Net Assets														
Liabilities														
Accrued interest payable	$ -	$ 3,000	$ 213,333	$ 2,546	$ 5,526	$ 10,065	$ 13,707	$ 16,784	$ 20,886	$ 11,342	$ 11,121	$ -	$ -	$ 308,310
Interest rate exchanges	-	-	-	681,972	1,141,564	888,212	3,114,586	2,694,604	3,745,399	958,798	2,728,144	-	-	15,953,279
Other accrued expenses	27,883	1,480,465	333,200	1,661	10,729	144,934	251,269	109,110	86,632	211,010	583,192	443,742	(387,096)	3,296,731
Intercompany payables	1,445,621	-	-	-	-	-	-	-	-	-	-	-	(1,445,621)	-
Bonds payable	-	2,408,001	10,000,000	3,404,000	7,388,260	13,455,994	28,379,926	25,175,410	32,392,063	15,163,638	38,161,706	-	-	175,928,998
Total Liabilities	1,473,504	3,891,466	10,546,533	4,090,179	8,546,079	14,499,205	31,759,488	27,995,908	36,244,980	16,344,788	41,484,163	443,742	(1,832,717)	195,487,318
Commitments and Contingencies														
Common Stock	-	-	-	-	-	-	-	-	-	-	-	1,500,000	(1,500,000)	-
Net Assets, unrestricted/ Retained Earnings	10,000,654	117,354	(306,540)	111,219	433,090	254,057	516,827	137,558	139,496	201,862	301,164	3,714,302	-	15,621,043
Total Net Assets/ Retained Earnings	10,000,654	117,354	(306,540)	111,219	433,090	254,057	516,827	137,558	139,496	201,862	301,164	5,214,302	(1,500,000)	15,621,043
Total Liabilities and Net Assets	$ 11,474,158	$ 4,008,820	$ 10,239,993	$ 4,201,398	$ 8,979,169	$ 14,753,262	$ 32,276,315	$ 28,133,466	$ 36,384,476	$ 16,546,650	$ 41,785,327	$ 5,658,044	$ (3,332,717)	$ 211,108,361

See independent auditor's report.

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 Activities and Changes in Net Assets
Year Ended June 30, 2014

	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	$ 116,525	$ -	$ 654,601	$ 43,699	$ 53,585	$ 45,497	$ 10,564	$ 37,596	$ 1,615	$ 24,173	$ 3,112	$ 88,164	$ -	$ 1,079,131
Income from leases receivable														
Interest	-	98,566	-	207,722	453,313	690,123	1,385,049	1,189,860	1,495,390	659,504	1,830,634	-	-	8,010,161
Premium income	-	-	-	-	-	-	-	-	-	-	-	850,000	-	850,000
Credit, administrative and fiduciary fees	794,126	-	-	-	-	-	-	-	-	-	-	-	(478,220)	315,906
Miscellaneous income	3,769	-	-	-	-	-	-	-	-	-	-	-	-	3,769
Income from settlement	600,000	5,021,348	-	-	-	-	-	-	-	-	-	-	-	5,621,348
Net realized and unrealized gains (losses) on investments	515,244	-	-	-	-	-	-	-	-	-	-	223,458	-	738,702
Total Revenues	2,029,664	5,119,914	654,601	251,421	506,898	735,620	1,395,613	1,227,456	1,497,005	683,677	1,833,746	1,161,622	(478,220)	16,619,017
Expenses														
Interest	305	177,050	639,997	192,273	371,935	331,330	938,015	977,765	1,204,805	342,261	1,018,592	-	-	6,194,328
Amortization of deferred financing costs	-	-	-	59,330	53,605	79,508	165,130	153,160	147,574	127,986	248,890	-	-	1,035,183
Credit fees	-	282,521	-	12,787	48,066	138,724	237,613	84,337	104,142	46,411	422,391	-	-	1,376,992
Administrative and other fees	1,660,605	-	-	13,960	21,693	93,814	81,033	58,393	97,520	40,545	121,087	377,630	(478,220)	2,088,060
Remarketing fees	-	65,625	-	5,314	7,055	19,958	30,744	6,601	7,167	23,986	46,318	-	-	212,768
Legal fees	223,188	168,849	-	22,248	18,748	19,372	-	-	-	12,000	-	-	-	464,405
Trustee fees	2,478	70,177	-	9,567	17,218	18,533	24,818	14,300	14,499	14,339	13,469	-	-	199,398
Lease rebates	-	1,243,350	-	-	8,034	137,328	113,073	64,871	75,704	206,187	188,108	-	-	2,036,655
Arbitrage rebate	-	-	-	(59,940)	(4,123)	(3,658)	(7,500)	(35,677)	-	-	(257,156)	-	-	(368,054)
Miscellaneous expense	-	177,836	-	-	-	-	-	-	-	-	-	-	-	177,836
Claims expense	-	-	-	-	-	-	-	-	-	-	-	145,000	-	145,000
Provision for income taxes	-	-	-	-	-	-	-	-	-	-	-	82,985	-	82,985
Total Expenses	1,886,576	2,185,408	639,997	255,539	542,231	834,909	1,582,926	1,323,750	1,651,411	813,715	1,801,699	605,615	(478,220)	13,645,556
Changes in Net Assets	143,088	2,934,506	14,604	(4,118)	(35,333)	(99,289)	(187,313)	(96,294)	(154,406)	(130,038)	32,047	556,007	-	2,973,461
Net Assets (Deficit) at Beginning 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
Transfers	2,513,532	(625,067)	-	-	-	-	-	(934,056)	(954,409)	-	-	-	-	-
Net Assets (Deficit) at End of Year	$ 10,000,654	$ 117,354	$ (306,540)	$ 111,219	$ 433,090	$ 254,057	$ 516,827	$ 137,558	$ 139,496	$ 201,862	$ 301,164	$ 5,214,302	$ (1,500,000)	$ 15,621,043

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.	Eliminations	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														
(losses) gains 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	1,568,785	-	-	88,353	46,145	122,106	171,681	93,006	132,916	54,260	170,180	383,038	(799,299)	2,031,171
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
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 Cash Flows
Year Ended June 30, 2014

	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	$ 2,656,620	$ 2,309,439	$ 14,604	$ (4,118)	$ (35,333)	$ (99,289)	$ (187,313)	$ (1,030,350)	$ (1,108,815)	$ (130,038)	$ 32,047	$ 556,007	$ -	$ 2,973,461
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:														
Amortization of debt issuance costs	-	-	-	59,330	53,605	79,508	165,130	153,160	147,574	127,986	248,890	-	-	1,035,183
Net realized and unrealized gains on other investments	(515,244)	-	-	-	-	-	-	-	-	-	-	(223,458)	-	(738,702)
Changes in:														
Other receivables	(6,552)	-	-	-	(190,790)	-	-	-	-	-	-	-	-	(197,342)
Intercompany receivable/payable	1,445,621	(1,445,621)	-	-	-	-	-	3,658	(3,658)	-	-	-	-	-
Receivable from affiliate, net	179,442	177,836	-	-	-	-	-	-	-	-	-	-	(147,905)	209,373
Accrued interest receivable	(3,133)	-	105,694	3,013	6,890	6,247	268	5,386	196	3,863	192	(14,144)	-	114,472
Other assets	-	-	-	-	-	-	-	-	-	-	-	26,818	-	26,818
Accrued interest payable	-	(32,940)	(320,000)	385	3,385	6,563	8,489	12,865	15,926	8,753	5,026	-	-	(291,548)
Other accrued expenses	(1,694)	805,590	-	(182,276)	(35,475)	(65,884)	(157,563)	(65,916)	(85,261)	(114,142)	(223,841)	148,742	147,905	170,185
Accrued arbitrage rebate	-	-	-	(86,306)	(106,782)	(3,658)	(7,500)	(35,677)	-	(80,479)	(257,156)	-	-	(577,558)
Net Cash Provided (Used) by Operating Activities	3,755,060	1,814,304	(199,702)	(209,972)	(304,500)	(76,513)	(178,489)	(956,874)	(1,034,038)	(184,057)	(194,842)	493,965	-	2,724,342
Cash Flows from Investing Activities														
Net proceeds from trust estate investments	-	99,711,573	199,702	11,212,972	6,338,744	12,486,777	10,687,769	4,616,821	8,379,729	3,667,439	8,776,624	-	-	166,078,150
Lease repayments	-	1,066,122	-	225,000	1,000,496	2,590,242	4,548,294	3,767,143	1,609,696	1,911,980	4,053,262	-	-	20,772,235
Net purchases of other investments	(2,407,693)	-	-	-	-	-	-	-	-	-	-	(873,573)	-	(3,281,266)
Issuance of notes receivable, net	(166,269)	-	-	-	-	-	-	-	-	-	-	-	-	(166,269)
Net Cash (Used) Provided by Investing Activities	(2,573,962)	100,777,695	199,702	11,437,972	7,339,240	15,077,019	15,236,063	8,383,964	9,989,425	5,579,419	12,829,886	(873,573)	-	183,402,850
Cash Flows from Financing Activities														
Bond issuance cost	-	-	-	(87,000)	(108,000)	(111,500)	(152,500)	(82,500)	(82,500)	(149,000)	(101,750)	-	-	(874,750)
Payments on bonds	-	(102,591,999)	-	(11,141,000)	(6,926,740)	(14,889,006)	(14,905,074)	(7,344,590)	(8,872,887)	(5,246,362)	(12,533,294)	-	-	(184,450,952)
Net Cash Used by Financing Activities	-	(102,591,999)	-	(11,228,000)	(7,034,740)	(15,000,506)	(15,057,574)	(7,427,090)	(8,955,387)	(5,395,362)	(12,635,044)	-	-	(185,325,702)
(Decrease) Increase in Cash and Cash Equivalents	1,181,098	-	-	-	-	-	-	-	-	-	-	(379,608)	-	801,490
Cash and Cash Equivalents at Beginning of Year	276,818	-	-	-	-	-	-	-	-	-	-	1,938,002	-	2,214,820
Cash and Cash Equivalents at End of Year	$ 1,457,916	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,558,394	$ -	$ 3,016,310

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.	Elim-inations	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
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
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.