Kentucky League of Cities

Funding Trust Lease Program Revenue Bonds

Combined Financial Statements and Supplementary Information

Years Ended June 30, 2011 and 2010

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds

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June 30, 2011 and 2010

Mountjoy Chilton Medley LLP

Independent Auditor's Report on Combined Financial Statements and Supplementary Information

To the Board of Trustees
Kentucky League of Cities Funding Trust

We have audited the accompanying combined statements of financial position of the Trust Estates of the City of Jeffersontown, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate Series 2000; City of Newport, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate Series 2002; City of Fort Mitchell, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2002 Series A; City of Morehead, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate Series 2004 A; City of Richmond, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2006 Series A; City of Williamstown, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2008 Series A; and City of Williamstown, Kentucky, Kentucky League of Cities Funding Trust Lease Program Revenue Bonds, Variable Rate 2008 Series B (collectively referred to as "the Kentucky League of Cities Funding Trust Lease Program Revenue Bonds" or "the Trust Estates") as of June 30, 2011 and 2010 and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Kentucky League of Cities Funding Trust. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trusts Estates' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As further explained in Note L to the combined financial statements, the Trust Estates record a participant's share of issuance costs to originate a lease as income in the accompanying combined statements of activities and changes in nets assets in the year the lease is closed. In our opinion, these costs should be deferred and amortized to income over the life of the lease using the effective interest method in order to conform to accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of not deferring and amortizing to income the participants' share of issuance costs, the combined financial statements referred to above present fairly, in all material respects, the financial positions of the Trust Estates as of June 30, 2011 and 2010, and the results of their activities and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report on Combined Financial Statements and Supplementary Information (Continued)

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying supplementary information on pages 33 - 38 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Mountjoy Chilton Medley LLP

Louisville, Kentucky
April 16, 2012

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combined Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 8,865,561	$ 6,567,515
Certificates of deposit	5,005,096	5,000,000
Repurchase agreements	13,600,263	13,807,427
Investment agreements	24,391,221	22,986,748
Accrued investment income receivable	38,231	46,073
Accrued interest and fees receivable-leases	475,008	569,514
Leases receivable	187,650,936	210,260,648
Lease agreement receivables-unrealized appreciation in fair value	7,030,720	7,967,189
Prepaids and other current assets	2,664	2,664
Costs of debt issuance, net	2,069,100	2,280,789
Total Assets	$ 249,128,800	$ 269,488,567
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued liabilities	$ 782,130	$ 1,005,089
Lease rebates payable	-	366,585
Accrued interest payable - bonds	24,832	62,093
Interest rate exchange - liability	6,974,147	7,903,916
Accrued arbitrage rebate	880,738	1,108,045
Bonds payable	237,325,000	255,635,000
Total Liabilities	245,986,847	266,080,728
Commitments and Contingencies		
Net Assets, unrestricted	3,141,953	3,407,839
Total Liabilities and Net Assets	$ 249,128,800	$ 269,488,567

See accompanying notes.

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combined Statements of Activities and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Income from lease agreement receivables	$ 6,422,212	$ 6,424,774
Income from lessee issuance costs	2,677	289,670
Investment and other income	434,903	518,384
Gain on hedge ineffectiveness	-	63,273
Total Revenues	6,859,792	7,296,101
Expenses		
Administrative and trustee fees	822,190	641,930
Letter of credit fees	1,903,912	1,806,977
Remarketing fees	228,092	242,455
Professional and other fees	81,724	148,399
Arbitrage rebate (credit)	11,774	(139,615)
Bond interest expense	631,777	614,968
Swap interest expense	3,227,820	3,352,445
Amortization expense	211,689	297,196
Loss on swap ineffectiveness	6,700	93,120
Total Expenses	7,125,678	7,057,875
Changes in Net Assets	(265,886)	238,226
Net Assets at Beginning of Year	3,407,839	3,169,613
Net Assets at End of Year	$ 3,141,953	$ 3,407,839

See accompanying notes.

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combined Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ (265,886)	$ 238,226
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Amortization of costs of issuance	211,689	297,196
Loss on hedge ineffectiveness	6,700	29,847
Changes in:		
Accrued investment income receivable	7,842	67,370
Accrued interest and fees receivable-leases	94,506	(22,924)
Accounts payable and other accrued expenses	(222,959)	(42,735)
Lease rebates payable	(366,585)	48,735
Accrued interest payable	(37,261)	(12,063)
Accrued arbitrage	(227,307)	(139,615)
Net Cash (Used) Provided by Operating Activities	(799,261)	464,037
Cash Flows from Investing Activities		
Proceeds from lease agreements	22,760,088	14,211,006
Lease agreements executed	(150,376)	(16,499,683)
Net (investment in) proceeds from repurchase and investment agreements and certificates of deposit	(1,202,405)	16,763,215
Net Cash Provided by Investing Activities	21,407,307	14,474,538
Cash Flows from Financing Activities		
Principal payments on bonds	(18,310,000)	(14,020,000)
Cash Used by Financing Activities	(18,310,000)	(14,020,000)
Increase in Cash and Cash Equivalents	2,298,046	918,575
Cash and Cash Equivalents at Beginning of Year	6,567,515	5,648,940
Cash and Cash Equivalents at End of Year	$ 8,865,561	$ 6,567,515
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest on bonds	$ 669,038	$ 701,620
Cash paid for interest on interest rate exchanges	3,755,980	3,355,415
Noncash investing activities:		
Change in the fair value of lease agreement receivables	(936,469)	3,953,364
Change in the fair value of interest rate exchanges	929,769	(3,983,211)

See accompanying notes.

Note A - Nature of the Organization and Operations

1. General: The Kentucky League of Cities is a voluntary association of cities created in 1927 to assist municipal officials in representing the interest of cities and to provide services to members fostering improved municipal government in Kentucky.

   The Financial Services Department of the Kentucky League of Cities provides tax-exempt financing to Kentucky cities. By taking advantage of economies of scale through tax-exempt bond pools, the Financial Services Department provides its members access to low interest rate loans to fund capital improvement projects and equipment purchases ("the lease program").

   In December 1992, certain governmental agencies of the state entered into an Interlocal Cooperation Agreement pursuant to KRS 65.210 through 65.300, KRS 58.010 through 58.140, and KRS 65.940 through 65.956 ("the Act"), which authorized the creation of the Kentucky League of Cities Funding Trust ("the Funding Trust"). The Funding Trust issues tax-exempt bonds in order to provide funding for leases to participating members at variable rates of interest.

   The Funding Trust is governed by a Board of Trustees consisting of five members. At the time of appointment, members of the Board of Trustees are required to be an elected or an appointed official of a Kentucky city.

2. The Trust Estates: To facilitate the purposes of the lease program, several Kentucky municipalities ("the Issuers") issued seven variable rate Kentucky League of Cities Funding Trust Lease Program Revenue Bonds (“the Bonds”). Each series had an original issue amount of $50,000,000. Below is a summary of the seven Trust Estates (collectively, “the Trust Estate”) that comprise the Kentucky League of Cities Funding Trust Lease Program:

Trust Estate	Issuer	Variable Rate Bond Series	Issue Date	Maturity Date
2000 Trust Estate	City of Jeffersontown, KY	Series 2000	March 2000	March 2030
2002 Trust Estate	City of Newport, KY	Series 2002	April 2002	April 2032
2002A Trust	City of Fort Mitchell, KY	2002 Series A	October 2002	October 2032
2004A Trust	City of Morehead, KY	Series 2004 A	June 2004	June 2034
2006A Trust	City of Richmond, KY	2006 Series A	March 2006	March 2036
2008A Trust	City of Williamstown, KY	2008 Series A	July 2008	July 2038
2008B Trust	City of Williamstown, KY	2008 Series B	December 2008	December 2038

   The Trust Estate is defined as all the rights, title, and interest of the Issuer and the Funding Trust in and to (i) the leases, (ii) any interest rate exchange agreements, (iii) the lease rental payments due under the leases, (iv) the collateral documents related thereto, if any, (v) all monies and securities, including earnings thereon, held in the funds and accounts created in the Trust Indenture other than the Rebate Account and the Program Discretionary Account and (vi) all property, rights, and assets of any kind and nature that are now or hereafter from time to time pledged, assigned, or transferred as and for security under the Trust Indenture by the Issuer or the Funding Trust or by anyone on their behalf or with written consent.

3. Distributions on Termination: Upon ultimate termination of each Trust Estate any assets remaining after satisfaction of all Trust Estate liabilities will be returned to the program participants on a pro rata basis.

Note B - Contractual Agreements

1. Administrative Services: Pursuant to the program administration agreements, the Kentucky League of Cities ("the Program Administrator") provides administrative services to the Funding Trust. These administrative services include professional, administrative, and financial functions, including providing personnel necessary for the orderly and proper administration of the Funding Trust and its lease program.

   The following is a summary of the date of execution for each of the Trust Estates' administration agreements and the initial fee paid to the program administrator on the date of delivery of the bonds.

Trust Estate	Date of Execution	Initial Fee
2000 Trust Estate	March 2000	$ 50,000
2002 Trust Estate	April 2002	70,000
2002A Trust Estate	October 2002	85,000
2004A Trust Estate	June 2004	125,000
2006A Trust Estate	March 2006	200,000
2008A Trust Estate	July 2008	160,000
2008B Trust Estate	December 2008	160,000

   In addition, the Program Administrator bills the Trust Estate an administration fee for providing these services. The administration fee is equal to .25% of the aggregate unpaid principal components of all lease rental payments. This fee is payable from and only to the extent funds are available in the Trust Estates' Revenue Accounts or otherwise available from the Trust Estates. The costs of these services are included as a component of administrative and trustee fees in the accompanying combined statements of activities and changes in net assets. The lessees reimburse the Trust Estates for the cost of these services by paying a monthly administrative fee in addition to lease interest. These fees are included as a component of income from lease agreement receivables in the accompanying combined statements of activities and changes in net assets.

   The program administration agreements expire upon the earlier of the date the Bonds are fully redeemed or the date specified in a 30 days prior written notice of termination delivered by the Funding Trust to the Program Administrator.

2. Trustee Services: The Trustees for the Trust Estates hold investments, receive lease rental payments, maintain appropriate books and records to account for all funds established under the Trust Indenture, and conduct other transactions as directed by the Program Administrator. In return for the services provided by the Trustees, the Trust Estates pay annual trustee fees. The annual fees are a component of administrative and trustee fees in the accompanying combined statements of activities and changes in net assets.

Note B - Contractual Agreements (Continued)

2. Trustee Services (Continued): The Trustees, dates of applicable trust agreements, and annual trustee fees are summarized below:

Trust Estate	Trustee	Date of Trust Agreement	Trustee Fee
2000 Trust Estate	U.S. Bank National Assn.	March 2000	$4,500 annually, plus $750 per lease outstanding
2002 Trust Estate	Huntington National Bank	July 2008	$4,000 annually
2002A Trust Estate	Huntington National Bank	July 2008	$4,000 annually
2004A Trust Estate	U.S. Bank National Assn.	June 2004	$10,000 annually, plus $200 per lease outstanding
2006A Trust Estate	Bank of New York Mellon	March 2006	$5,000 annually, plus $1,000 per lease outstanding
2008A Trust Estate	Bank of New York Mellon	July 2008	$5,000 annually, plus $250-$1,500 per lease outstanding
2008B Trust Estate	U.S. Bank National Assn.	December 2008	$10,000 annually, plus $200 per lease outstanding

3. Credit Facility: The Funding Trust and U.S. Bank are party to Letter of Credit and Reimbursement Agreements ("the Agreements") for each of the Trust Estates. Concurrent with the Agreements, U.S. Bank issued irrevocable transferable direct pay letters of credit in favor of the Funding Trust which are used by the Funding Trust to facilitate the redemption of the Bonds immediately prior to their remarketing (see Bond Remarketing). The expiration dates of the initial terms of the letters of credit are listed below. The Credit Facilities automatically extend for periods of three years beyond the expiration date unless ninety days prior to the expiration date, U.S. Bank notifies the Trustee that U.S. Bank does not intend to extend the date. In no case shall any such renewal or extension extend the termination date beyond the maturity date of the Bonds. The date through which the Credit Facilities have been extended and the available balance under the letter of credit as of June 30, 2011 and 2010 are listed below.

Trust Estate	Original Maturity Date	Extended Maturity Date	Amount Available as of June 30, 2011	June 30, 2010
2000 Trust Estate	March 2003	March 2013	$ 21,985,523	$ 23,152,537
2002 Trust Estate	April 2005	April 2014	19,910,268	21,554,236
2002A Trust Estate	October 2005	October 2014	30,636,647	32,970,674
2004A Trust Estate	June 2007	June 2013	37,390,363	38,934,164
2006A Trust Estate	March 2009	March 2013	43,631,370	46,744,281
2008A Trust Estate	July 2011	July 2014	46,567,123	48,237,466
2008B Trust Estate	February 2010	February 2013	40,404,044	48,887,726
			$ 240,525,338	$ 260,481,084

Note B - Contractual Agreements (Continued)

3. Credit Facility (Continued): In return for the Letter of Credit and Reimbursement Agreement, each Trust Estate paid a one-time commitment fee of $10,000. The Trust Estates also pay annual letter of credit fees to U.S. Bank as follows:

   2000 Trust Estate, 2002 Trust Estate, 2002A Trust Estate, 2004A Trust Estate, 2006A Trust Estate:
   Letter of credit fees are equal to .77% of the maximum amount available to be drawn at such time under the letter of credit, less the amount corresponding to the principal balance outstanding on fixed rate leases, for the period July 1, 2009 through December 31, 2009; 1.1% of the maximum amount available to be drawn at such time under the letter of credit, less the amount corresponding to the principal balance outstanding on fixed rate leases, for the period January 1, 2010 through December 31, 2010; and 1.25% of the maximum amount available to be drawn at such time under the letter of credit, less the amount corresponding to the principal balance outstanding on fixed rate leases, for the period January 1, 2011 through the maturity date. The letter of credit fee for the amount available to be drawn under the letter of credit agreement corresponding to the principal balance outstanding on fixed rate leases and on investments in guaranteed investment contracts will remain at .4% through the termination of the agreement.

   2008A Trust Estate: Subject to a July 2009 amendment, the letter of credit fees were equal to .77% of the unpaid principal component of all variable rate general obligation leases and .40% of the unpaid principal component of all fixed rate general obligation leases; 1.02% of the unpaid principal component of all variable rate revenue leases and .65% of the unpaid principal component of all fixed rate revenue leases; and .4% of the maximum amount available to be drawn at such time under the letter of credit, less the amount corresponding to the unpaid principal component of all general obligation and revenue leases for the period July 1, 2009 through December 31, 2009.

   The fees corresponding to the unpaid principal component of variable rate leases increase in subsequent periods as follows: annual fees increase to 1.10% and 1.25% of the unpaid principal component of all variable rate general obligation leases for the periods ending December 31, 2010 and at the maturity date of the agreement, respectively; and to 1.35% and 1.50% of the unpaid principal component of all variable rate revenue leases for the periods ending December 31, 2010 and at the termination date of the agreement, respectively. All other fees remain the same through the termination date of the agreement.

   2008B Trust Estate: Subject to a July 2009 amendment, the letter of credit fees were equal to to 1.14% of the unpaid principal component of all variable rate general obligation leases and .77% of the unpaid principal component of all fixed rate general obligation leases; 1.47% of the unpaid principal component of all variable rate revenue leases and 1.10 % of the unpaid principal component of all fixed rate revenue leases; and .4% of the maximum amount available to be drawn at such time under the letter of credit, less the amount corresponding to the unpaid principal component of all general obligation and revenue leases for the period July 1, 2009 through December 31, 2009.

   The fees corresponding to the unpaid principal component of variable rate leases increase in subsequent periods as follows: annual fees increase to 1.47% and 1.62% of the unpaid principal component of all variable rate general obligation leases for the periods ending December 31, 2010 and at the termination date of the agreement, respectively; and to 1.80% and 1.95% of the unpaid principal component of all variable rate revenue leases for the periods ending December 31, 2010 and at the maturity date of the agreement, respectively. All other fees remain the same through the termination date of the agreement.

   The Trust Estates also pays a drawing fee of $50 per disbursement made by U.S. Bank, and a transfer fee of $2,500 if the Issuer requests a transfer of the letter of credit to a successor Trustee.

Note B - Contractual Agreements (Continued)

4. Bond Remarketing: As further discussed in Note H, the Bonds, in the Variable Rate Bond form, are considered Weekly Rate Bonds with the ability to be converted to Daily Rate Bonds, Adjustable Rate Bonds, or Fixed Rate Bonds.

   Under the terms of May 2010 agreements, Sterne Agee & Leach, Inc. ("Sterne Agee" or "the Remarketing Agent") has agreed to use its best efforts to remarket the Bonds. These Bonds are to be sold at the most favorable interest rates and terms that will result in a sale price equal to the principal amount of the Bonds sold, together with accrued interest, if any, thereon. Proceeds from the Bonds are used to repay draws on the letter of credit (see Credit Facility). Prior to May 2010 the remarketing agent was Fifth Third Bank, Inc. ("Fifth Third") The agreements with Fifth Third terminated in May 2010.

   Under the original remarketing agreement, the Trust Estates paid one-time fees to Fifth Third upon issuance of the Bonds for services related to the competitive sale of the Bonds. These one-time fees are summarized below:

Trust Estate	One-time Remarketing Fee
2000 Trust Estate	$ 31,646
2002 Trust Estate	200,000
2002A Trust Estate	185,000
2004A Trust Estate	205,000
2006A Trust Estate	205,000
2008A Trust Estate	205,000
2008B Trust Estate	205,000
	$ 1,236,646

   These fees are being amortized over the remaining life of the bonds. Additionally, the Trust Estate pays remarketing fees to Sterne Agee equal to .08% (2000 Trust Estate) or .10% (all other Trust Estates) of the principal amount of the outstanding Bonds.

   The Sterne Agee remarketing agreement shall continue to be in effect up until and including the earlier of the date of the final payment on the Bonds or any date on which all Bonds bear interest at the Fixed Rate to maturity. The Remarketing Agent may be removed or replaced at any time by the Funding Trust or the Issuer upon 30 days prior written notice.

5. Paying Agent: Cede & Co. (partnership nominee of The Depository Trust Company) is the registered bond holder under the terms set forth in the Trust Indenture. Cede & Co. receives funds from the Trustee as well as from draws on the letter of credit in payment of the Trust Estate's principal and interest obligations and disburses such funds to the participants, as defined in Trust Indenture, who in turn pay the beneficial holders of the bonds.

Note C - Summary of Significant Accounting Policies

1. Basis of Presentation: The combined financial statements of the Trust Estates have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the combined financial statements to the reader.

2. Accounting Estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

3. Basis of Accounting: The combined financial statements of the Trust Estates have been prepared on the accrual basis 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 GAAP.

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

5. Investments Held by the Trustee: All invested funds are held by the Trustees. The Trustees are mandated by the Trust Indentures as to the types of investments in which each Trust Estate can be invested. 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, all invested funds held by the Trustees are stated at fair value based on the Trustees' independent valuation services.

6. Cash and Cash Equivalents: The Funding Trust considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents primarily consist of money market funds investing in government and government agency securities.

7. Lease Agreement Receivables: Lease agreement receivables represent the principal obligation of the lease program participants. Accordingly, the lease agreement receivables balance as of June 30, 2011 and 2010 are stated at the amount the Funding Trust expects to collect on the outstanding balances. Lease agreement receivables are written off as uncollectible if no payment is received after all collection efforts have been exhausted. Receivables are reviewed for collectability when they become past due and an allowance for doubtful accounts is established, if deemed necessary.

   Any lease rental payment that is not paid within ten days of the date due bears interest at the late payment rate as defined in the lease agreement. Failure by the lessee to pay any lease rental payments at the time specified in the lease agreement is considered to be past due. As of June 30, 2011 there are a total of 2 leases past due. The total investment in these leases is $1,005,000. Further detail regarding these leases may be found in Note G. An allowance for doubtful accounts is not reflected in these combined financial statements as the leases were restructured subsequent to June 30, 2011 and the Funding Trust considers all lease receivables to be fully collectible.

Note C - Summary of Significant Accounting Policies (Continued)

7. Lease Agreement Receivables (Continued): The income from the lease agreement receivables is representative of the interest income on the leases recognized under the effective interest method and the participants' share of administrative, credit, issue, and fiduciary fees of the lease programs.

   Pursuant to the terms of the lease agreement, the lessee, after notice from the Funding Trust, will receive a credit against the base rental payable on the date specified in the lease agreement in an amount equal to the excess, if any, of the aggregate of the interest components of base rentals paid by the lessee during the preceding fiscal year at the assumed interest rate. These excess amounts, if any, are netted against the portion of income from lease agreement receivables attributable to interest and are reported as a Trust Estate liability as of yearend. As of June 30, 2010, the combined net lease rebate liability totaled $366,585. As of July 1, 2010, the Funding Trust ceased charging lessees an assumed rate of interest and began invoicing lessees at the actual interest rate each month. Accordingly, there was no lease rebate liability at June 30, 2011.

8. Costs of Issuance: Costs of issuance related to the bond issuance are amortized over the life of the bond issues (30 years) using the effective interest method. Amortization expense of bond issuance costs for the years ending June 30, 2011 and 2010 are as follows:

	2011	2010
2000 Trust Estate	$ 20,423	$ 14,718
2002 Trust Estate	22,163	22,918
2002A Trust Estate	27,576	22,675
2004A Trust Estate	25,084	32,767
2006A Trust Estate	32,495	72,494
2008A Trust Estate	44,561	85,685
2008B Trust Estate	39,387	45,939
	$ 211,689	$ 297,196

   Amortization is expected to be approximately as follows for the years ended June 30, 2012 through 2016:

	2012	2013	2014	2015	2016
2000 Trust Estate	$ 17,825	$ 16,902	$ 15,979	$ 15,055	$ 14,130
2002 Trust Estate	17,704	16,869	16,033	15,196	14,358
2002A Trust Estate	20,324	19,375	18,424	17,473	16,522
2004A Trust Estate	24,528	23,469	22,410	21,350	20,289
2006A Trust Estate	27,659	26,499	25,339	24,177	23,015
2008A Trust Estate	30,635	29,520	28,374	27,228	26,080
2008B Trust Estate	31,771	30,605	29,439	28,271	27,102
	$ 170,446	$ 163,239	$ 155,998	$ 148,750	$ 141,496

9. Derivative Financial Instruments: The Funding Trust accounts for interest rate exchange agreements in accordance with derivative guidance in 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.

Note C - Summary of Significant Accounting Policies (Continued)

9. Derivative Financial Instruments (Continued): In March 2008, the FASB issued a new standard contained in the ASC, amending and expanding the disclosure requirements for derivative instruments and hedging activities with the intent to provide users of financial statements with an enhanced understanding of 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under the ASC; and 3) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. To meet those objectives, the standards require qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. The standard is effective for fiscal years beginning after November 15, 2008. The Funding Trust adopted this standard at the beginning of fiscal year 2010 (see Note I).

10. Net Assets: There are no donor-imposed restrictions on the net assets of the Trust Estates, and thus the net assets are considered "unrestricted" as defined by the ASC.

11. Reclassification: Certain items previously reported in financial statement captions have been reclassified to conform to the current combined financial statement presentation.

Note D - Fair Value of Financial Instruments

The ASC requires fair value information for financial instruments. Certain financial instruments, such as lease contracts, are specifically excluded from the scope of this pronouncement. The fair values of the Trust Estate's assets and liabilities that qualify as financial instruments approximate the carrying amounts presented in the accompanying combined statements of financial position.

The fair value provisions of the ASC establish a single authoritative definition of fair value, set out a framework for measuring fair value, and require additional disclosures about 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 the Funding Trust's own assumptions.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, the liquidity of the markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Note D - Fair Value of Financial Instruments (Continued)

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

Certificate of Deposit: The certificate of deposit is a highly liquid investment with an original maturity date of greater than three months. The certificate of deposit held at June 30, 2011 has a fixed interest rate of .15% and matures on August 29, 2011. The certificate of deposit held at June 30, 2010 had a fixed interest rate of 1.2% and matured July 29, 2010. The certificate of deposit is renewed at the discretion of the Funding Trust. The fair value of the instrument approximates its carrying value (Level 2).

Repurchase Agreements and Investment Agreements: The repurchase agreements and investment agreements (see Note E and Note F) were negotiated and entered into in connection with specific financing transactions. Due to the uniqueness of the arrangements, the lack of transferability, and the fact that the principal amounts invested, in most cases, fluctuate over the terms of the agreements, there are no identical instruments traded in active markets. The agreements are collateralized by obligations issued or guaranteed by the United States government and its agencies for which quoted prices in active markets are available. Accordingly, fair values of the instruments approximate the respective carrying values (Level 2).

Interest Rate Exchange Agreements: The Funding Trust has entered into interest rate exchange agreements to hedge against changes in the fair value of underlying fixed-rate lease receivables (see Note I). These are over-the-counter agreements and identical agreements may not be available on the active market. The swap values are determined based on comparing the Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index forward rate curve with the fixed rates on the lease receivables. The fair values of the swap contracts approximate the carrying value of these financial instruments (Level 2).

Letter of Credit and Reimbursement Agreement: As described in Note B, the Funding Trust and U.S. Bank are party to Letter of Credit and Reimbursement Agreements to provide additional collateral for the Bonds outstanding. The Agreements are integral to the bond issue 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 Bonds.

The following table summarizes the Trust Estates' combined assets and liabilities measured at fair value as of June 30, 2011 and 2010:

	Level 2	
	June 30, 2011	June 30, 2010
Assets		
Certificate of Deposit	$ 5,005,096	$ 5,000,000
Repurchase Agreement	13,600,263	13,807,427
Investment Agreement	24,391,221	22,986,748
	$ 42,996,580	$ 41,794,175
Liabilities		
Interest Rate Exchanges	$ 6,974,147	$ 7,903,916

Note E - Concentrations of Credit Risk

Financial instruments that potentially subject the Trust Estates to concentrations of credit risk consist primarily of temporary cash investments, the investment and repurchase agreements, lease agreement receivables, and the interest rate exchange agreements (see note I).

As indicated in Note C and Note F, the Trust Estates' cash equivalents consist of money market funds maintained by the Trustee. Money market funds are not federally insured by the federal deposit insurance corporation but do hold government and government agency securities and the financial institutions managing the money market funds are major financial institutions with an investment grade credit rating. Consequently, the Funding Trust considers the risk associated with these money market funds to be minimal.

The balance of the certificate of deposit (see Note F) exceeds the federally insured limit. Accordingly, $4,755,096 is not insured or guaranteed by the FDIC at June 30, 2011. However, the certificate of deposit is collateralized by United States government securities. The Funding Trust considers the risk associated with this uninsured and un-guaranteed balance to be minimal.

The stated interest rates, terms, and principal amounts pertaining to the repurchase agreements and investment agreements ("the agreements") (see Note F) are generally correlated in such a way that changes in market interest rates should not have a material net impact on the values of the agreements. The repurchase and investment agreements held by the Trustees are uninsured and unregistered. However, the government securities underlying the agreements are registered. The agreements are collateralized in obligations of the United States and its agencies. Such collateral is held in the Trustee's name by a custodial agent for the term of the agreement. The custodial agents are as follows:

Trust Estate	Custodial Agent
2000 Trust Estate	Norwest Bank Minnesota
2002 Trust Estate	The Bank of New York
2002A Trust Estate	US Bank
2004A Trust Estate	The Bank of New York
2006A Trust Estate	The Bank of New York
2008A Trust Estate	Wells Fargo Bank, N.A
2008B Trust Estate	Wells Fargo Bank, N.A.

As indicated in Note G, the lease agreement receivables represent the obligations of the lease program participants. Under Kentucky law, such program participants cannot commit to long-term debt, and therefore, lease rental payments are subject to annual appropriation. Historically, program participants have not defaulted or withdrawn from such long-term lease agreements. The Funding Trust believes that certain processes and precedents are in place to provide reasonable assurance that the leases will be honored by the program participants as long-term, non-cancelable agreements.

Lease receivables from one lessee totaled approximately $21,316,000 and $22,538,000 as of June 30, 2011 and 2010, respectively representing 11% of total lease receivables at each year end.

Note F - Trust Estate Accounts

Pursuant to the issue of the Bonds the Funding Trust entered into Trust Indenture Agreements ("Trust Indentures") with the Trustees. The Trust Indentures provide for the issuance of the Bonds and the establishment of the following accounts/funds to be held by the Trustees:

Bond Proceeds Account: This account was initially funded by the $50,000,000 in bond proceeds per each bond issuance. The account subsequently funded the Project Account, the Expense Account, the Cost of Issuance Account, the Revenue Account, and the Debt Service Reserve Account. The amounts of the initial funding of these accounts for each Trust Estate are listed below:

	Project Account	Expense Account	Revenue Account	Debt Service Reserve Account	Total
2000 Trust Estate	$ 44,355,000	$ 645,000	$ -	$ 5,000,000	$ 50,000,000
2002 Trust Estate	44,355,000	645,000	-	5,000,000	50,000,000
2002A Trust Estate	44,355,000	645,000	-	5,000,000	50,000,000
2004A Trust Estate	44,305,000	695,000	-	5,000,000	50,000,000
2006A Trust Estate	44,355,000	645,000	-	5,000,000	50,000,000
2008A Trust Estate	44,292,000	708,000	-	5,000,000	50,000,000
2008B Trust Estate	44,200,000	723,000	77,000	5,000,000	50,000,000

The account is currently funded by its investment earnings. The account transfers amounts to the Revenue Account at the times and in the amounts required to pay the administrative expenses and the fiduciary fees related to, and interest on, the Bonds.

Project Account: This account was established from bond proceeds to fund the lease programs. In connection with each closing for the lessee, the Trustees create in the Project Account a Lessee Acquisition Account for the lessee and, upon the submission by the lessee of the documents required by and upon the terms and conditions of the lease agreement, the Trustees deposit in a Lessee Acquisition Account an amount equal to the aggregate principal component of lease rental payments under the lease.

The funds in the Lessee Acquisition Account are disbursed to acquire, install, or construct the projects to be leased to the lessee or refund, refinance, and reimburse the lessee for outstanding indebtedness incurred or advancements made for the costs of the project, subject to the limitations set forth in the Trust Indentures regarding refunding, refinancing, and reimbursement. Legal title to the project and all interests therein are held by the lessee subject to the Funding Trusts rights under the provisions of the lease agreement.

Redemption Account: This account is funded by the principal component of any lease rental payment that is not related to a draw on the Debt Service Reserve Account, to the extent deemed necessary by the Trustees, in accounts thereof, for particular Bonds to be redeemed.

Revenue Account: This account is funded by the portion of all lease rental payments representative of interest and the administrative, credit, and fiduciary fees which are required by the provisions of the leases to be deposited in the Revenue Account, and any other amounts received by it under the Trust Indentures which are not required to be otherwise deposited into other accounts. The account disburses monies to pay interest on the Bonds, the credit and fiduciary fees pertaining to the Bonds, and the administrative expenses and fiduciary fees in excess of the amounts disbursed from the Expense Account.

Expense Account: This account was established from bond proceeds for the purpose of paying the costs of issuance and subsequent administrative expenses and fiduciary fees, until exhausted.

Note F - Trust Estate Accounts (Continued)

Program Discretionary Account: This account represents any excess monies as a result of the assets of the Trust Estates exceeding the liabilities against the Trust Estates. Monies in the Program Discretionary Account are disbursed on the direction of the Funding Trust for purposes specified by the Funding Trust. During 2011 $158,000 and $84,000 were disbursed from the discretionary accounts of the 2002 Trust Estate and the 2006A Trust Estate, respectively, at the direction of the Funding Trust. During 2010, no amounts were disbursed from the discretionary accounts at the direction of the Funding Trust. These disbursements are included in administrative and trustee fees in the accompanying combined statements of activities and changes in net assets.

Prepayment Account: This account is used to hold lessees' optional lease prepayments. The principal component of each prepayment is transferred to the Redemption Account to redeem the portion of the Bonds associated with the lessees' prepayment. Through June 30, 2011, no amounts have been deposited into this account.

Debt Service Reserve Account: This account was established from bond proceeds to be applied if there is a deficiency in the amount available in the Revenue Account to pay interest or the Redemption Account to pay principal on the Bonds (or in either case to reimburse the Credit Facility Provider for such payment).

Rebate Account: This account is used to pay arbitrage rebates (see Note J), if any, pursuant to section 148 of the Internal Revenue Code. Funds necessary to satisfy the rebate requirement are transferred from other accounts at the written discretion of the Issuer.

The accounts of each Trust Estate at June 30, 2011 are summarized as follows:

2000 Trust Estate	June 30, 2011		
	Cash and Cash Equivalents	Investment Agreement	Total
Redemption Account	$ 20,000	$ 1,020,490	$ 1,040,490
Revenue Account	27,682	361,035	388,717
Debt Service Reserve Account	-	5,000,000	5,000,000
	$ 47,682	$ 6,381,525	$ 6,429,207

2002 Trust Estate	June 30, 2011		
	Cash and Cash Equivalents	Repurchase Agreement	Total
Redemption Account	$ 1,327,085	$ -	$ 1,327,085
Revenue Account	60,211	-	60,211
Debt Service Reserve Account	4,972	5,000,000	5,004,972
Rebate Account	48	-	48
	$ 1,392,316	$ 5,000,000	$ 6,392,316

Note F - Trust Estate Accounts (Continued)

2002A Trust Estate

	June 30, 2011		
	Cash and Cash Equivalents	Investment Agreement	Total
Redemption Account	$ 1,203,233	$ -	$ 1,203,233
Revenue Account	256,458	-	256,458
Debt Service Reserve Account	5,049	5,000,000	5,005,049
	$ 1,464,740	$ 5,000,000	$ 6,464,740

2004A Trust Estate

	June 30, 2011		
	Cash and Cash Equivalents	Investment Agreement	Total
Redemption Account	$ 22,247	$ 1,689,723	$ 1,711,970
Revenue Account	19,195	232,472	251,667
Lessee Acquisition Account	1,707,896	-	1,707,896
Debt Service Reserve Account	-	5,000,000	5,000,000
	$ 1,749,338	$ 6,922,195	$ 8,671,533

2006A Trust Estate

	June 30, 2011			
	Cash and Cash Equivalents	Repurchase Agreement	Investment Agreement	Total
Bond Proceeds Account	$ -	$ -	$ -	$ -
Redemption Account	55,231	-	670,971	726,202
Revenue Account	1,220,122	-	416,530	1,636,652
Fiduciary Fees Account	-	-	-	-
Debt Service Reserve Account	4,452	4,955,000	-	4,959,452
	$ 1,279,805	$ 4,955,000	$ 1,087,501	$ 7,322,306

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
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Note F - Trust Estate Accounts (Continued)

2008A Trust Estate

	June 30, 2011			
	Cash and Cash Equivalents	Repurchase Agreement	Investment Agreement	Total
Bond Proceeds Account	$ 10,267	$ -	$ -	$ 10,267
Redemption Account	372,544	-	-	372,544
Revenue Account	235,419	-	-	235,419
Lessee Acquisition Account	1,611,782	-	-	1,611,782
Fiduciary Fees Account	6	-	-	6
Debt Service Reserve Account	4,403	-	5,000,000	5,004,403
	$ 2,234,421	$ -	$ 5,000,000	$ 7,234,421

2008B Trust Estate

	June 30, 2011			
	Cash and Cash Equivalents	Certificate of Deposit	Repurchase Agreement	Total
Bond Proceeds Account	$ 1	$ -	$ 3,645,263	$ 3,645,264
Redemption Account	290,942	-	-	290,942
Revenue Account	403,227	-	-	403,227
Cost of Issuance Account	-	-	-	-
Lessee Acquisition Account	1,402			1,402
Fiduciary Fees Account	1,687	-	-	1,687
Debt Service Reserve Account	-	5,005,096	-	5,005,096
	$ 697,259	$ 5,005,096	$ 3,645,263	$ 9,347,618

Total Combined Balances

	June 30, 2011				
	Cash and Cash Equivalents	Certificate of Deposit	Repurchase Agreements	Investment Agreements	Total
Bond Proceeds Account	$ 10,268	$ -	$ 3,645,263	$ -	$ 3,655,531
Redemption Account	3,291,282	-	-	3,381,184	6,672,466
Revenue Account	2,222,314	-	-	1,010,037	3,232,351
Cost of Issuance Account	-	-	-	-	-
Lessee Acquisition Account	3,321,080	-	-	-	3,321,080
Fiduciary Fees Account	1,693	-	-	-	1,693
Debt Service Reserve Account	18,876	5,005,096	9,955,000	20,000,000	34,978,972
Rebate Account	48	-	-	-	48
	$ 8,865,561	$ 5,005,096	$ 13,600,263	$ 24,391,221	$ 51,862,141

Note F - Trust Estate Accounts (Continued)

The accounts of each Trust Estate at June 30, 2010 are summarized as follows:

2000 Trust Estate

	June 30, 2010		
	Cash and Cash Equivalents	Investment Agreement	Total
Redemption Account	$ 149,978	$ 958,509	$ 1,108,487
Revenue Account	26,980	731,054	758,034
Debt Service Reserve Account	-	5,000,000	5,000,000
	$ 176,958	$ 6,689,563	$ 6,866,521

2002 Trust Estate

	June 30, 2010		
	Cash and Cash Equivalents	Repurchase Agreement	Total
Redemption Account	$ 1,624,011	$ -	$ 1,624,011
Revenue Account	349,242	-	349,242
Debt Service Reserve Account	-	5,000,000	5,000,000
Rebate Account	48	-	48
	$ 1,973,301	$ 5,000,000	$ 6,973,301

2002A Trust Estate

	June 30, 2010		
	Cash and Cash Equivalents	Investment Agreement	Total
Redemption Account	$ 1,288,862	$ -	$ 1,288,862
Revenue Account	244,041	-	244,041
Debt Service Reserve Account	-	5,000,000	5,000,000
	$ 1,532,903	$ 5,000,000	$ 6,532,903

Note F - Trust Estate Accounts (Continued)

2004A Trust Estate

	June 30, 2010		
	Cash and Cash Equivalents	Investment Agreement	Total
Redemption Account	$ 174,737	$ 182,475	$ 357,212
Revenue Account	62,021	197,112	259,133
Lessee Acquisition Account	-	-	-
Debt Service Reserve Account	-	5,000,000	5,000,000
	$ 236,758	$ 5,379,587	$ 5,616,345

2006A Trust Estate

	June 30, 2010			
	Cash and Cash Equivalents	Repurchase Agreement	Investment Agreement	Total
Bond Proceeds Account	$ 3,468	$ -	$ -	$ 3,468
Redemption Account	274,911	-	420,327	695,238
Revenue Account	161,202	-	497,271	658,473
Fiduciary Fees Account	932	-	-	932
Debt Service Reserve Account	5,181	4,955,000	-	4,960,181
	$ 445,694	$ 4,955,000	$ 917,598	$ 6,318,292

2008A Trust Estate

	June 30, 2010			
	Cash and Cash Equivalents	Repurchase Agreement	Investment Agreement	Total
Bond Proceeds Account	$ 10,266	$ -	$ -	$ 10,266
Redemption Account	266,246	-	-	266,246
Revenue Account	255,986	-	-	255,986
Lessee Acquisition Account	-	-	-	-
Fiduciary Fees Account	17	12,939	-	12,956
Debt Service Reserve Account	4,563	-	5,000,000	5,004,563
	$ 537,078	$ 12,939	$ 5,000,000	$ 5,550,017

Note F - Trust Estate Accounts (Continued)

2008B Trust Estate

	June 30, 2010			
	Cash and Cash Equivalents	Certificate of Deposit	Repurchase Agreement	Total
Bond Proceeds Account	$ -	$ -	$ 3,742,217	$ 3,742,217
Redemption Account	1,291,166	-		1,291,166
Revenue Account	358,475	-	-	358,475
Cost of Issuance Account	10,250	-	-	10,250
Lessee Acquisition Account	-	-	-	-
Fiduciary Fees Account	-	-	97,271	97,271
Debt Service Reserve Account	4,932	5,000,000	-	5,004,932
	$ 1,664,823	$ 5,000,000	$ 3,839,488	$ 10,504,311

Total Combined Balances

	June 30, 2010				
	Cash and Cash Equivalents	Certificate of Deposit	Repurchase Agreements	Investment Agreements	Total
Bond Proceeds Account	$ 13,734	$ -	$ 3,742,217	$ -	$ 3,755,951
Redemption Account	5,069,911	-	-	1,561,311	6,631,222
Revenue Account	1,457,947	-	-	1,425,437	2,883,384
Cost of Issuance Account	10,250	-	-	-	10,250
Lessee Acquisition Account	-	-	-	-	-
Fiduciary Fees Account	949	-	110,210	-	111,159
Debt Service Reserve Account	14,676	5,000,000	9,955,000	20,000,000	34,969,676
Rebate Account	48	-	-	-	48
	$ 6,567,515	$ 5,000,000	$ 13,807,427	$ 22,986,748	$ 48,361,690

Note F - Trust Estate Accounts (Continued)

Pursuant to the terms of the investment and repurchase agreements, the Trust Estates receive investment income equal to the interest cost of the outstanding Bonds (the bond rate) plus the specified interest rates. These interest rate spreads are guaranteed by the investment and repurchase agreement counterparties. The bond rate is the variable rate applicable to the Bonds.

As of June 30, 2011 and 2010, funds were held by the Trustees in the Trustees' names on behalf of the Funding Trust pursuant to the terms of repurchase agreements with the following counterparties:

		Amount Invested		Interest Rate of
Trust Estate	Counterparty	June 30, 2011	June 30, 2010	Bond Rate +
2002 Trust Estate	Bayerische Hypo-Und Vereinsbank Ag	$ 5,000,000	$ 5,000,000	1%
2006A Trust Estate	Hypo Public Finance Bank	4,955,000	4,955,000	1.22%
2008A Trust Estate	DEPFA Bank PLC	-	12,939	0.50%
2008B Trust Estate	Bayerische Landesbank	3,645,263	3,839,488	1.47%
		$ 13,600,263	$ 13,807,427	

As of June 30, 2011 and 2010, funds were held by the Trustees in the Trustees' names on behalf of the Funding Trust pursuant to the terms of investment agreements with the following counterparties:

		Amount Invested		Interest Rate of
Trust Estate	Counterparty	June 30, 2011	June 30, 2010	Bond Rate +
2000 Trust Estate	Societe Generale, New York Branch	$ 6,381,525	$ 6,689,563	0.85%
2002A Trust Estate	Societe Generale, New York Branch	5,000,000	5,000,000	0.40%
2004A Trust Estate	FSA Capital Management	6,922,195	5,379,587	.44*-.49**%
2006A Trust Estate	RaboBank International	1,087,501	917,598	0.61%
2008A Trust Estate	Royal Bank of Canada	5,000,000	5,000,000	0.86%
		$ 24,391,221	$ 22,986,748	

* - Rate of return on Redemption and Revenue Accounts

** - Rate of return on Debt Service Reserve Accounts

As of June 30, 2011 and 2010 $5,005,096 and $5,000,000, respectively, is invested in a certificate of deposit at BB&T bank. As of June 30, 2011 and 2010, the certificate of deposit bears interest at a rate of .15% and 1.2%, respectively. The certificate of deposit has a maturity date of August 29, 2011.

Note F - Trust Estate Accounts (Continued)

As of June 30, 2011 and 2010, the following Trust Estate funds are invested in 1) money market funds investing primarily in obligations issued or guaranteed by the United States government and its agencies; or 2) the Huntington Protected Deposit Account, a fully federally-insured, interest-bearing deposit sweep account:

		Amount Invested	
Trust Estate	Investment	June 30, 2011	June 30, 2010
2000 Trust Estate	First American Gov't Obligation Fund	$ 47,682	$ 176,958
2002 Trust Estate	Huntington Protected Deposit Account	1,392,316	1,973,301
2002A Trust Estate	Huntington Protected Deposit Account	1,464,740	1,532,903
2004A Trust Estate	First American Gov't Obligation Fund	41,442	236,758
2006A Trust Estate	Fidelity Institutional Government Fund	1,275,353	440,513
2008A Trust Estate	Fidelity Institutional Government Fund	2,234,421	537,078
2008B Trust Estate	First American Gov't Obligation Fund	695,857	1,664,823
		$ 7,151,811	$ 6,562,334

As of June 30, 2011 and 2010, the following Trust Estate funds are un-invested cash deposits held by the Trustees:

		Amount on Deposit	
Trust Estate	Financial Institution	June 30, 2011	June 30, 2010
2004A Trust Estate	U.S. Bank National Association	$ 1,707,896	$ -
2006A Trust Estate	Bank of New York Mellon	4,452	5,181
2008B Trust Estate	U.S. Bank National Association	1,402	-
		$ 1,713,750	$ 5,181

Of these cash balances, $1,457,896 and $-0- is un-insured as of June 30, 2011 and 2010, respectively. These funds represent payments received from lessees on June 30, 2011. On July 1, 2011 these funds were immediately transferred to money market accounts or investments mandated by the Trust Indenture.

Note G - Lease Agreement Receivables

Lease agreement receivables represent the obligation of the lease program participants and provide for payment by the participants to the Trust Estate of monies sufficient to pay, when due, the principal and interest on the Bonds and the costs associated with the lease program. All leases are issued as variable rate leases, which may be converted to fixed rate leases through an interest rate exchange agreement (see Note I). The lease rental payment is computed with respect to variable rate bonds and the interest rate in effect on the first day of each week during the fiscal year, unless the lessee elects to have the interest rate converted to a fixed rate upon the terms and conditions of an interest rate exchange agreement (see Note I).

Each Trust Estate can originate leases during a three-year period following the date of issuance of the bonds. The last date on which leases can be originated and the outstanding lease principal amounts at June 30, 2011 and 2010 are as follows:

	Leases Issued During 3-Year Period Ending	Lease Principal Outstanding as of June 30, 2011	2010
2000 Trust Estate	March 2003	$ 15,324,318	$ 16,431,749
2002 Trust Estate	April 2005	13,409,666	14,730,303
2002A Trust Estate	October 2005	24,019,722	26,231,144
2004A Trust Estate	June 2007	28,368,692	32,953,042
2006A Trust Estate	May 2009	36,570,706	39,379,994
2008A Trust Estate	July 2011	39,108,668	42,474,295
2008B Trust Estate	December 2011	30,849,164	38,060,121
		$ 187,650,936	$ 210,260,648

Future minimum lease rental payments required under the lease agreement receivables at June 30, 2011 are as follows:

	Year Ending June 30, 2012	2013	2014	2015	2016	Thereafter	Total
2000 Trust Estate	$ 1,162,543	$ 1,314,070	$ 1,335,298	$ 1,379,650	$ 1,289,109	$ 8,843,648	$ 15,324,318
2002 Trust Estate	1,269,327	1,168,595	1,153,463	1,188,952	1,212,274	7,417,055	13,409,666
2002A Trust Estate	2,393,835	2,016,209	1,999,693	1,980,963	1,989,676	13,639,346	24,019,722
2004A Trust Estate	2,030,852	1,397,079	1,990,127	1,344,100	1,148,905	20,457,629	28,368,692
2006A Trust Estate	1,746,966	1,717,623	1,668,564	1,694,772	1,736,609	28,006,172	36,570,706
2008A Trust Estate	1,821,345	1,878,969	1,893,211	1,951,841	2,019,949	29,543,353	39,108,668
2008B Trust Estate	1,716,757	1,660,467	1,707,077	1,751,341	1,809,176	22,204,346	30,849,164
	$ 12,141,625	$ 11,153,012	$ 11,747,433	$ 11,291,619	$ 11,205,698	$ 130,111,549	$ 187,650,936

Note G - Lease Agreement Receivables (Continued)

As of June 30, 2011, lease rental payments associated with 2 leases had not been received as scheduled under the lease agreement and were considered to be past due. The following table lists the number of leases past due for each Trust Estate as of June 30, 2011 and the total investment in past due leases as of June 30, 2011:

	City of Lexington Leases Past Due	
Trust Estate	Number	Total Investment
2002A Trust Estate	1	$ 405,000
2004A Trust Estate	1	600,000
	2	$ 1,005,000

These past due leases are guaranteed as general obligation debt by the City of Lexington, Kentucky. Because the past due leases are general obligation debt of the City of Lexington, Kentucky, they are considered to be fully collectible. Subsequent to June 30, 2011, the leases were restructured with the principle balance due in full on June 15, 2013. The City of Lexington will continue to make interest payments until the new maturity date.

Note H - Bonds Payable

As described in Note A, the Issuers issued seven variable rate Kentucky League of Cities Funding Trust Lease Program Revenue Bonds. Each bond issue was in the amount of $50,000,000. The Bonds are issuable as fully registered bonds without coupons and will mature on the dates described in Note A, subject to mandatory and optional redemption prior to maturity (as described below). The Bonds are not general obligations of the Issuers or the Funding Trust but are special and limited obligations payable solely from the Trust Estates.

The Bonds were initially offered as Weekly Rate Bonds. Weekly Rate Bonds can be converted to Adjustable Rate Bonds or Fixed Rate Bonds. Weekly Rate Bonds and Adjustable Rate Bonds are subject to optional redemption on their respective interest payment dates, the first business day of each month for Weekly Rate Bonds and on each bond payment date (see schedule below) or, if not a business day, then the next business day for Adjustable Rate Bonds. Fixed Rate Bonds are subject to optional redemption on any date beginning on the interest payment date, or each bond payment date (see schedule below), which is at least ten years from the fixed rate conversion date.

The bond payment dates are as follows for each Trust Estate:

Trust Estate	Bond Payment Date
2000 Trust Estate	September 1 or March 1
2002 Trust Estate	September 1 or March 1
2002A Trust Estate	September 1 or March 1
2004A Trust Estate	September 1 or March 1
2006A Trust Estate	September 1 or March 1
2008A Trust Estate	July 1 or January 1
2008B Trust Estate	December 1 or June 1

Note H - Bonds Payable (Continued)

Daily Rate Bonds, Weekly Rate Bonds, and Adjustable Rate Bonds are subject to mandatory redemption in part on the first redemption date (see schedule below) succeeding each scheduled payment date for a principal component of a lease rental payment under a variable rate lease in an amount equal to such principal component plus accrued interest, if any. Bonds which have been converted to Fixed Rate Bonds upon closing of a lease are subject to mandatory redemption in part on the first interest payment date for such Bonds succeeding each scheduled payment date for a principal component of a lease rental payment under the correlative lease in an amount equal to such principal component plus accrued interest, if any. The Bonds, other than Fixed Rate Bonds, are subject to extraordinary mandatory redemption at a redemption price equal to the principal amount of the Bonds to be redeemed, plus payment of the interest due thereon, on the first interest payment date for Daily or Weekly Rate Bonds occurring at least thirty days after the transfer of moneys from the Project and Debt Service Reserve Accounts due to the failure to originate leases in an aggregate principal amount equal to the amount so transferred.

The redemption dates are as follows for each Trust Estate:

Trust Estate	Redemption Date
2000 Trust Estate	September 1
2002 Trust Estate	September 1
2002A Trust Estate	September 1
2004A Trust Estate	June 1 and December 1
2006A Trust Estate	March 1
2008A Trust Estate	Monthly, 1st Business Day
2008B Trust Estate	Monthly, 1st Business Day

When the Daily Rate Bonds, Weekly Rate Bonds and the Adjustable Rate Bonds are redeemed, the Remarketing Agent (see Note B) uses its best efforts to remarket the Bonds to be purchased on a purchase date described in the Trust Indenture. The Bonds may not be remarketed beyond the final maturity date (see Note A).

The assets of the Trust Estates (see Trust Estate as defined in Note A) are pledged to secure repayment of the Bonds. Repayment of the Bonds is supported by the Credit Facility agreement described in Note B.

The bond rate is the minimum rate of interest established weekly by the Remarketing Agent to enable the Bonds to be marketable. This rate is generally based on the SIFMA Municipal Swap Index. During the year ended June 30, 2011, the variable interest rate on the Bonds outstanding ranged from .08% to .36% for the 2000 Trust Estate and from .11% to .36% for all other Trust Estates. During the year ended June 30, 2010, the variable interest rate on the Bonds outstanding ranged from .14% to .33% for the 2000 Trust Estate and from .14% to .32% for all other Trust Estates.

Note H - Bonds Payable (Continued)

At June 30, 2011 and 2010, the balances outstanding on the Bonds were as follows (See footnote A2 for maturity dates of the bonds payable):

Trust Estate	June 30, 2011	June 30, 2010
2000 Trust Estate	$ 21,665,000	$ 22,815,000
2002 Trust Estate	19,620,000	21,240,000
2002A Trust Estate	30,190,000	32,490,000
2004A Trust Estate	36,935,000	38,460,000
2006A Trust Estate	43,100,000	44,805,000
2008A Trust Estate	46,000,000	47,650,000
2008B Trust Estate	39,815,000	48,175,000
	$ 237,325,000	$ 255,635,000

Note I - Interest Rate Exchange Agreements

The interest rate exchange agreements that the Funding Trust enters into when lessees convert variable rate leases to fixed rate leases are derivative instruments. The Funding Trust utilizes interest rate exchanges to provide fixed rate leases to lessees without bearing interest rate risk (see also Note G). Under the terms of the agreements, the Funding Trust pays to the exchange counterparty the agreed fixed rate and receives interest based upon an agreed variable indexed rate. These interest rate exchange agreements have been designated by the Funding Trust as fair value hedges of the underlying changes in the fair value of the leases receivable. The net interest payments made (received) under the swap exchanges (settlements) are included as a component of interest expense (income). Cash flows from interest rate exchanges are classified as an operating activity on the combined statements of cash flows.

Under the lease agreement, the lessee is ultimately responsible for any payments associated with the early termination of an interest rate exchange agreement. Changes in the fair value of the exchange instruments result in offsetting changes to the carrying value of the underlying lease instruments with no impact on the combined statements of activities and changes in net assets as long as the hedges remain effective.

Under the interest rate exchange agreements, the Funding Trust pays a fixed rate of interest and receives a variable rate tied to the SIFMA Municipal Swap Index. During 2011 and 2010, the Trust Estates made net settlement payments under these exchanges as follows:

	Net Settlement Payments as of June 30,	
Trust Estate	2011	2010
2000 Trust Estate	$ 263,526	$ 275,184
2002 Trust Estate	162,226	169,643
2002A Trust Estate	568,211	608,078
2004A Trust Estate	498,148	529,273
2006A Trust Estate	930,085	954,230
2008A Trust Estate	623,187	644,226
2008B Trust Estate	182,437	171,811
	$ 3,227,820	$ 3,352,445

Note I - Interest Rate Exchange Agreements (Continued)

The number of interest rate exchange agreements and the respective counterparties for each Trust Estate as of June 30, 2011 and 2010 are listed below:

		Number of Agreements as of June 30,	
Trust Estate	Counterparty	2011	2010
2000 Trust Estate	Bank of America Merrill Lynch	3	3
2000 Trust Estate	U.S. Bank	2	2
2002 Trust Estate	Fifth Third Bank	1	1
2002 Trust Estate	U.S. Bank	1	1
2002A Trust Estate	Fifth Third Bank	3	3
2002A Trust Estate	U.S. Bank	7	7
2004A Trust Estate	U.S. Bank	10	12
2006A Trust Estate	U.S. Bank	13	13
2008A Trust Estate	U.S. Bank	6	6
2008B Trust Estate	U.S. Bank	5	5
		51	53

The Funding Trust is exposed to credit losses in the event of non-performance by the exchange counterparty. However, the Funding Trust anticipates that the exchange counterparty will be able to satisfy any obligations under the agreement. The Funding Trust does not obtain collateral or other security to support such derivative financial instruments, however, the Trustee does monitor the credit standing of the exchange counterparty.

The interest rate swap agreements executed with Bank of America Merrill Lynch contain provisions that require the Bonds to maintain an investment grade credit rating from each of the major credit rating agencies. If the Bonds were to fall below investment grade, the Funding Trust would be in violation of these provisions, and the counterparty to the derivative instruments could request immediate payment on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on June 30, 2011 is ($320,471). The Letter of Credit serves as collateral for these derivative instruments. The Funding Trust has not posted additional collateral to this counterparty. If the credit-risk-related contingent features underlying these agreements were triggered on June 30, 2011, the Funding Trust would be required to pay $320,471 from the 2000 Trust Estate for the early termination of the agreements.

Note I - Interest Rate Exchange Agreements (Continued)

The following tables present the combined unrealized gain/(loss) and fair value of derivative instruments by major risk type on a gross basis and the corresponding impact on the assets being hedged as of and for the years ended June 30, 2011 and 2010.

	Liability Derivatives for Fair Value Hedging Activities					
	Year ended June 30, 2011			Year ended June 30, 2010		
Income Statement Classification	Swap Interest Expense	Lease Interest Income	Ineffective Swap Realized Gain/(Loss)	Swap Interest Expense	Lease Interest Income	Ineffective Swap Realized Gain/(Loss)
Income from lease agreement receivables	$ -	$ 3,227,820	$ -	$ -	$ 3,352,445	$ -
Interest expense	(3,227,820)	-	(6,700)	(3,352,445)	-	(93,120)

	As of June 30, 2011		As of June 30, 2010	
Balance Sheet Classification	Class of Derivative	Fair Value	Class of Derivative	Fair Value
Interest rate exchange	Interest rate contracts	$ (6,974,147)	Interest rate contracts	$ (7,903,916)
Lease agreement receivables unrealized appreciation (Hedged Asset)	N/A	7,030,720	N/A	7,967,189
Cummulative realized gain from ineffectiveness	N/A	56,573	N/A	63,273

Total combined loss due to hedge ineffectiveness was $6,700 and $93,120 for the years ended June 30, 2011 and 2010, respectively. Accordingly, the accompanying combined statements of financial position as of June 30, 2011 and 2010 reflect unrealized appreciation in the fair value of lease agreement receivables of $7,030,720 and $7,967,189, respectively, and interest rate exchange liabilities of $6,974,147 and $7,903,916, respectively.

Note J - Tax Status

All funds are considered to be property of the agencies participating in the lease program. The Funding Trust intends to be an instrument of the participating agencies and will only execute essential government functions. The income of the Trust Estates will accrue to the benefit of the participating agencies. As such, the income of the Trust Estates is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

Note J - Tax Status (Continued)

The Bonds are subject to the arbitrage rebate regulations included in the Internal Revenue Code. These regulations require nonexempt arbitrage earnings to 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 for each Trust Estate at June 30, 2011 and 2010 are as follows:

	2011	2010
2000 Trust Estate	$ 15,042	$ 239,779
2002 Trust Estate	139,715	95,215
2002A Trust Estate	-	-
2004A Trust Estate	-	-
2006A Trust Estate	599,153	635,223
2008A Trust Estate	126,828	121,833
2008B Trust Estate	-	15,995
	$ 880,738	$ 1,108,045

Note K - Related Party Transactions

The Trust Estates pay administrative fees to the Kentucky League of Cities as Program Administrator. During the years ended June 30, 2011 and 2010, administrative fees paid to the Kentucky League of Cities included in administrative and trustee fees in the accompanying combined statements of activities and changes in net assets were $473,695 and $529,999, respectively. At June 30, 2011 and 2010, total administrative fees included in accounts payable are $10,254 and $51,256, respectively.

During the year ended June 30, 2010, the 2008A and 2008B Trust Estates entered into lease agreements with the Kentucky League of Cities to finance costs to renovate the Program Administrator's office building. The total balance of these lease agreement receivables is $4,174,627 and $4,300,000 as of June 30, 2011 and 2010, respectively.

Note L - Departure from U.S. Generally Accepted Accounting Principles

The Trust Estates record a participant's share of issuance costs to originate a lease as income in the year the lease is closed. This income is recorded in the accompanying combined statements of activities and changes in net assets. A participant's share of issuance costs should be deferred and amortized to income over the life of the lease using the effective interest method in order to conform to accounting principles generally accepted in the United States of America. If the participants' share of issuance costs were deferred, the following accounts would be increased (decreased):

	June 30, 2011			
			Change in net assets	
	Liabilities: Costs of	Net assets, unrestricted	Income from lease issuance costs	Income from lease agreement receivables
2000 Trust Estate	$ 278,001	$ (278,001)	$ -	$ 23,732
2002 Trust Estate	284,409	(284,409)	-	31,435
2002A Trust Estate	345,160	(345,160)	-	39,441
2004A Trust Estate	587,189	(587,189)	-	74,729
2006A Trust Estate	709,665	(709,665)	-	33,585
2008A Trust Estate	738,168	(738,168)	-	59,168
2008B Trust Estate	707,848	(707,848)	(2,677)	40,039
	$ 3,650,440	$ (3,650,440)	$ (2,677)	$ 302,129

	June 30, 2010			
			Change in net assets	
	Liabilities: Costs of	Net assets, unrestricted	Income from lease issuance costs	Income from lease agreement receivables
2000 Trust Estate	$ 301,733	$ (301,733)	$ -	$ 36,947
2002 Trust Estate	315,844	(315,844)	-	39,761
2002A Trust Estate	384,601	(384,601)	-	41,396
2004A Trust Estate	661,918	(661,918)	-	57,007
2006A Trust Estate	743,240	(743,240)	-	58,763
2008A Trust Estate	797,336	(797,336)	(14,940)	53,728
2008B Trust Estate	745,210	(745,210)	(274,730)	71,210
	$ 3,949,882	$ (3,949,882)	$ (289,670)	$ 358,812

Supplementary Information

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combining Statement of Financial Position
June 30, 2011

	Trust Estate							
	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Assets								
Cash and cash equivalents	$ 47,682	$ 1,392,316	$ 1,464,740	$ 1,749,338	$ 1,279,805	$ 2,234,421	$ 697,259	$ 8,865,561
Certificates of deposit	-	-	-	-	-	-	5,005,096	5,005,096
Repurchase agreements	-	5,000,000	-	-	4,955,000	-	3,645,263	13,600,263
Investment agreements	6,381,525	-	5,000,000	6,922,195	1,087,501	5,000,000	-	24,391,221
Accrued investment income receivable	5,268	4,789	5,123	3,249	2	4,063	15,737	38,231
Accrued interest and fees receivable-leases	29,023	15,275	33,384	90,119	135,466	100,998	70,743	475,008
Leases receivable	15,324,318	13,409,666	24,019,722	28,368,692	36,570,706	39,108,668	30,849,164	187,650,936
Lease agreement receivables-unrealized appreciation in fair value	549,804	415,806	1,336,061	1,256,151	2,124,306	1,034,404	314,188	7,030,720
Prepaids and other current assets	-	-	-		2,664	-	-	2,664
Costs of debt issuance, net	179,964	195,132	226,728	295,055	341,971	381,362	448,888	2,069,100
Total Assets	$ 22,517,584	$ 20,432,984	$ 32,085,758	$ 38,684,799	$ 46,497,421	$ 47,863,916	$ 41,046,338	$ 249,128,800
Liabilities and Net Assets								
Liabilities								
Accounts payable and other accrued liabilities	$ 82,667	$ 52,022	$ 78,842	$ 139,610	$ 101,756	$ 169,816	$ 157,417	$ 782,130
Accrued interest payable - bonds	2,535	2,060	3,143	3,835	4,416	4,713	4,130	24,832
Interest rate exchange - liability	549,804	415,806	1,336,061	1,256,151	2,124,306	1,034,404	257,615	6,974,147
Accrued arbitrage rebate	15,042	139,715	-	-	599,153	126,828	-	880,738
Bonds payable	21,665,000	19,620,000	30,190,000	36,935,000	43,100,000	46,000,000	39,815,000	237,325,000
Total Liabilities	22,315,048	20,229,603	31,608,046	38,334,596	45,929,631	47,335,761	40,234,162	245,986,847
Commitments and Contingencies								
Net Assets, unrestricted	202,536	203,381	477,712	350,203	567,790	528,155	812,176	3,141,953
Total Liabilities and Net Assets	$ 22,517,584	$ 20,432,984	$ 32,085,758	$ 38,684,799	$ 46,497,421	$ 47,863,916	$ 41,046,338	$ 249,128,800

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combining Statement of Financial Position
June 30, 2010

	Trust Estate							
	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Assets								
Cash and cash equivalents	$ 176,958	$ 1,973,301	$ 1,532,903	$ 236,758	$ 445,694	$ 537,078	$ 1,664,823	$ 6,567,515
Certificates of deposit	-	-	-	-	-	-	5,000,000	5,000,000
Repurchase agreements	-	5,000,000	-	-	4,955,000	12,939	3,839,488	13,807,427
Investment agreements	6,689,563	-	5,000,000	5,379,587	917,598	5,000,000	-	22,986,748
Accrued investment income receivable	10,811	5,822	5,808	3,188	3	4,745	15,696	46,073
Accrued interest and fees receivable-leases	52,110	23,248	39,000	86,386	186,523	104,744	77,503	569,514
Leases receivable	16,431,749	14,730,303	26,231,144	32,953,042	39,379,994	42,474,295	38,060,121	210,260,648
Lease agreement receivables-unrealized appreciation in fair value	688,909	475,416	1,433,143	1,406,243	2,446,635	1,168,933	347,910	7,967,189
Prepaids and other current assets	-	-	-	-	2,664	-	-	2,664
Costs of debt issuance, net	200,387	217,295	254,304	320,139	374,466	425,923	488,275	2,280,789
Total Assets	$ 24,250,487	$ 22,425,385	$ 34,496,302	$ 40,385,343	$ 48,708,577	$ 49,728,657	$ 49,493,816	$ 269,488,567
Liabilities and Net Assets								
Liabilities								
Accounts payable and other accrued liabilities	$ 88,338	$ 56,375	$ 92,890	$ 152,450	$ 207,948	$ 213,883	$ 193,205	$ 1,005,089
Lease rebates payable	216,685	149,900	-	-	-	-	-	366,585
Accrued interest payable - bonds	6,000	5,121	7,833	9,723	10,802	11,488	11,126	62,093
Interest rate exchange - liability	688,909	475,416	1,433,143	1,406,243	2,446,635	1,168,933	284,637	7,903,916
Accrued arbitrage rebate	239,779	95,215	-	-	635,223	121,833	15,995	1,108,045
Bonds payable	22,815,000	21,240,000	32,490,000	38,460,000	44,805,000	47,650,000	48,175,000	255,635,000
Total Liabilities	24,054,711	22,022,027	34,023,866	40,028,416	48,105,608	49,166,137	48,679,963	266,080,728
Commitments and Contingencies								
Net Assets, unrestricted	195,776	403,358	472,436	356,927	602,969	562,520	813,853	3,407,839
Total Liabilities and Net Assets	$ 24,250,487	$ 22,425,385	$ 34,496,302	$ 40,385,343	$ 48,708,577	$ 49,728,657	$ 49,493,816	$ 269,488,567

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combining Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011

	Trust Estate							
	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Revenues								
Income from lease agreement receivables	$ 535,928	$ 396,105	$ 900,011	$ 986,803	$ 1,451,113	$ 1,259,585	$ 892,667	$ 6,422,212
Income from lessee issuance costs	-	-	-	-	-	-	2,677	2,677
Investment interest income and other income	73,904	65,016	66,507	41,052	64,357	55,823	68,244	434,903
Gain on hedge ineffectiveness	-	-	-	-	-	-	-	-
Total Revenues	609,832	461,121	966,518	1,027,855	1,515,470	1,315,408	963,588	6,859,792
Expenses								
Administrative and trustee fees	$ 54,917	$ 197,250	$ 66,995	$ 103,207	$ 178,081	$ 120,512	$ 101,228	$ 822,190
Letter of credit fee	156,253	150,074	178,781	285,708	272,177	381,022	479,897	1,903,912
Remarketing fees	17,438	18,087	30,902	27,539	44,314	46,776	43,036	228,092
Professional and other fees	21,192	15,675	9,925	(5,075)	16,175	10,425	13,407	81,724
Arbitrage rebate	14,344	44,500	-	-	(36,070)	4,995	(15,995)	11,774
Bond interest expense	54,979	51,123	78,852	99,968	113,392	118,295	115,168	631,777
Swap interest expense	263,526	162,226	568,211	498,148	930,085	623,187	182,437	3,227,820
Amortization expense	20,423	22,163	27,576	25,084	32,495	44,561	39,387	211,689
Loss on swap ineffectiveness	-	-	-	-	-	-	6,700	6,700
Total Expenses	603,072	661,098	961,242	1,034,579	1,550,649	1,349,773	965,265	7,125,678
Changes in Net Assets	6,760	(199,977)	5,276	(6,724)	(35,179)	(34,365)	(1,677)	(265,886)
Net Assets at Beginning of Year	195,776	403,358	472,436	356,927	602,969	562,520	813,853	3,407,839
Net Assets at End of Year	$ 202,536	$ 203,381	$ 477,712	$ 350,203	$ 567,790	$ 528,155	$ 812,176	$ 3,141,953

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combining Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010

	Trust Estate							
	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Revenues								
Income from lease agreement receivables	$ 569,495	$ 433,985	$ 957,946	$ 998,671	$ 1,433,343	$ 1,239,446	$ 791,888	$ 6,424,774
Income from lessee issuance costs	-	-	-	-	-	14,940	274,730	289,670
Investment interest income and other income	60,855	67,282	70,397	44,027	63,090	39,160	173,573	518,384
Gain on hedge ineffectiveness	-	-	-	-	-	-	63,273	63,273
Total Revenues	630,350	501,267	1,028,343	1,042,698	1,496,433	1,293,546	1,303,464	7,296,101
Expenses								
Administrative and trustee fees	$ 69,881	$ 47,951	$ 77,975	$ 118,287	$ 100,994	$ 129,238	$ 97,604	$ 641,930
Letter of credit fee	146,715	147,906	185,721	261,470	252,581	339,092	473,492	1,806,977
Remarketing fees	11,674	28,479	33,023	34,767	45,738	48,212	40,562	242,455
Professional and other fees	18,400	14,901	14,902	22,900	34,933	15,250	27,113	148,399
Arbitrage rebate	36,560	15,500	-	(25,533)	(142,709)	(3,876)	(19,557)	(139,615)
Bond interest expense	56,791	49,341	78,295	97,223	106,712	112,493	114,113	614,968
Swap interest expense	275,184	169,643	608,078	529,273	954,230	644,226	171,811	3,352,445
Amortization expense	14,718	22,918	22,675	32,767	72,494	85,685	45,939	297,196
Loss on swap ineffectiveness	-	-	-	-	-	93,120	-	93,120
Total Expenses	629,923	496,639	1,020,669	1,071,154	1,424,973	1,463,440	951,077	7,057,875
Changes in Net Assets	427	4,628	7,674	(28,456)	71,460	(169,894)	352,387	238,226
Net Assets at Beginning of Year	195,349	398,730	464,762	385,383	531,509	732,414	461,466	3,169,613
Net Assets at End of Year	$ 195,776	$ 403,358	$ 472,436	$ 356,927	$ 602,969	$ 562,520	$ 813,853	$ 3,407,839

Kentucky League if Cities Funding Trust Lease Program Revenue Bonds
Combining Statement of Cash Flows
Year Ended June 30, 2011

	Trust Estate							
	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Cash Flows from Operating Activities								
Change in net assets	$ 6,760	$ (199,977)	$ 5,276	$ (6,724)	$ (35,179)	$ (34,365)	$ (1,677)	$ (265,886)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:								
Amortization of costs of issuance	20,423	22,163	27,576	25,084	32,495	44,561	39,387	211,689
Loss (gain) on hedge ineffectiveness	-	-	-	-	-	-	6,700	6,700
Changes in:								
Accrued investment income receivable	5,543	1,033	685	(61)	1	682	(41)	7,842
Accrued interest and fees receivable-leases	23,087	7,973	5,616	(3,733)	51,057	3,746	6,760	94,506
Accounts payable and other accrued expenses	(5,671)	(4,353)	(14,048)	(12,840)	(106,192)	(44,067)	(35,788)	(222,959)
Lease rebates payable	(216,685)	(149,900)	-	-	-	-	-	(366,585)
Accrued bond interest payable	(3,465)	(3,061)	(4,690)	(5,888)	(6,386)	(6,775)	(6,996)	(37,261)
Accrued arbitrage	(224,737)	44,500	-	-	(36,070)	4,995	(15,995)	(227,307)
Net Cash (Used) Provided by Operating Activities	(394,745)	(281,622)	20,415	(4,162)	(100,274)	(31,223)	(7,650)	(799,261)
Cash Flows from Investing Activities								
Proceeds from lease agreements	1,107,431	1,320,637	2,211,422	4,584,350	2,809,288	3,365,627	7,361,333	22,760,088
Lease agreements executed	-	-	-	-	-	-	(150,376)	(150,376)
Net proceeds from (investment in) investment and repurchase agreements and certificates of deposit	308,038	-	-	(1,542,608)	(169,903)	12,939	189,129	(1,202,405)
Net Cash Provided by Investing Activities	1,415,469	1,320,637	2,211,422	3,041,742	2,639,385	3,378,566	7,400,086	21,407,307
Cash Flows from Financing Activities								
Principal payments on bonds	(1,150,000)	(1,620,000)	(2,300,000)	(1,525,000)	(1,705,000)	(1,650,000)	(8,360,000)	(18,310,000)
Cash Used by Financing Activities	(1,150,000)	(1,620,000)	(2,300,000)	(1,525,000)	(1,705,000)	(1,650,000)	(8,360,000)	(18,310,000)
(Decrease) Increase in Cash and Cash Equivalents	(129,276)	(580,985)	(68,163)	1,512,580	834,111	1,697,343	(967,564)	2,298,046
Cash and Cash Equivalents at Beginning of Year	176,958	1,973,301	1,532,903	236,758	445,694	537,078	1,664,823	6,567,515
Cash and Cash Equivalents at End of Year	$ 47,682	$ 1,392,316	$ 1,464,740	$ 1,749,338	$ 1,279,805	$ 2,234,421	$ 697,259	$ 8,865,561

Kentucky League of Cities Funding Trust Lease Program Revenue Bonds
Combining Statement of Cash Flows
Year Ended June 30, 2010

	Trust Estate							
	2000	2002	2002A	2004A	2006A	2008A	2008B	Total
Cash Flows from Operating Activities								
Change in net assets	$ 427	$ 4,628	$ 7,674	$ (28,456)	$ 71,460	$ (169,894)	$ 352,387	$ 238,226
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:								
Amortization of costs of issuance	14,718	22,918	22,675	32,767	72,494	85,685	45,939	297,196
Loss (gain) on hedge ineffectiveness	-	-	-	-	-	93,120	(63,273)	29,847
Changes in:								
Accrued investment income receivable	(5,111)	286	541	936	6	16,071	54,641	67,370
Accrued interest and fees receivable-leases	16,760	(2,061)	3,767	(3,014)	7,171	(9,645)	(35,902)	(22,924)
Accounts payable and other accrued expenses	(1,565)	11,546	(897)	(2,013)	90,153	(195,666)	55,707	(42,735)
Lease rebates payable	30,567	18,168	-	-	-	-	-	48,735
Accrued bond interest payable	405	(2,360)	(3,891)	(4,140)	(2,306)	(2,755)	2,984	(12,063)
Accrued arbitrage	36,560	15,500	-	(25,533)	(142,709)	(3,876)	(19,557)	(139,615)
Net Cash Provided (Used) by Operating Activities	92,761	68,625	29,869	(29,453)	96,269	(186,960)	392,926	464,037
Cash Flows from Investing Activities								
Proceeds from lease agreements	1,497,937	1,612,293	2,379,244	2,523,829	1,648,276	1,556,036	2,993,391	14,211,006
Lease agreements executed	-	-	-	-	-	(1,613,923)	(14,885,760)	(16,499,683)
Net (investment in) proceeds from investment and repurchase agreements and certificates of deposit	(602,272)	-	-	1,467,715	(135,519)	1,773,225	14,260,066	16,763,215
Net Cash Provided by Investing Activities	895,665	1,612,293	2,379,244	3,991,544	1,512,757	1,715,338	2,367,697	14,474,538
Cash Flows from Financing Activities								
Principal payments on bonds	(910,000)	(1,630,000)	(2,850,000)	(3,865,000)	(1,370,000)	(1,570,000)	(1,825,000)	(14,020,000)
Cash Used by Financing Activities	(910,000)	(1,630,000)	(2,850,000)	(3,865,000)	(1,370,000)	(1,570,000)	(1,825,000)	(14,020,000)
Increase (Decrease) in Cash and Cash Equivalents	78,426	50,918	(440,887)	97,091	239,026	(41,622)	935,623	918,575
Cash and Cash Equivalents at Beginning of Year	98,532	1,922,383	1,973,790	139,667	206,668	578,700	729,200	5,648,940
Cash and Cash Equivalents at End of Year	$ 176,958	$ 1,973,301	$ 1,532,903	$ 236,758	$ 445,694	$ 537,078	$ 1,664,823	$ 6,567,515